

# Fiscal Management

Part 1 – Recipient Share and Match  
Part 2 – Everything Counts

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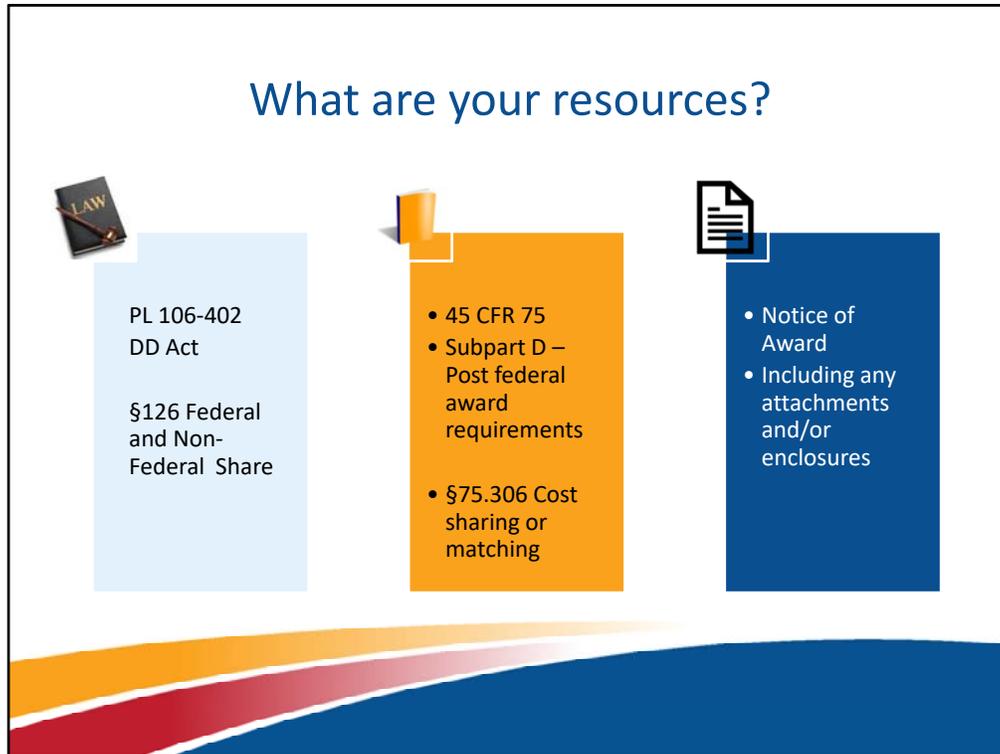
## Part 1: Learning objectives

- Identify DD Act requirements and variations of match required for activities.
- Explore a variety of ways to document and report match for each grant award.
- Increase understanding of allowable match and state contributions.



Our learning objectives for this session are:

## What are your resources?



There are a number of resources available to assist with understanding the requirements of match (or non-federal share). They are:

the DD Act

45 CFR 75

And The Notice of Award

## Terms

- What does it mean to “match” funds?
- What are matching funds?

What does it mean to match funds?

“Match” is the non-federal share of costs that the grantee or the grantee’s partners are required to contribute to accomplish the purposes of the grant.

What are matching funds?

- Non-federal public or private funds
- Funds that are not used as match for any other federal program
- Unrecovered indirect costs
- Either cash or in-kind, fairly evaluated

## Non-federal share and aggregate

- Councils should have a system in place to look at match at a project by project level in order to determine the overall match;
  - Councils must be able to look at match project by project with the appropriate required match to determine if there is match, overmatch, or undermatch
- Councils have until the end of each project period to reach match;
- Detailed documentation for each fiscal year must be provided when submitting the annual SF-425



## Basic rule and exceptions

The basic rule of matching is there must be a 25% match for those necessary costs of all projects that are supported by the Federal award.

- *Exceptions to the Basic Rule*
  - Projects/Activities in Urban or Rural Poverty areas.
  - Projects undertaken by Council or Council staff

The basic rule means that the federal share of the cost of a project may not be more than 75 percent of the total cost of the project

There are two exceptions – the first is projects or activities in Urban or Rural Poverty areas – this exception means that the federal share of the cost of the project/activity may not be more than 90 percent of the total cost of the project; and the second exception is projects or activities undertaken by Council or Councils staff. This means that the federal share of the cost of the project/activity may not be more than 100 percent of the total cost of the project.

Developmental Disabilities Assistance and Bill of Rights Act of 2000, Title I, Subtitle B, Sec. 126

(a)(1) The Federal share of the cost of all projects in a State supported by an allotment to the State under this subtitle may not be more than 75 percent of the aggregate necessary cost of such projects, as determined by the Secretary

(a)(2) In the case of projects whose activities or products target individuals with developmental disabilities who live in urban or rural poverty areas, as determined by the Secretary, the Federal share of the cost of all such projects may not be more than 90 percent of the aggregate necessary cost of such projects, as determined by the Secretary.

(a)(3) In the case of projects undertaken by the Council or Council staff to implement State plan activities, the Federal share of the cost of all such projects may not be more than 100 percent of the aggregate necessary cost of such activities.

## Urban/rural poverty area

- These activities are supported by Public Law 106-402 [§126 (a) (2)]
- Urban and Rural Poverty Areas (e.g. 10% match)
  - In the case of projects whose activities or products target individuals with developmental disabilities who live in urban or rural poverty areas, as determined by the Secretary, the Federal share of the cost of all such projects may not be more than 90%.
  - If 20% or more of an urban or rural area is living below the poverty level, the area is designated as a poverty area.



## How do I determine urban/rural poverty areas for my state?

### US Census Bureau Information by County

- The Census Bureau provides information on the percent of persons in poverty by county/state. Following is a step-by-step process to get that information.
  - Go to <https://www.census.gov/programs-surveys/saipe.html>
  - Click on 'State and County data for 2016'
  - Select a state or download the excel file "US and All States and Counties"
  - In the section 'Select variable(s) from the list below:' select 'All ages in poverty'
- You will find a chart of each county in the state you selected. The column **Percent** shows the percentage of all people in poverty by county. (Urban and Rural poverty threshold is 20% or greater).



## Selecting the correct status chart

- Make sure to select the correct status chart for the appropriate grant award year.
- For federal fiscal year 2018 – select the 2016 status chart
- For federal fiscal year 2017 – select the 2015 status chart
- Typically the status chart runs 2 years behind the federal fiscal year...



## Match calculation guidance for Council subrecipient

**Formula:**

(Be certain to divide by 75% not 75 and multiply by 25% not 25)

- Funds Requested divided by 75% = Total Subrecipient Funds
- Total Subrecipient Funds minus Funds Requested = Subrecipient Match
- Verify accuracy: Total Subrecipient Funds X 25% = Subrecipient Match
  
- If projects/activities target individuals in urban or rural poverty areas, substitute 10% for 25% in the example



## Council or council staff implementation of state plan projects/activities

- These activities are supported by Public Law 106-402 [§126(a) (1)]
- State Plan activities
  - In the case of projects undertaken by the DD Council or DD Council staff to implement State plan activities, the Federal share of the cost of all such projects may not be more than 100% of the aggregate necessary cost of such activities (e.g. no match requirement).



## Documenting and reporting match

- 45 CFR 75, Subpart C, §75.306
  - Verifiable from non-Federal entity's records
  - Are not included as contributions for other Federal awards
  - Are necessary and reasonable for the accomplish of project or program objectives
  - Are allowable under subpart E
- Internal documentation is needed to ensure match requirements are met.
- Match is reported on the SF-425.
- A variety of methods are used by DD Councils to document match



## Documentation

- Track and report for each grant award
  - Example excel spreadsheet
- Include match documentation with annual SF-425 reports



## Reporting match

- Match must be reported in Boxes 10i through 10k of the SF-425.
  - The SF-425 is submitted annually to the [AIDD.Grants@acl.hhs.gov](mailto:AIDD.Grants@acl.hhs.gov) mailbox.

**Box 10i Total Recipient Share-** The required recipient share should include all matching and cost sharing provided by recipients and third party providers to meet the level required by the Federal agency.

**Box 10j Recipient Share of Expenditures-** Enter the recipient share of actual cash disbursements or outlays.

**Box 10k Remaining Recipient Share to be Provided-** Enter the amount of Line 10i minus Line 10j.



TA  
Recommendations

- Include match requirements in the Request or Call for Proposal; include information on appropriate match (pre-award activity)
- Include match documentation requirements in any agreements;
- Require match documentation be submitted with each invoice or reimbursement for expenses;
- Include information and education about appropriate match funds when educating subrecipients about financial documentation (post-award activities);
- Formalize match requirements including documentation requirements in Council grants policy and/or procedure documents.
- Discuss and plan with DSA personnel on how the Council will report match to complete the annual SF-425.

Cost Principles, Administrative and State Plan Costs

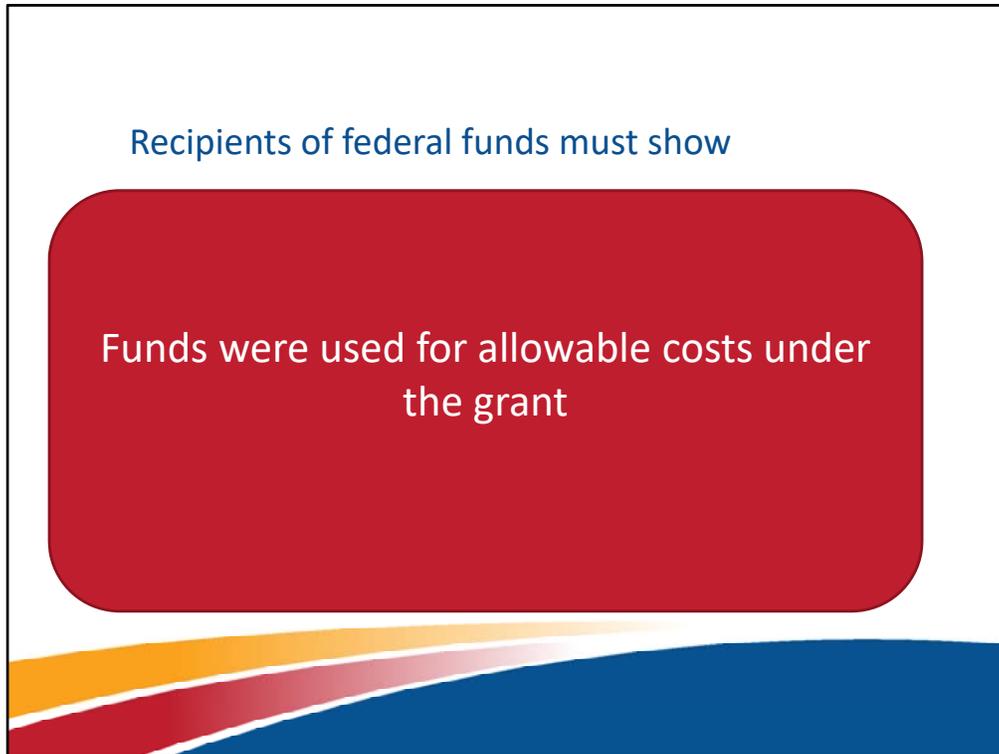
**PART 2: EVERYTHING COUNTS**



## Learning objectives

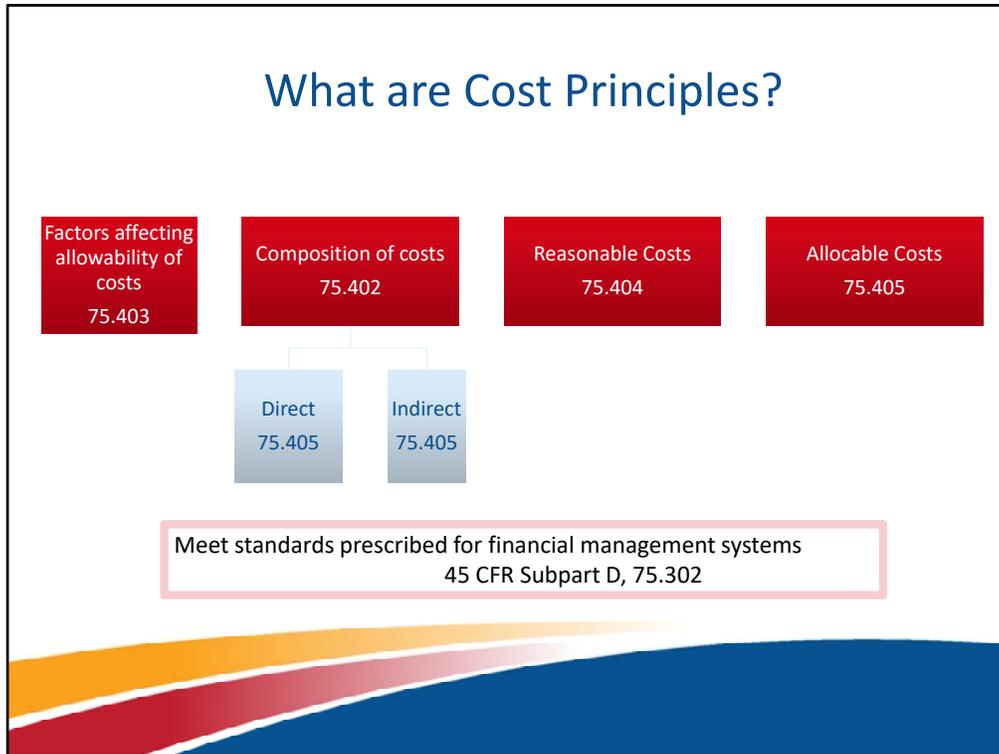
- Increase knowledge about federal statutes, regulations, and NOA requirements;
- Increase knowledge about allowable costs and fostering an environment to maximize compliance;
- Allocating and documenting costs of personnel who provide both administrative and program services.

Welcome – our learning objectives for this session are:



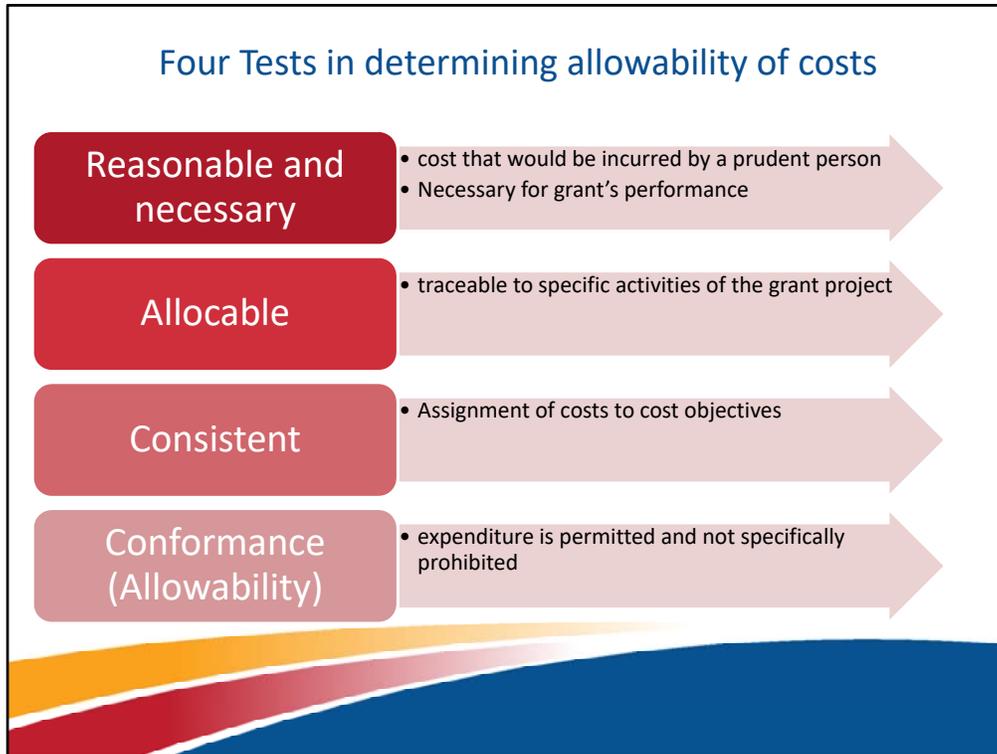
Recipients and subrecipients have a limited time to use federal grant funds and must use federal funds and non-federal funds (match) for allowable costs under the DD Council grant award.

To do this, DSA staff, Council staff, and any subrecipients (this is the term we will use to refer to entities Council's award money to...) must be aware and knowledgeable about what federal funds can be used for...next we'll look at cost principles.



Cost principles establish general standards for the allowability of costs, provide detailed guidance on the cost accounting treatment of costs as direct or indirect costs, and set forth allowability principles for selected items of cost. Applicability of a particular set of cost principles depends on the type of organization making the expenditure. For example, a non-profit organization receiving a subaward from a State recipient would be subject to the cost principles for non-profit organizations, while the State would be subject to the cost principles for States, local governments, and Indian tribal governments.

Recipients can use their own accounting systems, policies, and procedures to implement the cost principle requirements as long as the standards prescribed in 45 CFR for financial management systems are met (see “Financial Management” 75.302).



Reference – 45 CFR 75; §75.403 Factors affecting allowability of costs

Let's turn our attention to the four tests to be used in determining the allowability of costs. This is important because proper use of federal funds is required by law. As a recipient of federal funds, you are responsible for knowing the requirements, and if serve as a pass-through entity, you are also responsible for ensuring any subrecipient is aware of the requirements. Another important factor is the responsibility for monitoring the use of funds to determine if budget expenditures are allowable, allocable, reasonable and consistent.

Let's review each one –

**Reasonableness (also includes necessity)** – A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the prevailing circumstances at the time the decision was made to incur the cost. Additional considerations such as whether the cost is necessary for the grant's performance, and following organization policies for incurred costs or charges are part of the "test".

**Allocable** – A cost is allocable if it can be traced to specific activities of the grant project – in other words, was the cost incurred solely to advance the work under the grant? Does it benefit the grant and other work of the organization? Is it necessary to the overall operation of the organization? Is it assignable to the grant?

**Consistent** – Recipients of federal funds must be consistent in assigning costs to cost objectives (the purpose if to avoid duplicate charges).

**Conformance** – also referred to as the test of allowability – this means the cost (or expenditure) is permitted and not specifically prohibited by the terms and conditions of the Notice of Award, and the Cost Principles.

### Reasonable Costs – 45 CFR 75 §75.404

- Is the cost generally recognized as ordinary and necessary for proper and efficient performance of the Council?
- Are sound business practices, following federal, state, and other laws and regulations as terms and conditions of the federal award being followed?
- Market prices for similar goods and services for the geographic area
- Deviations from established practices and policies that may increase costs

A reasonably **prudent person** is an individual who uses good judgment or common sense in handling practical matters. The actions of a **person** exercising common sense in a similar situation are the guide in determining whether an individual's actions were reasonable.

This is the section of the CFR that deals with reasonable costs. We see the wording a reasonable cost is a “cost that would be incurred by a prudent person”. So what is a prudent person?

A reasonably **prudent person** is an individual who uses good judgment or common sense in handling practical matters. The actions of a **person** exercising common sense in a similar situation are the guide in determining whether an individual's actions were reasonable.

Here are some questions you can use when considering if a cost is reasonable -

## §75.405 – Allocable Costs

A cost is allocable if the costs chargeable or assignable to the Council award with relative benefits received

Was the cost incurred specifically for the Council award?

Was there a benefit to the Council?

Was the cost necessary to the overall operation of the Council?



This section of the CFR deals with allocable costs –

Here are some questions you can use to determine if a cost is allocable

Useful information to determine allowable costs

45 CFR 75, Subpart E, Cost Principles



## Recommendations to ensure compliance

Pre-proposal training sessions	Post-award training	Desk reviews	On-site monitoring
<ul style="list-style-type: none"> <li>• Budget preparation</li> <li>• Information and Education about allowable expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Invoice process and procedure</li> <li>• Handling unallowable expenses</li> <li>• Monitoring process</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic, random</li> <li>• Receipts and match documentation for each expense on an invoice</li> </ul>	<ul style="list-style-type: none"> <li>• Conducted at subrecipient site</li> <li>• Review of all original receipts and match documentation for federal expenses</li> </ul>

Other ideas: Have subrecipients sign assurances; training with post-test score required; other ideas?

For DD Councils and their staff, knowledge about allowable costs apply to all aspects of Federal funds. If your is a “grant-maker”, it is important that you take steps to create an environment to ensure compliance by subrecipients. Providing information and resources to ensure subrecipients are engaging in making allowable expenditures with the federal dollar is critical to maintain compliance. Across the country, DD Council staff engage in common activities to help subrecipients understand allowable expenses when implementing a DD Council project or activity. Let’s take a look at 4 common areas:

Pre-proposal training sessions – this activity is conducted most often, in conjunction with a Request for Proposal or Call for Investment “release” by a Council. Council staff typically review the elements of the proposal in terms of what the Council desires to achieve from the investment, but also, typically review the proposal forms, formats, and budget elements. This is an excellent time to provide information about resources to use when developing a budget and budget narrative, cost principles, and any limitations the Council is putting forth (example: often times, Councils will not purchase computers, or other specific items); you may also want to include information about the four “tests” – do you remember the 4 tests? (necessary, reasonable, allocable, conform).

Post-award training is another great time to ensure subrecipients know where to find information, know the Council policies and procedures, and also know what will happen if an unallowable expense is submitted. We recommend you educate any subrecipient about the Council’s invoice process and procedure (for example, timing of invoices – monthly/quarterly?; the Council staff review and approval process – how long does it take? And what is the procedure if something is wrong with the invoice submission (math does not calculate, item not reflected in line-item budget is included); Educate subrecipients about what the consequences will be for submitting unallowable expenses (other than the obvious – which is not paying for the item; staff actions may include contacting the subrecipient and discussing the problem, indicating a risk level “warning” or “flag” will be noted). Subrecipients also need to know about the Council’s monitoring process – so let’s look at that next.

Desk reviews for no-risk or low risk subrecipients are often used by DD Council staff. A desk review is less expensive to conduct as there are no travel costs associated for Council staff. Often, desk reviews are randomly assigned and conducted periodically during the project or activity time period. The general process is - Council staff requests copies of all receipts and match documentation for a randomly selected invoice from a subrecipient or some Councils request all receipts and match documentation for each invoice submitted.

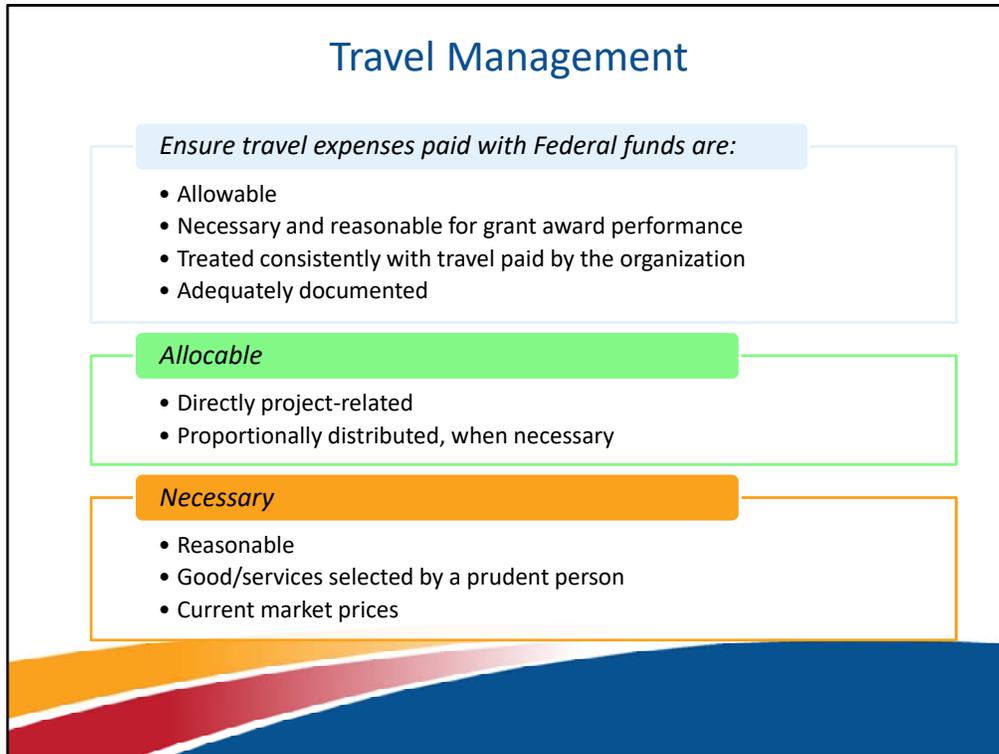
On site monitoring is also a common activity used by DD Councils – This is conducted at the location of the subrecipient and again, a review of all original receipts and match documentation for each federal expense is viewed to ensure compliance with allowability.

Some other activities used by DD Councils have been – subrecipients signing assurances as an attachment with a formal agreement or contract – an assurance item would focus on allowability and cost-principle adherence. Some Councils have created a training curriculum for subrecipients with a post-test and require subrecipients earn a certain score to demonstrate their knowledge about cost-principles, invoice completion, monitoring and other Council subrecipient processes.

Travel  
Council member participation costs for meetings and other activities  
Meals  
Incentives or Bonuses

## HIGHLIGHTED ITEMS OF COST

There are a few areas TA staff routinely receive questions about – Travel, Council meeting costs for members, meals, and incentives or bonuses – so let’s take a brief look at these.



Travel is allowable as a direct cost where such travel will provide direct benefit to the project or program. Here we show considerations when making determinations about allowability for travel.

As with all expenses paid for with federal dollars – you will want to apply the “tests” – is the travel allowable with federal dollars? Check for any restrictions or limitations in guidance; Is it necessary and reasonable for the DD Council grant award (if staff travel – think about grant performance overall; if a subrecipient wants to include travel, is it necessary and reasonable for the project/activity? If Council member travel – consider how the travel is necessary and reasonable for the DD Council grant award).

Are consistent travel policies used? Is adequate documentation required to justify costs?

**Councils should have a travel policy** – or formally adopt the State travel policy and apply the policy consistently. The DD Act indicates that Councils can support Council staff and member travel **AS DETERMINED IN COUNCIL POLICY (Section 125(c)(8))**.

So let’s talk about Council policies – some Councils have policies and procedures that support out-of-state travel for any Council member to attend a self-selected training/conference/program of their choice. Councils will want to make sure the federal funds used are necessary and reasonable for the DD Council grant award performance – and be able to document what happened as a result of the person traveling (increased knowledge and how it contributed to the Council achieving the 5-year goals (and objectives)).

## Considerations for travel policy content

Approving authority

Employee regulations

Cost guidelines

Approval process

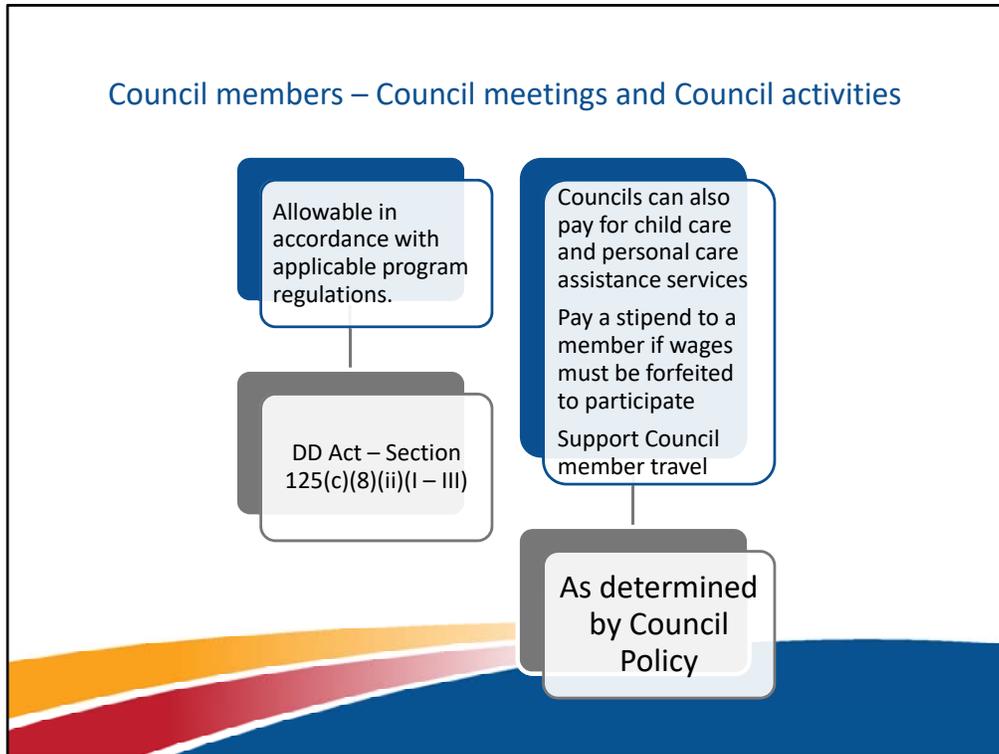
Reimbursement process

Recordkeeping requirement

Repercussions for abuse

We just talked about travel policies - many Councils have a Designated State Agency and as such, they utilize the DSA travel policies and procedures that are used by the DD Council. However, many DD Councils do adopt Council level policies that are easier to understand versions of the DSA policies so that Council members have the framework in hand (these policies are usually in the Council member handbooks provided by individual councils). If you have subrecipients who help you implement the state plan, you will want to ensure the subrecipient is using the travel policies the Council has adopted – this will help ensure consistent treatment of the expense across the cost category.

This slide shows basic travel policy content to consider if you are developing or reviewing a Council travel policies. Include items like who is authorized to approve travel requests; any employee regulations on travel; cost guidelines (usually this comes in the form of per diem vs. actual expenses with caps on meals); what is the approval process for travel requests; what is the reimbursement process (including timeframes for submission); what documentation must be submitted; and include any repercussions for abuse associated with travel.



Another area we receive questions about is council member participation in Council meetings and other Council activities.

The 45 CFR 75 (75.432) is where you can find specific information on “Conferences”

The DD Act has specific language that includes reimbursing members of the Council, paying a stipend to a member of the Council, and support Council member and staff travel – AS DETERMINED BY COUNCIL POLICY (so this is why policies are so important!).

## §75.432 Conferences

Meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for the successful performance under the federal award.

Allowable (as sponsor or host of the conference)

- Rental of facilities
- Speakers fees
- Costs of meals and refreshments
- Local transportation
- Other items unless restricted
- Dependent care resources

Exercise discretion and judgment to ensure costs are appropriate, NECESSARY, and managed in a manner that minimized costs to the Council award.

Now we'll take a closer look at the 45 CFR 75 language dealing with conferences. As you can see, a conference is a meeting, retreat, seminar, symposium, workshop, or event with a primary purpose of sharing technical information – the “conference” should meet the test of necessary and reasonable for successful performance.

It is important that Councils be objective when determining necessary and reasonable costs associated with a conference. Remember the wording - “prudent person”?

A reasonably **prudent person** is an individual who uses **good judgment or common sense in handling practical matters**.

We say objective because sometimes, it is easy to get caught up in what is “nice” rather than necessary and reasonable. The most frequent question around meetings is “can we pay for food?” - our best guidance is to review the 45 CFR 75 – specifically 75.432 and consider the event – then consider whether the costs are appropriate, NECESSARY, and managed to minimize costs to the federal award.

If you have specific questions, email your program specialist and they will provide guidance.

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## Incentives/bonuses

§ 75.430 (f) Incentive compensation

Allowable

Based on:

- ❖ Cost reduction, or efficient performance
- ❖ Suggestion awards
- ❖ Safety awards, etc.

To the extent that the overall compensation is reasonable, and an agreement entered in good faith between Council and employees before services were rendered or an established plan is followed consistently that implies an agreement to make such payment.

Another topic that comes up is about incentive compensation to employees. 45 CFR 75 provides specific guidance for non-Federal entities, non-profit organizations, and Institutes of Higher Education.

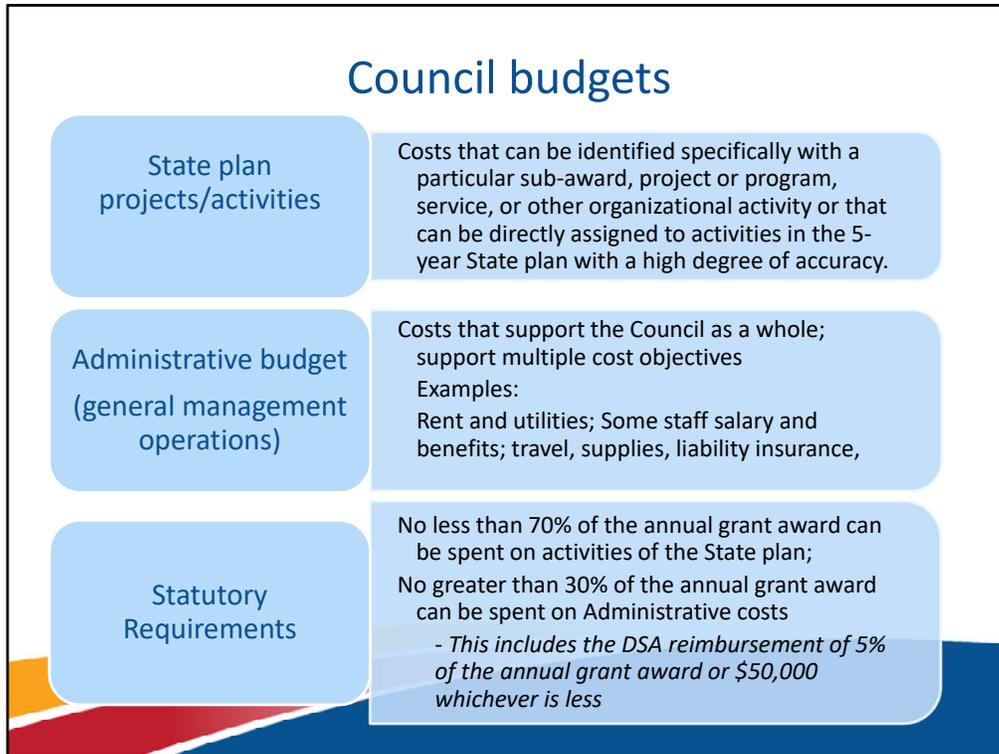
This cost is allowable, but Councils should be aware that this type of cost needs to have a established plan in place or an agreement in place before services are provided. And, of course, if the Council has a Designated State Agency, they should check in with someone in Human Resources and Payroll Services to ensure the Council is following any established State or agency policies that may be in place.

Mention gift cards – entertainment, alcohol, and tobacco as unallowable

Administrative and State Plan portions

**THE BUDGET**





The DD Act requires at least 70% of a DD Council's annual allotment be spent on State plan goals, objectives and activities that infer the balance would be used for general management operations.

Multiple cost objective assignments

DOCUMENTATION

# COUNCIL STAFF TIME ALLOCATIONS



## Allocating Council staff costs to administrative and state plan activities

- In the case of projects undertaken by the DD Council or DD Council staff to implement State Plan Activities, the Federal share of the cost of all such projects may be not more than 100 percent of the aggregate necessary costs of such activities (§126(a)(3)).
- There is no match requirement for those activities undertaken by the DD Council (or staff) to implement the State plan.
- *Why is this important?*
  - Reduces match required for total federal DD funds available to the DD Council.
  - Reduces the non-federal share.



## Method – Be consistent!

There are two primary methods currently used by DD Councils

**Position review**

**Time study**

It is important to use a selected method consistently throughout the federal fiscal year.

Review the **tasks of the position, not the position title**

Establishes standard times to calculate overall time spent on administrative and state plan activities.

## Staff Allocation documentation

***In general – personnel expenses must be based on records that accurately reflect the work performed.***

- Time and attendance or equivalent records for all employees.
- Time distribution records for employees whose compensation is chargeable to more than cost objective (administrative and state plan activity).
  - Percentages from position audit or time study applied to timesheet or online payroll system – (coding to each area)
    - Not a slip of paper in a file drawer with the percentage noted

Reference: 45 CFR 75 §75.430 (i) *Standards for documentation of personnel expenses*

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

Records must provide reasonable assurance that the charges were accurate, allowable, and properly allocated –

In addition the records must be incorporated into the official records of the non-Federal entity and reasonably reflect the total activity for which the employee is compensated (not to exceed 100%).

**The documentation must support the distribution of the employees salary or wages among specific activities or cost objectives.**

ITACC staff frequently hears “we don’t do that in “x” State/Territory” or our system does not allow us to distribute time in our payroll system. Again...the CFR guidance is not a suggestion – these are requirements and necessary if you are charging the Federal award for personnel expenses **based on records that accurately reflect the work performed.**

QUESTIONS?



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