

Managing Public Grants

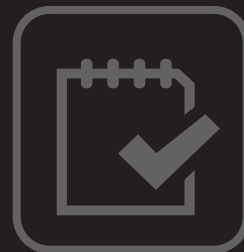
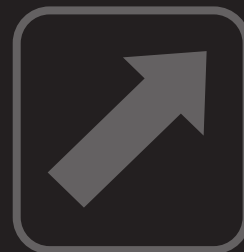
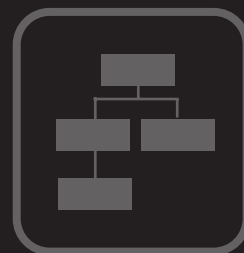
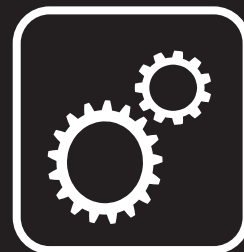


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INTRODUCTION

The Compassion Capital Fund (CCF), administered by the U.S. Department of Health and Human Services, provided capacity building grants to expand and strengthen the role of nonprofit organizations in their ability to provide social services to low-income individuals. Between 2002 and 2009, CCF awarded 1,277 grants, and the CCF National Resource Center provided training and technical assistance to all CCF grantees.

Strengthening Nonprofits: A Capacity Builder's Resource Library is born out of the expansive set of resources created by the National Resource Center during that time period, to be shared and to continue the legacy of CCF's capacity building work.

Strengthening Nonprofits: A Capacity Builder's Resource Library contains guidebooks and e-learnings on the following topics:

1. Conducting a Community Assessment
2. Delivering Training and Technical Assistance
3. Designing and Managing a Subaward Program
4. Going Virtual
5. Identifying and Promoting Effective Practices
6. Leading a Nonprofit Organization: Tips and Tools for Executive Directors and Team Leaders
7. Managing Crisis: Risk Management and Crisis Response Planning
8. Managing Public Grants
9. Measuring Outcomes
10. Partnerships: Frameworks for Working Together
11. Sustainability
12. Working with Consultants

Who is the audience for *Strengthening Nonprofits: A Capacity Builder's Resource Library*?

Anyone who is interested in expanding the capacity of nonprofit services in their community – from front line service providers to executives in large intermediary organizations – will benefit from the information contained in this resource library. The National Resource Center originally developed many of these resources for intermediary organizations, organizations that were granted funds by CCF to build the capacity of the faith-based and community-based organizations (FBCOs) they served. As such, the majority of the resources in *Strengthening Nonprofits: A Capacity Builder's Resource Library* support intermediary organizations in their capacity building efforts. However, funders of capacity building programs (Federal program offices and foundations) and the nonprofit community (including FBCOs) at large will also find these resources helpful. In addition, individuals working to build capacity within a program or an organization will be able to use these resources to support their efforts to implement change and make improvements.

The ***Managing Public Grants*** guidebook will be helpful to any intermediary or group of organizations that has received a Federal grant.

Who developed the ***Managing Public Grants*** guidebook?

The guidebook was originally developed by the National Resource Center with assistance from Lisa Cummins. It was updated in 2010 for the Department of Health and Human Services by the National Resource Center.

OVERVIEW

By reading this guidebook, capacity builders and intermediary organizations will better understand the key concepts and elements required to manage Federal grants effectively, including:

- Achieving proposed program goals
- Receiving and disbursing Federal funds
- Complying with reporting requirements
- Writing continuation applications

The guidebook will also help organizations answer several key questions:

- What are the responsibilities of being a grant recipient?
- How do we ensure compliance with the grant agreement?
- What is the process for receiving and distributing Federal funds?
- What are the reporting requirements? (administrative, financial, audit)
- How are grant funds requested and received?
- What is the process for budget changes?
- What are the most frequent causes of noncompliance?
- What are the remedies/penalties for noncompliance?
- What is the process for continuation funding?
- What is required for grant closeout?

This guidebook serves as a resource to assist intermediary organizations in effectively managing Federal grants so that funded project goals are achieved in compliance with Federal regulations and reporting requirements. It can help answer frequently asked questions and direct you to necessary resources and information to assist in effectively and efficiently implementing your funded project.

As a recipient of Federal funds, understanding and honoring the requirements set forth by the Federal awarding agency is critical to successfully implementing your funded project. Unlike funds from private foundations or individuals, Federal funds require compliance with what may initially seem to be an overwhelming number of requirements. This guidebook will provide you with resources and general information about grant management policies for most Federal funding agencies. Questions are bound to arise as you set up and implement your funded project. Since each Federal agency has specific requirements, it is critical that you become very familiar with the terms of your award and the Federal staff assigned to oversee your project.

Critical Elements of Grants Management

Key Documents

1. Application for funding
2. Cooperative agreement or grant agreement issued by the Federal awarding agency
3. Award package issued by the Federal awarding agency

Your application details the specific project activities your organization will undertake and the objectives you want to accomplish. The cooperative agreement or grant agreement specifies the terms of the award. The award package includes the notice of award specifying the amount of the award, project period, budget period, standard terms and conditions, reporting requirements, and required forms for submission. The package may also contain information about the payment mechanism through which funds will be disbursed.

Implementing and managing your funded project is a group effort. The process involves your program staff and administrators and Federal staff, including a Federal program officer and a grants management officer. Federal program officers work in concert with grants management officers in overseeing funded projects. We'll examine their different roles in the next section, "Roles and Relationships in Managing Federal Grants." For now, you need to understand that both will provide valuable assistance to you. Your project staff will work together with Federal staff, guided by the terms and conditions of the award, to effectively and successfully manage the funded project.

Federal Regulations and Rules for Grant Management

Who develops the policies related to grants management? The Office of Management and Budget (OMB) works cooperatively with grant-making Federal agencies and the recipient community to lead in the development of government-wide policy. They assure that grants are managed properly and that Federal dollars are spent in accordance with applicable laws and regulations.

The rules governing grant management can be found in Title 2 of the Code of Federal Regulations, which contains OMB guidance to Federal agencies on government-wide policies and procedures for the award and administration of grants and agreements, as well as Federal agency regulations for the guidance.¹ This information was previously published in OMB circulars but is now included in 2 CFR as part of a broader initiative to create a single location where the public can find both OMB guidance for grants and agreements and the associated Federal agency implementing regulations. The broader initiative provides a good foundation for streamlining and simplifying the policy framework for grants and agreements, which is one objective of OMB and Federal agency efforts to implement the Federal Financial Assistance Management Improvement Act of 1999.

Title 2 of the CFR has two sections. Subtitle A contains the guidance for implementing grants and agreements as previously published in the OMB circulars. In Subtitle B, each Federal agency that publishes regulations implementing the OMB guidance has a chapter. It is very important to become familiar with OMB's requirements and guidance that apply to your organization type. These regulations can be accessed online at www.gpoaccess.gov/ecfr.

The information presented in this guidebook is derived from the following sources:

- 2 CFR 215 — Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations
- 2 CFR 230 — Cost Principles for Nonprofit Organizations
- OMB Circular A-127 — Financial Management Systems
- OMB Circular A-133 — Audits of States, Local Governments, and Nonprofit Organizations
- OMB Circular A-134 — Financial Accounting Principles and Standards

1 2 CFR 1, "About Title 2 of the Code of Federal Regulations and Subtitle A." Available at http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title02/2cfr1_main_02.tpl.

Educational institutions and commercial (for-profit) companies are governed by different cost principles, which are not discussed in this guidebook. However, those regulations and additional information can also be found in Subtitle A of 2 CFR.

Each Federal awarding agency is governed by 2 CFR and applicable Federal law. You can find the Code of Federal Regulations online at www.gpoaccess.gov/cfr/index.html. The following list will help you identify the governing legislation in the Code of Federal Regulations for each of the agencies listed below:

- Health and Human Services—45 CFR 74
- Education—34 CFR 74
- Housing and Urban Development—24 CFR 84
- Justice—28 CFR 70
- Labor—29 CFR 95

The governing legislation for each agency details specific terms, requirements, and conditions for all funding awards issued by the applicable Federal agency. The CFR is organized by subsection; accessing it online will provide you with direct links to specific sections. This allows you to easily search for information related to a topic or question you may have. Some agencies, such as the Department of Health and Human Services (HHS), also issue a Grants Policy Statement (GPS). The HHS GPS makes available to HHS grantees, in a single document, up-to-date policy guidance to serve as the administrative terms and conditions of HHS discretionary grant awards. The GPS is also designed to be useful to those interested in HHS grant programs by providing information about HHS and its discretionary grant process.²

ROLES AND RELATIONSHIPS IN MANAGING FEDERAL GRANTS

For many organizations, approaching and working with a Federal agency may seem overwhelming. When an award is made, a Federal program officer and a grants management officer will be assigned to oversee your project as it is implemented. Your program officer and grants management officer are your best resources for navigating unfamiliar territory as you implement your funded project. They are available to provide assistance for everything from setting up a new program to addressing closeout issues once a funded project has concluded. Your role as a grantee and the roles of Federal staff are detailed in the following paragraphs.

The Roles and Responsibilities of Your Organization

As a grant recipient (or potential grant recipient), your responsibilities are to successfully complete your approved project within the agreed-upon budget and time frame. In order to accomplish your project goals and ensure compliance, you should:

- Develop and implement work plans that will ensure that the services and activities included in the approved application are achieved in an efficient, effective, and timely manner
- Submit plans and procedures for the issuance of subawards for Federal approval according to the specified timeline and prior to the issuance of any such subawards (if subaward plans and programs are part of grant requirements)

² The HHS GPS is available from the HHS Office of Grants and Acquisition Policy and Accountability (OGAPA) at <http://www.hhs.gov/asfr/ogapa/aboutog/grantsnet.html>.

- Ensure that key project staff members attend and participate in Federal funding agency-sponsored workshops and meetings
- Develop a reporting system and submit the completed required performance and financial reports on time, as required by your cooperative agreement
- Work collaboratively with agency officials and other intermediary organizations

It is important to develop a good working relationship with Federal program officers and grants management officers who have oversight responsibility for your funded project. Open, clear, and consistent communication with your program officer and grants management officer will enhance your ability to effectively implement your program in compliance with the terms of your cooperative agreement.

The Role of Grants Management Officers

The grants management officer (GMO)³ is the official responsible for the business management and other non-programmatic aspects of an award. These activities include, but are not limited to:

- Evaluating grant applications for administrative content and compliance with statutes, regulations, and guidelines;
- Negotiating awards;
- Providing consultation and technical assistance to applicants and recipients, including interpretation of grants administration policies and provisions; and
- Administering and closing out grants.

The GMO, or an assigned grants management specialist working on behalf of the GMO, is usually responsible for receiving and acting on requests for prior approval or for changes in the terms and conditions of award. The GMO is the only official authorized to obligate the agency to the expenditure of Federal funds or to change the funding, duration, or other terms and conditions of an award.

The Role of Federal Program Officers

Program officers (POs)⁴ have a vested interest in the success of your program and are responsible for the programmatic, scientific, and/or technical aspects of assigned applications and grants. They have the following responsibilities related to the grant:

- Providing programmatic technical assistance;
- Monitoring performance of the project/program, including reviewing progress reports and making site visits to observe operations;
- Performing other activities complementary to those of the GMO (the PO and the GMO work as a team in many of these activities.)

3 HHS Grants Policy Statement. Available at <http://www.hhs.gov/asfr/ogapa/grantinformation/hhsgps107.pdf>.

4 Ibid

THE GRANT AWARD PROCESS

Once a funding decision has been made, the Federal awarding agency will issue the applicable award instrument, as specified in the program announcement in the Federal Register and on Grants.gov, the online clearinghouse of Federal grant funding opportunities. Award instruments include grants, cooperative agreements, and contracts.

Grants and *cooperative agreements* are used when the principal purpose of the transaction is to support a public purpose authorized by the awarding agency's Federal statute. This guidebook provides information that can be used by organizations that have a grant or a cooperative agreement. *Grants* are used when a recipient organization is expected to implement and achieve programmatic goals autonomously. *Cooperative agreements* are used when substantial involvement is expected between the funding agency and the recipient when carrying out the funded activities. *Contracts* are used when the principal purpose is the acquisition of property or services for the direct benefit or use by the Federal government.⁵

Federal funds are *restrictive*, meaning they must be used for a specific purpose detailed in the grant or cooperative agreement. The actual terms of the arrangement between your organization and the Federal awarding agency will be specified in the cooperative agreement or grant, which will be mailed to you for negotiation and signature prior to issuing an award. If the Federal funding agency requires cost sharing or matching, you may be required to produce those funds before a cooperative agreement is signed and Federal funds are disbursed. Once you have signed and returned your cooperative agreement, an award will be made and funds will be released.

When a funding award is made, the Federal funding agency and the Division of Payment Management (DPM) initiate the process for receiving award payments.

Process for **Receiving Award Payments**:

1. Recipient submits application for grant
2. Awarding agency reviews application and approves
3. Data regarding grant is transmitted to Payment Management System (PMS)
4. PMS updates databases

Information about how to set up your payment accounts is provided in your grant award package, or sometimes directly by DPM. It is also available on the DPM website at www.dpm.psc.gov. DPM serves many agencies, so it is important to note that organizations with multiple grants paid through DPM will have a single account for all of the grants.

DEVELOPING AN OPERATIONAL PLAN

Your organization's compliance with the terms of your grant agreement entails familiarizing project staff with Federal program requirements, participating in technical assistance workshops, and implementing the proposed project as planned and within budget. This guidebook provides information specific to financial and program-related reporting generally required by Federal funding agencies.

Your operational plan will be based on information presented in your application narrative and the required reporting schedule detailed in your award package. When you developed your application for funding, you

⁵ 2 CFR 215.11, "Pre-Award Requirements: Pre-Award Policies." Available at <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=f097917eba67e614eb41bef8e91b0dc1&rgn=div8&view=text&node=2:1.1.2.3.2.2.10.2&idno=2>.

described the who, what, when, where, why, and how of the specific activities that will take place to achieve desired outcomes and project objectives.

The evaluation section of your proposal described how you know if the program objectives have been accomplished. Data collection, monitoring, and reporting are critical since project staff may be required to produce evidence of program performance through an examination of stated objectives during a site visit by the Federal grantor agency and/or grant reviews that may involve peer review committees.

Create a Reporting Calendar and Assign Responsibilities

Using information you provided in your application narrative and reporting requirements specified by the Federal funding agency in your award package, develop a document that relates goals, objectives, and activities to implementation and reporting timelines. This document is called an operational plan or work plan document. Set intervals that are appropriate to your project and reporting requirements. The following table provides a sample operational plan format and allows you to indicate who is responsible for completing each of the activities detailed.

Sample Operational Plan Format

Goals	Activities	Responsible Member	Year 1 Timeline			
			Q1	Q2	Q3	Q4

In this sample operational plan format, reporting deadlines can be entered as activities, with due dates indicated in the timeline. The following table provides a sample reporting timeline.

Sample Reporting Timeline for One-Year Grant

DATE	WHAT TO SUBMIT	WHERE TO SUBMIT
<i>9/30/2009 (start of grant period)</i>		
2/14/2010	Quarterly FFR	Due to the Division of Payment Management (DPM)
4/30/2010 (this is a received-by date)	<ul style="list-style-type: none"> ▪ First semiannual program progress report ▪ SF 269, Financial Status Report 	<ul style="list-style-type: none"> ▪ One hard copy to your grants management specialist (OGM) ▪ One electronic copy to your program specialist
5/15/2010	Quarterly FFR	Due to the Division of Payment Management (DPM)
8/15/2010	Quarterly FFR	Due to the Division of Payment Management (DPM)
<i>9/29/2010 (end of grant period)</i>		
10/30/2010 (this is a received-by date)	<ul style="list-style-type: none"> ▪ Second semiannual program progress report ▪ SF 269, Financial Status Report 	<ul style="list-style-type: none"> ▪ One hard copy to your grants management specialist (OGM) ▪ One electronic copy to your program specialist
11/15/2010	Quarterly FFR	Due to the Division of Payment Management (DPM)
12/31/2010 (this is a received-by date)	<ul style="list-style-type: none"> ▪ Final report ▪ SF 269, Financial Status Report 	<ul style="list-style-type: none"> ▪ One hard copy to your grants management specialist (OGM) ▪ One electronic copy to your program specialist (CCF PO)

If the complexity of your project necessitates, similar work plans can be developed for each separate project component. An operational plan should be a working document, allowing you to gauge progress and success and to outline next steps. However, it should also incorporate feedback and changes derived from the evaluation process. Your organization's strategic plan may serve as an operational plan if it details specific activities, outputs, and timelines for accomplishing project objectives and goals.

Ensure Timely Payments

Payment to your organization may be tied to reporting schedules, so it is critical to submit completed required reports on time and as specified by the Federal awarding agency. Payments to your organization may be withheld if one of the following situations occurs:

- Failure to comply with the project objectives, terms, and conditions of the award or Federal reporting requirements
- A recipient or subrecipient is delinquent in a debt to the United States as defined in OMB Circular A-1209.

DPM oversees all payments to funded organizations. Within most agencies, electronic payment is the required payment method, meaning grant funds will be deposited directly into your organization's bank account.

Electronic Payments

DPM operates the Payment Management System (PMS) —a full-service, centralized grants payment and cash management system selected as one of the two grants payment systems for the entire Federal government. The fully automated system receives payment requests, edits them for accuracy and content, transmits the authorization to either the Federal Reserve Bank or U.S. Treasury for payment, and records the payment transactions and corresponding disbursement transactions to the appropriate account(s).

Keep in Mind

DPM offers Payment Management System user-training classes for new grant recipient organizations. For information about registering for the training or obtaining a CD of the training, visit www.dpm.psc.gov.

The Payment Management System Grant or Cooperative Agreement Process is as follows:

1. Recipient submits application for grant
2. Awarding agency reviews application & approves
3. Data regarding grant is transmitted to DPM via PMS
4. DPM updates databases
5. Recipient receives cash via assigned method
6. Recipient reports Federal cash disbursements to DPM via FFR report
7. DPM transmits data to fiscal offices of awarding agencies
8. Awarding agency reviews data for compliance with laws and regulations
9. Awards closed out with DPM, with final cash disbursements equaling total authorized by awarding agency

DPM establishes a recipient account in the PMS. When a recipient requests funds, DPM initiates payments through the Federal Reserve Bank in Virginia, which provides next-day payments of funds (via direct deposit) to the recipient's bank accounts.

Recipients complete 1199A: Direct Deposit Sign-Up Form to register banking data within PMS. Recipients request funding via an assigned payment method through PMS, which is (generally) paid on a next-day basis, and complete quarterly reports (FFRs), which certify the disbursement of the funds.

Other Payment Methods⁶

Most Federal awarding agencies use electronic payment as their only payment method. However, exceptions may be made based on extenuating circumstances. Other payment methods include *cash advances*, *reimbursement*, and *working capital advances*.

Cash advances to a recipient organization are limited to the minimum amounts needed and are timed to be in accordance with the actual, immediate cash requirements and disbursements of the recipient organization in carrying out the purpose of the approved program or project.

Reimbursement is the preferred payment method when the recipient organization cannot meet requirements for accounting standards or payment procedures. When the reimbursement method is used, the Federal awarding agency will make payment within thirty days after receipt of the billing.

If your organization cannot meet the criteria for advance payments (and reimbursement is not feasible because of insufficient working capital), the Federal awarding agency may provide cash on a *working capital advance* basis. Your organization will receive cash to cover its estimated disbursement needs for an initial period generally geared to your disbursing cycle. After the initial working capital advance, all subsequent payments to the organization are reimbursements for actual cash disbursements.

MEETING GOALS AND OBJECTIVES

Project performance will be evaluated based on your progress regarding stated goals and objectives and fiscal performance. You will be required to provide project performance information at regular reporting intervals as specified in your grant or cooperative agreement. Tracking project activities, outputs, and timelines is critical to meeting your project goals and objectives.

Self-monitoring

Using an operational plan, work plan, or strategic plan to track activities, timelines, and outputs is an efficient way to self-monitor your project. If any developments arise that have a significant impact on the award-supported activities (such as problems, delays, or adverse conditions that materially impair your ability to meet the objectives of the award), you must immediately notify your program officer and grants management officer. Notification should include a statement of the action taken or contemplated and any assistance needed to resolve the situation.

Evaluation Process

Most Federal awarding agencies require evaluation because it is critical to ensuring program compliance and progress toward goals and objectives. The evaluation section of your application for funding may have described the amount of time needed to evaluate, how the feedback will be distributed among the proposed staff, and a schedule for review and comment for this type of communication. To be successful, most evaluations require the collection of appropriate data before and during program operations. Systems for such data collection generally must be developed prior to the start of the funded project. However, your

6 2 CFR 215.22, "Post-Award Requirements: Payment." Available at <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=848090086ba03d9f248f46d3904ddc83&rgn=div8&view=text&node=2:1.1.2.3.2.3.10.3&idno=2>.

organization must absorb the costs for setting up data collection systems prior to the start of the award because the official use of Federal funds begins at the award start date.

Evaluation requires both coordination and agreement among program decision makers. Above all, the Federal awarding agency's requirements should be highlighted in the evaluation design. If you have questions or concerns after the grant award has been made, your assigned program officer and grants management officer can provide specific information about evaluation requirements. Generally, the Criteria for Selecting Application for funding section of a program announcement in the Federal Register provides a detailed description of the exact evaluation methods required for funded programs.

Two-part Evaluation

1. Product evaluation: addresses results that can be attributed to the project as well as the extent to which the project has satisfied its desired objectives.
2. Process evaluation: addresses how the project was conducted, in terms of consistency with the stated plan of action and the effectiveness of the various activities within the plan.

Evaluation timelines, management process improvement cycles, and feedback methods should be integrated into your project's operational plan. Even if the evaluation design has to be revised as the project progresses, it is much easier and cheaper to modify a good design. If the problem is not well-defined and carefully analyzed for cause and effect relationships, then a good evaluation design may be difficult to achieve. Sometimes a pilot study is needed to begin the identification of facts and relationships.

Federal Agency Monitoring

In addition to review of reports and telephone contact, Federal awarding agencies may conduct site visits to your project. Program officers and grants management officers will contact project staff with questions and concerns that may arise. Site visits allow Federal staff to observe the project underway and conduct any necessary on-site review of records. Audits are another form of Federal agency monitoring, which is discussed in more detail in the "Audits" section of this guidebook.

Reporting

Administrative or Performance Reporting⁷

As a grant recipient, you are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. In addition, you must monitor subawards to ensure that subrecipients have met the audit requirements of OMB Circular A-133. Recipients are generally required to submit the original and two copies of performance reports. Refer to your award package for details on format requirements for performance reports. Many programs are now implementing standard Performance Progress Report forms, and some programs are working with OMB to customize those forms in order to collect relevant performance data. When required, performance reports generally contain brief information regarding each award, including:

- A comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both (As appropriate, and whenever the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs.)

⁷ OMB Circular A-110, Subpart C.51—Post-Award Requirements: Monitoring and Reporting Program Performance. Available at <http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html#51>.

- Reasons why established goals were not met (if appropriate)
- Other pertinent information, including, when appropriate, updates on expenditures and analysis or explanation of cost overruns, under-spending, or high unit costs

Performance Reporting Frequency

The Federal awarding agency determines the frequency with which the performance reports are to be submitted in the award package. Quarterly or semiannual reports are due thirty days after the reporting period. Final performance reports are due ninety calendar days after the expiration or termination of the award. The notice of award or the program announcement will provide details about progress reporting requirements for your grant program.

FINANCIAL MANAGEMENT

In addition to a well-planned project, your organization's financial management systems must meet certain requirements in order for you to receive and manage Federal grant funds.⁸ Financial systems must provide for the following:

- Accurate, current, and complete disclosure of financial results
- Records that adequately identify the source and application of funds for federally sponsored activities
- Effective control over accountability for all funds, property, and other assets
- Comparison of outlays with budget amounts for each award (Whenever appropriate, financial information should be related to performance data and unit cost information, e.g., your program served x number of people at a cost of x dollars per person.)
- Written procedures to minimize time elapsed between transfer of funds and payments for program purposes by the recipient
- Written procedures for determining the reasonableness, allocability, and allowability of costs (See 2 CFR 230, "Cost Principles for Nonprofit Organizations.")
- Accounting records, including cost accounting records that are supported by source documentation

Banking Standards, Accounting, and Cost Principles

Federal awarding agencies do not require separate depository accounts for funds provided to a recipient, but you are accountable for the receipt, obligation, and expenditure of funds. Advances of Federal funds must be deposited and maintained in insured, interest-bearing accounts. Cost principles for nonprofit organizations can be found in 2 CFR 230. Questions about specific requirements for accounting methods and fiscal reporting should be directed to your assigned Federal grants management officer.

⁸ 2 CFR 215.21, "Post-Award Requirements: Standards for Financial Management Systems." Available at <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=848090086ba03d9f248f46d3904ddc83&rgn=div8&view= text&node=2:1.1.2.3.2.3.10.2&idno=2>.

Indirect Costs⁹

Most Federal awarding agencies consider activities conducted by recipients that result in indirect charges a necessary and appropriate part of grants and will reimburse their share of those indirect costs. The appropriate share is either a fixed amount as specified in statute or in regulations, or is determined based on a rate negotiated by a cognizant agency with an applicant/grantee and reflected in a formal rate agreement.

To simplify relations between Federal grantees and awarding agencies, OMB established the cognizant agency concept, whereby a single agency represents all others in dealing with grantees in common areas. In this case, the cognizant agency reviews and approves grantees' indirect cost rates. Approved rates must be accepted by other agencies, unless specific program regulations restrict the recovery of indirect costs.

The cognizant agency for nonprofit organizations is determined by calculating which Federal agency provides the most grant funding. The Department of the Interior is the cognizant agency for all Indian tribal governments. For hospitals, HHS serves as the main cognizant agency. HHS is also the cognizant agency for all states and most cities. The cognizant agencies for community-based organizations are HHS and the Department of Labor.

To establish an indirect cost rate for your organization, contact your cognizant agency to initiate the application process. Indirect cost rate agreements are negotiated by a division within the agency. You will find a sample indirect cost proposal format for nonprofit organizations at http://rates.psc.gov/fms/dca/np_exall.pdf.

Should You Apply for a Federal Indirect Rate?

1. Consider the amount of the award and the actual amount of indirect costs that may be recovered.
2. Consider the amount of time your organization will have to invest in preparing and submitting the indirect rate proposal and negotiating the indirect rate.

Cost-Sharing Requirements¹⁰

2 CFR 230 details cost principles to be used in determining the value of your organization's and your collaborating partners' contributions to the project. The process for determining the valuation of any donated service, material, equipment, buildings, and land must be documented. OGM must approve all cost-share documentation prior to finalizing the cooperative agreement. Contributions that meet all of the following criteria will be accepted as part of your cost-sharing requirements:

- Are verifiable from your records
- Are not included as contributions for any other federally assisted project or program
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives
- Are allowable under applicable cost principles
- Are not paid by the Federal government under another award, except where authorized
- Are provided for in the approved budget
- Conform to other provisions in 2 CFR 230 as applicable

9 2 CFR 230 Appendix A

10 2 CFR 215.23

Specific instructions for determining the value of donated land or property, donated equipment, buildings, volunteer services, employee services, and donated supplies for the purposes of cost sharing can be found in 2 CFR 230.

What are Some Examples of Cost-share Contributions?

- Staff time or consultants not using Federal funds to deliver technical assistance and training
- Interns assisting with project
- Mentoring time, e.g., an executive mentor or coach from a local organization mentoring a director of a subawardee
- Cash commitments from foundations, local sponsors, country, city, and state
- Office and training space used for the Federally funded program
- Donation of project supplies including items such as training aids, binders, paper, etc.
- Donated marketing materials and advertisements

Do You Need to Keep Records Of In-kind Contributions and Donations?

You are required to document all in-kind and cash contributions (examples include time sheets, receipts, and donation records). To determine the value of in-kind donations, consider what the cost would be if the goods or services were not donated and needed to be purchased at the market value at the time of donation. All values should be reasonable. Cash donations from foundations or other providers should be documented on the donor's letterhead. Document how the in-kind and cash contributions are being used on the project. For more information on the value of in-kind contributions see 45 CFR 74.23.

Is the Non-Federal Share Subject to Federal Regulations?

Yes. All Federal regulations that apply to your Federal share also apply to your non-Federal share (in-kind and cash contributions).

What Happens if I Do Not Report the Non-Federal Share?

At the end of the grant period, your grants management specialist or program officer will look for documentation of your cost-share requirement in your budget narratives and financial reports. You should be able to produce the documentation and receipts upon request.

Program Income¹¹

Program income is defined in 45 CFR 74.2 as income earned by the recipient that is directly generated by a supported activity or earned as a result of the award (see exclusions in specific agency regulations). Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federally funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in the terms and conditions of the award, program income also does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them. Furthermore, program income does not include taxes, special assessments, levies, and fines raised by governmental recipients.

11 2 CFR 215.24, "Post-Award Requirements: Program Income." Available at <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=8a70d9607f203b9bbf05f374a2a207c0&rgn=div8&view=text&node=2:1.1.2.3.2.3.10.5&idno=2>.

Program income earned during the project period is retained by your organization for use as specified by the Federal awarding agency in the award document. In the event that the Federal awarding agency does not specify in its regulations or the terms and conditions of the award how program income is to be used, the regulations in 2 CFR 215 will provide you with specific instructions.

REVISIONS IN BUDGET AND PROGRAM PLANS¹²

The budget plan is the financial expression of the project or program as approved during the award process. You must report deviations from budget and program plans and request prior approvals for budget and program plan revisions. Direct all requests for prior approval for program-related changes to your program officer. Your grant management officer must give prior approval for budget-related changes. Request prior approvals for any of the following program- or budget-related reasons:

- Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval)
- Change in a key person specified in the application or award document
- The absence for more than three months (or a 25 percent reduction in time devoted to the project) by the approved project director or principal investigator
- The need for additional Federal funding
- The transfer of amounts budgeted for indirect costs to absorb increases in direct costs
- The inclusion of costs that require prior approval in accordance with the governing OMB cost principles circular
- The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense
- Extending the period of your grant project with no additional funding (no-cost extension)

The Federal awarding agency may not permit any budget changes in a recipient's award that would cause any Federal appropriation to be used for purposes other than those consistent with the original purpose of the authorization and appropriation under which the award was funded.

The Federal awarding agency may also restrict the transfer of funds among direct cost categories or programs, functions, and activities of the award.

How to Request Changes

When requesting approval for budget revisions, you must use the budget forms that were included in the application—unless the Federal awarding agency indicates a letter of request is sufficient. Generally, the Federal awarding agency will review your request and provide notification of approved changes within thirty calendar days, or they will notify you in writing of a date when a decision can be expected.

¹² 2 CFR 215.25, "Post-Award Requirements: Revision of Budget and Program Plans." Available at <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=96333c1c51ed85a986c60fcdc53670d&rgn=div8&view=text&node=2:1.1.2.3.2.3.10.6&idno=2>.

Negotiating the Process

Negotiating changes to the project is an area where good communication with your Federal program officer and grants management officer are especially critical. Be certain that your proposed changes are well thought out and carefully described, and that they do not change the scope of the project or alter the original intent of the funding. Include detailed justifications for any budget revisions. Good communication will facilitate the process for reaching an agreement about changes to the project.

Sample Request Process — Budget Modification

This request process was used by a grant program in the Office of Community Services, an office within the HHS Administration for Children and Families.

1. Ensure that all reporting requirements are up to date.
2. Prepare a letter request:
 - i. Briefly describe the modification request.
 - ii. Explain the reason for the modification.
 - iii. Print on your official letterhead.
 - iv. Include your grant number, name of your organization, and any other relevant identifying information that your funding agency uses to track grants.
 - v. Include the signature of your authorized official.
3. Complete the SF-424A Budget Information Form.
4. Prepare your revised budget, clearly showing the approved budget and indicating the requested changes.
5. Prepare a modified budget narrative, following your revised budget table and explaining each item in the budget.
6. Submit these documents to your program officer or your grants management officer/specialist as instructed by the awarding office.

FINANCIAL REPORTING¹³

Financial reporting requirements for your project are specified in your award package issued by the Federal awarding agency. For more detailed information about requirements for financial management systems, payment methods and rules for cost-sharing and matching requirements, accounting for program income, and establishing fund availability, see OMB Circular A-110, Subpart C.

Requirements and Forms

You may be required to submit financial reports to both the Federal awarding agency and the Division of Payment Management. The Federal Financial Report (FFR) is the financial reporting form for most of these reports. It combines the PSC 272 previously used by DPM and the SF-269 used by grants management offices. While DPM has fully implemented the switch to the FFR, many grants management offices may still be using the SF-269. Be sure to use whichever financial report is required by the grants officer.

13 OMB Circular A-110, Subpart C.52—Post-Award Requirements: Financial Reporting. Available at <http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html#52>.

Frequency

The Federal awarding agency determines the Financial Status Report deadlines. DPM requires you to submit quarterly FFRs that certify the disbursement of the funds within thirty calendar days of the end of each quarter. It is important to remember that you must submit financial reports to the awarding agency and DPM on time, even if no activity has occurred during the reporting period.

PROPERTY MANAGEMENT¹⁴

Property management entails the use of Federal funds to purchase real estate (real property), equipment, and supplies. Federal awarding agencies have specific definitions for each of these categories, which can be found in the applicable Code of Federal Regulations.

2 CFR 215 specifies rules for acquiring and accounting for property purchased with Federal funds. For complete and specific information regarding property management, including intangible property and property trust relationships, consult 2 CFR 215. The following summarizes sections of 2 CFR 215 that may be most applicable to your organization.

Equipment

Equipment is defined in 45 CFR 74.2 as tangible nonexpendable personal property, including exempt property charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with recipient policy, lower limits may be established. Documentation of your policy must be provided to your grants management officer.

Equipment you purchase with Federal funds must be used for program purposes. It may also be used for other projects or programs sponsored by the Federal awarding agency if such use will not interfere with work for which the equipment was originally acquired. If the equipment is owned by the Federal government, use on other activities not sponsored by the Federal government is permissible if authorized by the Federal awarding agency. User charges earned will be treated as program income.

You may use the equipment in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. When no longer needed for the original project or program, you may use the equipment in connection with other Federally sponsored activities. For specific instructions regarding equipment use and disposition, see 2 CFR 215.34.

Titles to equipment acquired with Federal funds vest in the recipient, provided it is not used to provide services to non-Federal outside organizations for a fee that is less than private companies charge for equivalent services (unless specifically authorized by Federal statute) for as long as the Federal government retains an interest in the equipment.

Your property management standards for equipment acquired with Federal funds and federally owned equipment must include all of the following:

¹⁴ 2 CFR 215.31 – 2 CFR 215.37, “Post-Award Requirements: Property Standards.” Available at <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=963333c1c51edd85a986c60fcdc53670d&trgn=div6&view=text&node=2:1.1.2.3.2.3&idno=2>.

1. Equipment records, including the following information:
 - A description of the equipment
 - Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number
 - Source of the equipment, including the award number
 - Whether title vests in the recipient or the Federal government
 - Acquisition date (or date received if the equipment was furnished by the Federal government) and cost
 - Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal government)
 - Location and condition of the equipment and the date the information was reported
 - Unit acquisition cost
 - Ultimate disposition data, including date of disposal and sale price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share
2. Equipment owned by the Federal government must be identified to indicate Federal ownership.
3. A physical inventory of equipment must be taken and the results reconciled with the equipment records at least once every two years.
4. A control system that ensures adequate safeguards to prevent loss, damage, or theft of the equipment must be in effect.
5. Adequate maintenance procedures should be implemented to keep the equipment in good condition.
6. If authorized or required to sell the equipment, proper sales procedures providing for competition and resulting in the highest possible return should be used.

Upon award completion and closeout, equipment records must be maintained, but report only equipment valued at over \$5,000.

Real Property

The title to real property acquired with Federal funds is vested with your organization, provided it is used for the authorized purpose of the project, for as long as it is needed. When you determine the property is no longer needed for the purpose of the original project, you must obtain written approval by the Federal awarding agency for the use of real property in other federally sponsored projects. Use in other projects will be limited to federally sponsored projects or programs that have purposes consistent with those authorized for support by the Federal awarding agency. When the real property is no longer needed, you must request disposition instructions from the Federal awarding agency or its successor agency.

The title to federally owned property remains vested in the Federal government. Submit an inventory listing of federally owned property in your custody to the Federal awarding agency on an annual basis. Upon completion of the award or when the property is no longer needed, report the property to the Federal awarding agency for further Federal agency utilization.

Insurance

You must retain insurance coverage equal to that provided for property owned by your organization for real property and equipment acquired with Federal funds.

Supplies and Other Expendable Property

The term *supplies* refers to all personal property excluding equipment, intangible property, and debt instruments valued at less than \$5,000. The title to supplies and other expendable property are vested in the recipient upon acquisition. Upon termination or completion of the grant, you may retain or sell unused supplies exceeding \$5,000 in total aggregate value that are not needed for any other federally sponsored project or program and compensate the Federal government's share.

AUDITS

All organizations that receive Federal funds are subject to basic audit requirements. These audits are intended only to examine the federally funded parts of an organization's operations and are not designed to identify unrelated problems. The audits are necessary to make sure that Federal dollars have been spent properly on legitimate costs. Therefore, it is extremely important for grant recipients to keep accurate records of all transactions conducted with Federal funds.

Most organizations are not audited by the government itself, although the Federal government has the right to audit any program that receives public money at any time. For example, charities that spend less than \$300,000 a year in Federal funds are generally asked only to perform a "self-audit." Larger grants (those over \$300,000 a year) require an audit by a private, independent outside legal or accounting firm.

Non-Federal organizations that expend \$300,000 or more a year in Federal awards are required to have a single or program-specific audit conducted for that year. Non-Federal entities that expend less than \$300,000 a year in Federal awards are exempt from Federal audit requirements for that year, but they must make records available for review or audit by appropriate officials of the Federal agency and Government Accountability Office (GAO). The scope of a single audit or program-specific audit includes a purposeful review of the following information:

- **Financial statements.** To determine that you conformed to generally accepted accounting principles and that the schedule of expenditures of Federal awards is presented fairly in relation to your financial statements.
- **Internal control.** To assess effectiveness in detecting noncompliance with the agreement. Also, to assess compliance with generally accepted accounting principles and control risk for major programs.
- **Compliance.** To determine whether you have complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of your major programs.
- **Audit follow-up.** The auditor will follow up on prior audit findings from your organization and (as a current-year audit finding) report indications of prior misrepresentation.
- **Data collection form.** The auditor will complete and sign specified sections of the data collection form.

OMB Circular A-133 governs audit procedures. The following information provides an overview of audit requirements and procedures. Consult the OMB Circular A-133 for specific information.

Your Organization's Audit Responsibilities

Your organization can prepare and maintain program records for audits by the Federal government by following this checklist:

PREPARING FOR AN AUDIT AND MAINTAINING PROGRAM RECORDS

- Identify all Federal awards received and expended and the Federal programs under which they were received.
- Maintain internal control over Federal programs that provides reasonable assurance that you are managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.
- Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of your Federal programs.
- Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with applicable provisions.
- Ensure that the required audits are properly performed and submitted when due.
- Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with applicable provisions.

Records Maintenance

Financial records, supporting documents, statistical records, and all other records pertinent to an award must be retained for a period of three years from the date of submission of the final expenditure report. Some exceptions may apply given litigation, property records, and agency transference. See 2 CFR 215.53 for specific details.

If authorized, copies of original records may be substituted for the original records. The Federal awarding agency may request transfer of certain records to its custody from recipients when it determines that the records possess long-term retention value.

As long as records are maintained, the Federal awarding agency, or any of its duly authorized representatives, has the right of timely and unrestricted access to any books, documents, papers, or other records of recipients that are pertinent to the awards in order to make audits, examinations, excerpts, transcripts, and copies of such documents. This right also includes timely and reasonable access to personnel for interviews and discussion related to such documents.

NONCOMPLIANCE AND TERMINATION¹⁵

Noncompliance refers to an organization's inability to fulfill the terms and conditions of its award. To avoid noncompliance, it is critical that grantees submit all required reports completely and on time. Open and consistent communication with Federal staff is also essential, especially if extenuating or adverse circumstances arise. The Federal awarding agency has discretion over noncompliance remedies, which are discussed below.

15 2 CFR 215.61 — 2 CFR 215.62, "Post-Award Requirements: Termination and Enforcement." Available at http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=96333c1c51edd85a986c60fcdc53670d&tpl=/ecfrbrowse/Title02/2cfr215main_02.tpl.

Noncompliance Remedies

If a recipient materially fails to comply with the terms and conditions of an award, whether stated in a Federal statute, regulation, assurance, application, or notice of award, the Federal awarding agency may (in addition to imposing special conditions) take one or more of the following actions, as appropriate in the circumstances:

- Temporarily withhold cash payments pending correction of the deficiency by the recipient or more severe enforcement action by the Federal awarding agency.
- Disallow (deny both use of funds and any applicable cost-sharing credit for) all or part of the cost of the activity or action not in compliance.
- Wholly or partly suspend or terminate the current award.
- Withhold further awards for the project or program.
- Take other remedies that may be legally available.

Termination

The Federal awarding agency has discretion over noncompliance remedies. Awards may be terminated in whole or in part (only if one of the following conditions applies):

- By the Federal awarding agency, if a recipient materially fails to comply with the terms and conditions of an award.
- By the Federal awarding agency with the consent of the recipient, in which case the two parties shall agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated.
- By the recipient, upon sending to the Federal awarding agency written notification setting forth the reasons for such termination, the effective date and, in the case of partial termination, the portion to be terminated. However, if the Federal awarding agency determines in the case of partial termination that the reduced or modified portion of the grant will not accomplish the purposes for which the grant was made, it may terminate the grant in its entirety.
- By the Federal awarding agency, if deemed in the best interest of the Federal government.

If costs are allowed under an award, the closeout responsibilities of the recipient, including those for property management as applicable, are considered in the termination of the award, and provision is made for continuing responsibilities of the recipient after termination, as appropriate.

Hearings and Appeals

In taking an enforcement action, the awarding agency will provide the recipient an opportunity for hearing, appeal, or other administrative proceeding to which the recipient is entitled under any statute or regulation applicable to the action involved.

For example, the HHS Departmental Appeals Board is the independent office established in the Office of the Secretary with delegated authority from the Secretary to review and decide certain disputes between recipients of HHS funds and HHS awarding agencies under 45 CFR 16 and to perform other review, adjudication, and mediation services as assigned.

CONTINUATION FUNDING

Even though a grant may be for a specified period (e.g., three to five years), it does not guarantee yearly funding. Each grantee is requested to submit an annual proposal for continuation funding based on the guidelines provided by the Federal funding agency. Although each grant program may have its specific requirements for what is contained in a continuation grant, most agencies ask grantees to provide information about performance for a current grant, new or continuing project objectives, and project budgets. Deadlines for continuation grants are established by the awarding agency. There may be negotiations on continuation grants from year to year depending on:

- Funding availability
- Recipient's performance in meeting program goals for the period
- General compliance by the recipient
- The best interest of the Federal government

Determination of continuation funding will be based on your performance under the current award and the availability of funds, which is not guaranteed. The requirements and methods for determining continuation funding are generally detailed in the program announcement published in the Federal Register.

GRANT CLOSEOUT¹⁶

Upon completion of your project, you must submit all required financial, performance, and equipment reports to your grants management officer within ninety calendar days after the date of completion of the award. Prior to the end of the project period, you may request an extension of that time period from the Federal funding agency if needed.

However, unless an extension is authorized, you must liquidate all obligations incurred under the award within ninety calendar days after the budget period or the date of completion. You must also promptly refund any balances of unobligated cash that the Federal awarding agency has advanced or paid and that is not authorized to be retained by the recipient for use in other projects. OMB Circular A-129 governs unreturned amounts that become delinquent debts. Upon award completion and closeout, equipment records must be maintained, but report only equipment valued at over \$5,000.

The Federal awarding agency will make prompt payments for allowable reimbursable costs under the award being closed out. When authorized by the terms and conditions of the award, the Federal awarding agency will make any upward or downward adjustments to the Federal share of costs after closeout reports are received. In the event that a final audit has not been performed prior to the closeout of an award, the Federal awarding agency will retain the right to recover an appropriate amount of funds after fully considering the recommendations on disallowed costs resulting from the final audit.

16 2 CFR 215.71, "After-the-Award Requirements: Closeout Procedures." Available at <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=96333c1c51edd85a986c60fcdc53670d&rgn=div8&view=text&node=2:1.1.2.3.2.4.15.2&idno=2>.

Subsequent Adjustments and Continuing Responsibilities

The closeout of an award does not affect any of the following:

- The right of the Federal awarding agency to disallow costs and recover funds on the basis of a later audit or other review
- The obligation of the recipient to return any funds due as a result of later refunds, corrections, or other transactions
- Audit requirements
- Property management requirements in 2 CFR 215.31-37
- Records retention as required in 2 CFR 215.53

Collection of Amounts Due

Any funds paid to your organization determined to be in excess of the amount of the award agreement will constitute a debt to the Federal government. If not paid within a reasonable period after the demand for payment, the Federal awarding agency may reduce the debt by the following measures:

- Making an administrative offset against other requests for reimbursements
- Withholding advance payments otherwise due to the recipient
- Taking other action permitted by statute

SUMMARY

The requirements for use of funds imposed by the Federal government are designed to ensure that funds are used in the most efficient manner to provide services that produce desired outcomes. The process of learning and navigating Federal grants management often strengthens an organization's financial and program management systems for future undertakings.

Here are some key points to keep in mind for successful grants management:

- Develop a checklist of the Federal awarding agency's requirements and follow it exactly
- Spend the grant funds exactly as specified by the terms of the grant agreement
- Regularly communicate with project staff, program officers, and grants management officers
- If any deviation from agreement terms is necessary, request prior approval from the funding agency
- Submit performance and financial reports on time and as required by your agreement
- Maintain good record-keeping systems in preparation for program audits
- Monitor programs and services, ensuring alignment with overall project objectives
- Exercise due diligence and fiscal responsibility when carrying out the tasks supported by the grant

APPENDICES

APPENDIX A

Resources

Government Funding

[Grants.gov](https://www.grants.gov) provides a comprehensive listing of Federal grant funds that are available through all departments of the Federal government.

Departments of the Federal Government

Department of Agriculture (USDA)
www.usda.gov

Department of Commerce (DOC)
www.commerce.gov

Department of Defense (DOD)
www.defense.gov

Department of Education (ED)
www.ed.gov

Department of Energy (DOE)
www.energy.gov

Department of Health and Human Services (HHS)
www.hhs.gov

Department of Homeland Security (DHS)
www.dhs.gov

Department of Housing and Urban Development (HUD)
www.hud.gov

Department of Interior (DOI)
www.doi.gov

Department of Justice (DOJ)
www.justice.gov

Department of Labor (DOL)
www.dol.gov

Department of State
www.state.gov

Department of Transportation (DOT)
www.dot.gov

Department of the Treasury
www.ustreas.gov

Department of Veterans Affairs (VA)
www.va.gov

APPENDIX B

Glossary

The following definitions are derived from the Code of Federal Regulations for the U.S. Departments of Education, Health and Human Services, Housing and Urban Development, and Labor. Unless otherwise noted, the definitions are consistent among those agencies.

Accrued expenditures – The charges incurred by the recipient during a given period requiring the provision of funds for:

- Goods and other tangible property received;
- Services performed by employees, contractors, sub-recipients, and other payees; and
- Other amounts becoming owed under programs for which no current services or performance is required.

Advance – A payment made by Treasury check or other appropriate payment mechanism to a recipient upon its request either before outlays are made by the recipient or through the use of predetermined payment schedules.

Award – Financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money, or property in lieu of money, by the Federal government to an eligible recipient.

Cash contributions – The recipient's cash outlay, including the outlay of money contributed to the recipient by third parties.

Cognizant agency – A single agency representing all others in dealing with grantees in common areas. For example, reviewing and approving grantees' indirect cost rates.

Cooperative agreement – A procurement cooperative agreement under an award or subaward, and a procurement subcooperative agreement under a recipient's or subrecipient's contract.

Cost sharing/matching – Cost sharing refers to an element of some grant programs that requires the grantee (the organization receiving the grant) to provide part of the funding for the program either in cash or by contributing facility or other resources of value. These funds or recourse are sometimes referred to as "matching funds." They usually must be raised from other non-Federal sources.

Department Appeals Board (HHS) – The independent office established in the office of the Secretary with delegated authority from the Secretary to review and decide certain disputes between recipient of HHS funds and HHS awarding agencies under 45 CFR 16 and to perform other review, adjudication, and mediation services as assigned.

Equipment – Tangible nonexpendable personal property including exempt property charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with recipient polity, lower limits may be established.

Federal funds authorized – The total amount of Federal funds obligated by the Federal government for use by the recipient. This amount may include any authorized carryover of unobligated funds from prior funding periods when permitted by agency regulations or agency implementing instructions.

Federal project officer or program officials – Persons having both general functions regarding grant programs and specific functions regarding the programmatic administration of individual grants. They work with the grants management specialist in post-award grants administration, evaluation, and closeout.

Federal share – In regards to personal property, equipment, or supplies, this term means that percentage of the property's acquisition costs and any improvement expenditures paid with Federal funds.

Funding period – The period of time when Federal funding is available for obligation by the recipient.

Grants management officer – Any person authorized to enter into, modify, or terminate any financial assistance awards and make related determinations and findings.

Outlays or expenditures – Charges made to the project or program. They may be reported on a cash or accrual basis. For reports prepared on a cash basis, outlays are the sum of cash disbursements for direct charges for goods and services, the amount of indirect expense charged, the value of third party in-kind contributions applied, and the amount of cash advances and payments made to subrecipients. For reports prepared on an accrual basis, outlays are the sum of cash disbursements for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase (or decrease) in the amounts owed by the recipient for goods and other propriety received, for services performed by employees, contractors, subrecipients, and other payees, and other amounts becoming owed under programs for which no current services or performance are required.

Program income – Gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award (see exclusions in specific agency regulations). Program income includes, but is not limited to, income from fees for services performed, the use of rental or real or personal property acquired under federally funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents, and copyrights and interest on loans made with award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in the terms and conditions of the award, program income also does not include the receipt of principal on loan, rebates, credits, discounts, etc., or interest earned on any of them. Furthermore, program income does not include taxes, special assessments, levies, and fines raised by governmental recipients.

Project costs – All allowable costs, as established in the applicable Federal cost principles, incurred by a recipient, and the value of the contributions made by third parties in accomplishing the objectives of the award during the project period.

Project period – The period established in the award document during which Federal sponsorship begins and ends.

Recipient – An organization receiving financial assistance directly from a Federal awarding agency to carry out a project or program. The term includes public and private institutions of higher education, public and private hospitals, and other quasi-public and private nonprofit organizations such as, but not limited to, community action agencies, research institutes, education associations, and health centers. The term may include commercial organizations, foreign or international organizations (such as agencies of the United Nations) that are recipients, subrecipients, or contractors, or subcontractors of recipients or subrecipients at the discretion of the Secretary. The term does not include government-owned, contractor-operated facilities or research centers providing continued support for mission-oriented, large-scale programs that are government-owned or controlled or are designed as federally funded research and development centers.

Subaward – An award of financial assistance in the form of money, or property in lieu of money, made under an award by a recipient to an eligible subrecipient or by a subrecipient to a lower-tier subrecipient.

Subrecipient – The legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided. The term may include foreign or international organizations (such as agencies of the United Nations) at the discretion of the Secretary.

Third party in-kind contributions – The value of non-cash contributions provided by non-Federal third parties. Third party in-kind contributions may be in the form of real property, equipment, supplies, and other expendable property and the value of goods and services directly benefitting and specifically identifiable to the project or program.

Unliquidated obligations – In regards to financial reports prepared on a cash basis, this term means the amount of obligations incurred by the recipient that have not been paid. For reports prepared on an accrued expenditure basis, they represent the amount of obligations incurred by the recipient for which an outlay has not been recorded.

Unobligated balance – The portion of the funds authorized by the Secretary that has not been obligated by the recipient. It is determined by deducting the cumulative obligations from the cumulative funds authorized.

Working capital advance – A procedure whereby funds are advanced to the recipient to cover its estimated disbursement needs for a given initial period.

APPENDIX C

References

Boris, Elizabeth T. and C. Eugene Steuerle, (editors). *Nonprofits and Government: Collaboration and Conflict*. Washington, DC: Urban Institute Press, 1999.

Division of Payment Management (DPM) website, www.dpm.psc.gov.

Herman, Robert D. and Associates. *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, 2nd ed. San Francisco, CA: Jossey-Bass, 2004.

OMB Circular A-110 — Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations, <http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html>.

OMB Circular A-122 — Cost Principles for Nonprofit Organizations, http://www.whitehouse.gov/omb/circulars_a122_2004.

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