

State DD Council Formula Grant Program

Fiscal Requirements and Costs
Allowability Training

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Presenters

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Presentation Topics

- Program Overview
- Notice of Award (NoA) and Project Period
- Key Program Requirements
- Financial Reporting (FFR/SF-425) and Closeout
- Cost Allowability
- Grant Management Best Practices

Program Overview

Program Overview

The DD Act State Councils on Developmental Disabilities Formula Grants are awarded to 55 States and Territories.

- The program was established under Title I, Subtitle B of Developmental Disabilities Assistance and Bill of Rights Act of 2000 (DD Act).
 - In addition to the Act, grantees must adhere to program regulation (45 CFR 1326), Uniform Guidance (45 CFR 75) and any additional requirements outlined in the Notice of Award (NoA) terms and conditions.
- Awards are made annually with a three-year grant cycle.
- Depending on the State, awards are issued to the DSA (Designated State Agency) or directly to the DD Council.
- The projects completed with award funds must derive from the approved state plan.

Notice of Award (NoA) and Project Period

Notice of Award (NoA)

- Each grant has a unique Notice of Award (NoA).
 - Including CDC funds (SCC5) and Public Health Awards (SCPH).
- The NoA provides key award data (i.e. funding amount, project period, etc.), lists ACL contacts and outlines terms and conditions.
- Grant Numbers have the following schema (Ex. 2301MDSCDD)

23	01	MD	SCDD
Federal Fiscal Year	Award #	State	Program Code

- Grant Numbers end with “- # #” (Ex. 00, 01, 02). The NoA with the highest number is the most current version. To confirm that you have the most recent NoA contact ACL.
- The most common reasons for revising an NoA, include additional funding allocation, no-cost extension, or updating Key Personnel.

Payment Management System (PMS)

- PMS is used to complete financial reporting and drawdown award funds.
- PMS Accounts may be requested through the PMS HelpDesk - <https://pms.psc.gov>
 - The PMS helpdesk can provide support with system access, account issues, and locating reports:
 - Email: PMSSupport@psc.hhs.gov
 - Phone: 1-877-614-5533

Project Period

The project period is the time period in which you can implement activities and incur allowable expenditures.

- The standard project period for SCDD awards is 2 years.
- Awards start on 10/1 and end on 9/30.
- All activities must be completed by the end of the project period.

SCC5 (CDC Funding) and SCPH (Public Health Workforce) awards have their own project periods, please refer to your NoA.

Key Program Requirements

DD Act Obligation Requirement

The DD Act Obligation Requirement derives from [45 CFR 1326.2\(a\)](#).

Funds which the Federal Government allots during a Federal fiscal year are available for obligation by States for a two-year period beginning with the first day of the Federal fiscal year in which the grant is awarded.

- **Obligation** is an action that commits grant funds to a specific project or activity.
 - The DSA making a subaward to the DD Council is not considered obligating the grant funds.
 - The obligation is the commitment of funds to implement the projects outlined in the State Plan and DD Council budget.

DD Act Liquidation Requirement

The DD Act Liquidation Requirement derives from [45 CFR 1326.3\(a\)](#)

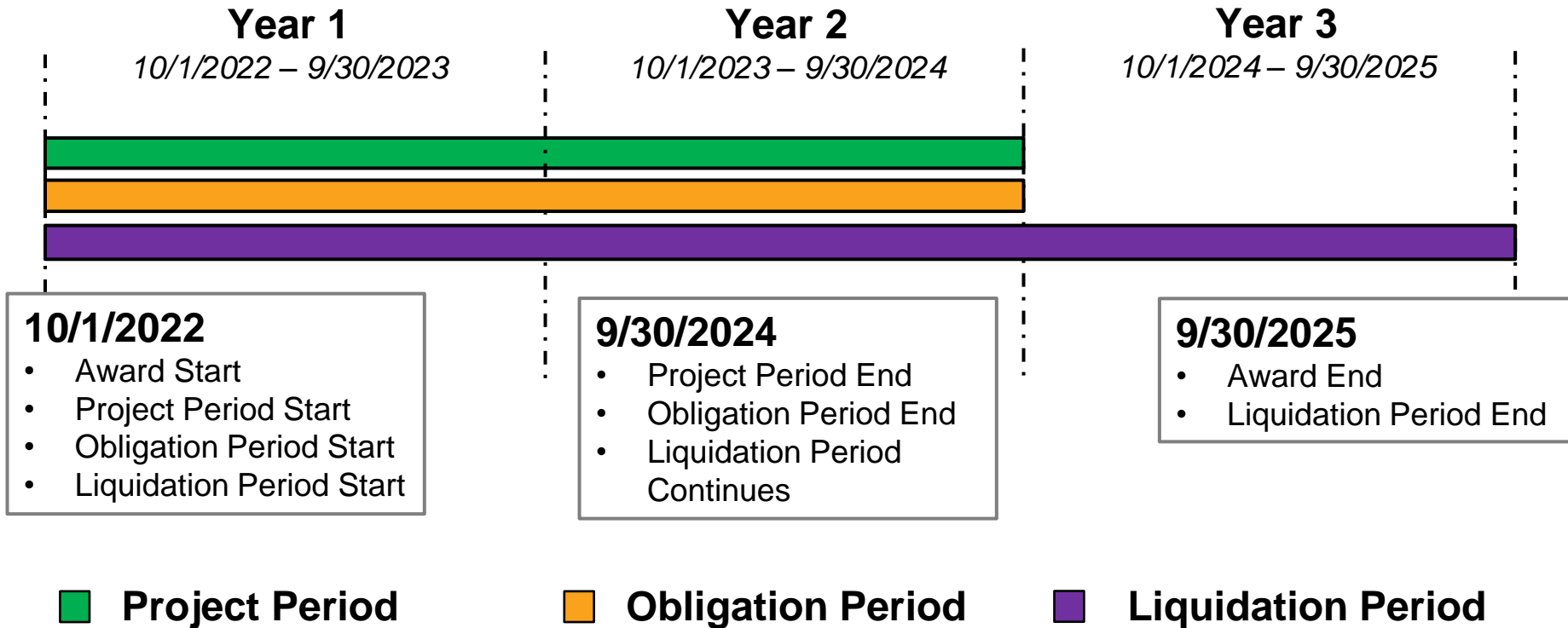
All obligations incurred pursuant to a grant made under the Act for a specific FFY must be liquidated within two years of the close of the Federal fiscal year in which the grant was awarded.

- Grantees liquidate the award by drawing down funds from PMS to pay allowable expenses incurred within the project period.
 - No PMS draws will be permitted after the liquidation end date.
- **Grantees should only draw funds from PMS if they have supporting expenses.**
 - If funds are advanced, they should be used for actual, immediate cash requirements (45 CFR 75.305(b)(1)).

DD Act Obligation and Liquidation Timeline

Standard Project Period (No NCE)

Example: FY 2023 SCDD Grant (Award Start Date 10/1/2022)



No-Cost Extensions (NCEs)

NCEs can extend the grant project period for up to 12 additional months.

- NCEs provide additional time to implement activities and incur allowable expenses.

NCEs are requested through the Program Office and if approved, an updated NoA will be issued.

- The justification provided for the NCE should be reflective of what is included in your programmatic reporting.

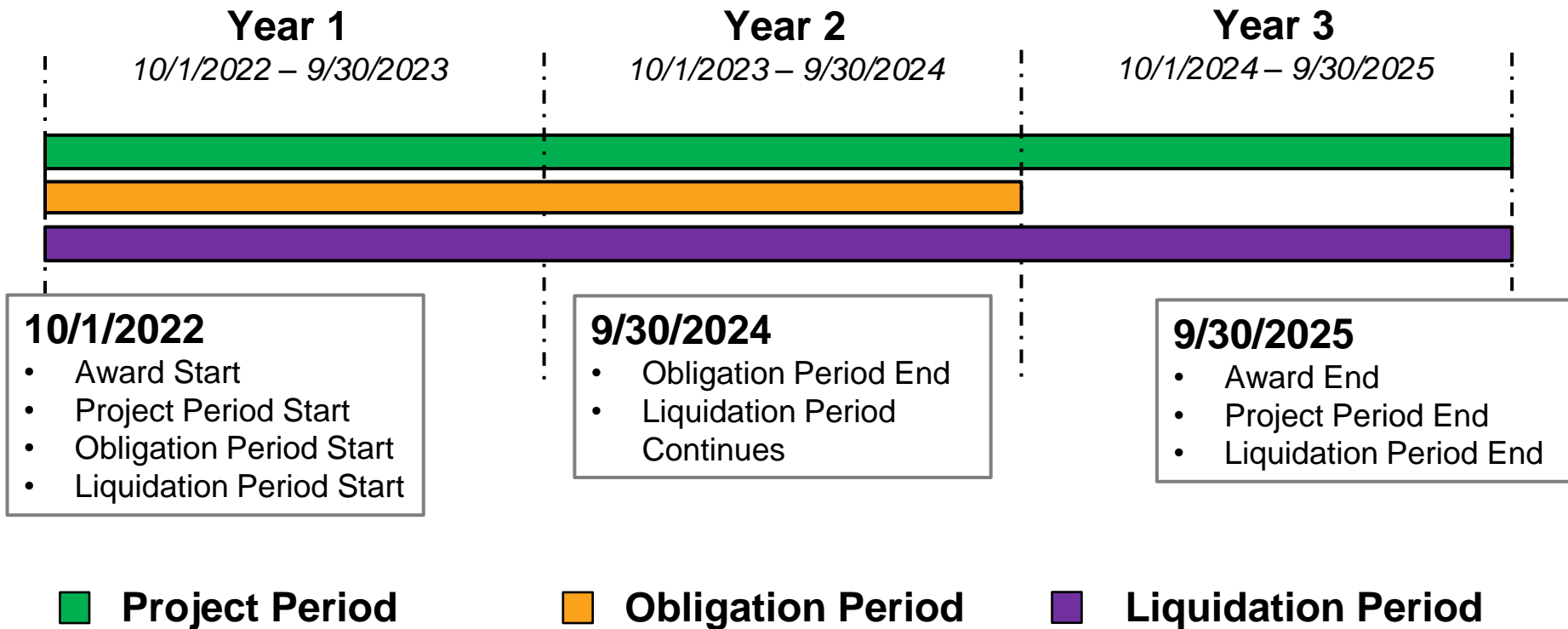
NCEs Do Not Change the Obligation and Liquidation Requirements.

- Obligation Period is still two years.
- Liquidation Period ends on the last day of the third year.

DD Act Obligation and Liquidation Timeline

Approved 12 Month NCE – Extended Project Period

Example: FY 2023 SCDD Grant (Award Start Date 10/1/2022)



Match Requirement

Three Match Categories ([45 CFR 1326.35\(d\)](#))

Basis for determining aggregate minimum State share of expenditures.

0% Match - Projects/Activities undertaken by DD Council and Council staff.

10% Match - Projects/Activities that target individuals living in urban or rural poverty areas as determined by the US Census.

25% Match – All other projects/activities not directly carried out by the DD Council or Council staff.

* All match must be from non-Federal sources.

** 45 CFR 1326.35(e) – “The Council may vary the non-Federal funding required on a project-by-project, activity-by-activity basis (both poverty and non-poverty activities), including requiring no non-Federal funding from particular projects or activities as the Council deems appropriate so long as the requirement for aggregate non-Federal funding is met.

Administrative Costs

DD Act Reference – [Sec. 124 \(42 USC 15024\) \(c\)\(5\)\(B\)\(i\) State Plan Requirements – Assurances \(page 23 in the link\)](#)

“not less than 70 percent of such funds will be expended for activities related to the goals described in paragraph (4) [State Plan Goals]”

Therefore, **up to 30% of award funds** available to the Council may be used to pay Administrative Costs.

- The DD Council must maintain policies and internal controls to track administrative costs and distinguish them from state plan activity delivery costs.
- The classification of administrative costs must be treated consistently across awards and reimbursements should only be provided for actual expenditures.

DSA Reimbursement

DD Act Reference – [Sec. 124 \(42 USC 15024\) \(c\)\(5\)\(B\)\(vi\) State Plan Requirements – Assurances \(page 23 in the link\)](#)

DSA is not the DD Council:

- The DSA may collect one half (1/2) of the actual expenditures incurred to execute functions of the DSA.
- The reimbursement may not exceed 5% of the award amount or \$50,000, whichever amount is less.

DSA is the Council

- The Council's actual expenditures to perform DSA responsibilities may be reimbursed in full.
- These responsibilities should generally be considered administrative costs.

DSA Reimbursement Example

SCDD Award Amount - \$500,000

Max Reimbursement: \$25,000

– $\$500,000 \times 5\% = \$25,000 < \$50,0000$

Actual Expenditures	Allowable Reimbursement
\$30,000	\$15,000
\$50,000	\$25,000
\$65,000	\$25,000

- All DSA expenditures need to be justified by supporting documentation. Organizations should have clear processes and internal controls to record and track these expenditures.

Best Practices for Complying with the Program Requirements

- Strong internal communication
 - Include a defined process for communication and data/document sharing between DSA and DD Council. Consider an MOU.
- Updated and comprehensive policies and procedures
- Internal controls and systems that support efficient award management and track compliance
- Clear process for making and monitoring subawards and subcontracts, including match contributions
- Maintain supporting documentation
 - Record retention requirements are outlined in [45 CFR 75.361](#) – 3 years from the date of submission of the final financial report.

Questions?

Why do people even bother to ask other people questions anymore?
My answer is always, "Google it."



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Financial Reporting (FFR/SF-425) and Closeout

FEDERAL FINANCIAL REPORT

(Follow form instructions)

1. Federal Agency and Organizational Element To Which Report is Submitted		2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)		Page 1	of pages	
3. Recipient Organization (Name and complete address including Zip code)						
4a. DUNS Number	4b. EIN	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)		6. Report Type <input type="checkbox"/> Quarterly <input type="checkbox"/> Semi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Final	7. Basis of Accounting <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual	
8. Project/Grant Period From: (Month, Day, Year)		To: (Month, Day, Year)		9. Reporting Period End Date (Month, Day, Year)		
10. Transactions				Cumulative		
<i>(Use lines a-c for single or multiple grant reporting)</i>						
Federal Cash. (To report multiple grants, also use FFR Attachment):						
a. Cash Receipts						
b. Cash Disbursements						
c. Cash on Hand (line a minus b)					0.00	
<i>(Use lines d-o for single grant reporting)</i>						
Federal Expenditures and Unobligated Balance:						
d. Total Federal funds authorized						
e. Federal share of expenditures						
f. Federal share of unliquidated obligations						
g. Total Federal share (sum of lines e and f)					0.00	
h. Unobligated balance of Federal funds (line d minus g)					0.00	
Recipient Share:						
i. Total recipient share required						
j. Recipient share of expenditures						
k. Remaining recipient share to be provided (line i minus j)					0.00	
Program Income:						
l. Total Federal program income earned						
m. Program income expended in accordance with the deduction alternative						
n. Program income expended in accordance with the addition alternative						
o. Unexpended program income (line l minus line m or line n)					0.00	
11. Indirect Expense	a. Type	b. Rate	c. Period From	d. Base	e. Amount Charged	f. Federal Share
g. Totals:						
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:						
13. Certification: By signing this report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)						
a. Typed or Printed Name and Title of Authorized Certifying Official			c. Telephone (Area code, number and extension)			
			d. Email address			
b. Signature of Authorized Certifying Official			e. Date Report Submitted (Month, Day, Year)			
14. Agency use only:						

Standard Form 425
OMB Approval Number: 0348-0061
Expiration Date: 10/31/2011

Financial Reports

- SF-425s are submitted in PMS (Payment Management System).
 - SCDD and SCPH (Public Health Workforce) awards report annually for the period ending 9/30.
 - Annual reports are due 90 days after the end of years 1 and 2.
 - Final reports are due 120 days after the end of year 3.
 - SCC5 (CDC) awards require annual reporting for the period ending 3/31 and final reports on 9/30 of the last year.
 - Annual reports are due 90 days after 3/31.
 - Final reports are due 120 days after 9/30 of the last year
- SF-425 data is cumulative, and each award has its own form.

FFR (SF-425) Data Entry (lines 10a – 10h)

10a – Cash Receipts	Funds drawn from PMS. Amount is automatically entered by PMS. Field cannot be edited in the Final FFR.
10b – Cash Disbursements	Award expenses. PMS automatically enters 10a amount in 10b. Field cannot be edited in the Final FFR.
10c – Cash on Hand	Line 10a minus 10b. Auto-filled by PMS [Not editable]. Field must be zero in the Final FFR.
10d – Total Federal Funds Authorized	Auto-filled by PMS [Not editable]. Will match most recent NoA.
10e – Federal Share of Expenditures	Award expenses. Should match line 10b.
10f – Federal Share of Unliquidated Obligations	Award funds obligated to the award but not yet charged. Field must be zero in the Final FFR.
10g Total Federal Share	Sum of lines 10e and 10f. Auto-filled by PMS [Not editable]. Field must match line 10e in the Final FFR.
10h Unobligated balance of Federal Funds	Line 10d minus 10g. Any amount greater than \$0 will be tracked for deobligation in the 2nd annual and Final FFRs.

FFR (SF-425) Match Data Entry (lines 10i-k)

10i – Total Recipient Share Required	Non-Federal match required for the award based on the funds expended across all projects.
10j – Recipient Share of Expenditures	Total amount of non-Federal match contributed to the award.
10k – Remaining Recipient Share to be Provided	Line 10i minus line 10j. Amount should be \$0 in the Final FFR.

Match Comment:

- In the FFR Remarks Field (Box 12) provide a narrative response that explains how the Recipient Share (match) recorded in line 10i was calculated.
- **Sample** – “Based on our budget, \$_____ are matched at 0%, \$_____ are matched at 10%, and \$_____ are matched at 25% for a total required match of \$_____ (see line 10i).

FFR (SF-425) Additional Guidance

- Remarks (Box 12) - If any FFR responses require additional context, beyond the match explanation, grantees should provide a narrative response in the *Remarks* section.
- **Grantee (DSA & DD Council) must maintain supporting documentation for all reported amounts.**
 - This includes supporting documentation for all expenditures and all match contributions.
 - Grantees should have controls to ensure that an expense is properly allocated (no duplicative charges).
- FFR Preparer and Certifier
 - All FFRs must be prepared and certified before ACL can review.
 - PMS permits an individual to be the preparer and certifier. If the same individual is conducting both steps in PMS, then there is no check and balance. **Make sure that the assignment of preparer and certifier roles aligns with organizational policies and internal controls.**

Tracking the Obligation Requirement in the SF-425

Grantees will report on obligated amounts in the SF-425.

- Each award requires three FFR submissions: 1) Annual (end of first year), 2) Annual (end of second year), and 3) Final (end of third year).

Obligation - ACL will track compliance with the DD Act obligation requirement in the second annual FFR:

- The total obligation amount is recorded in line 10g, any funds that were not obligated are recorded in line 10h.
- Any non-zero amount in line 10h will be deobligated and a new NoA will be issued modifying the authorized amount.
- **Potential Repayment - Any funds drawn beyond the obligated amount recorded in line 10g of the second annual FFR will be subject to repayment.**

SF-425 Obligation Requirement Example

Second Annual FFR - SCDD Award Amount - \$500,000

10a – Cash Receipts	\$400,000
10b – Cash Disbursements	\$400,000
10c – Cash on Hand	\$0
10d – Total Federal Funds Authorized	\$500,000
10e – Federal Share of Expenditures	\$400,000
10f – Federal Share of Unliquidated Obligations	\$70,000
10g - Total Federal Share	\$470,000
10h - Unobligated balance of Federal Funds	\$30,000

**Obligated Amount &
Revised Authorized
Amount**

**Deobligation
Amount**

Tracking the Liquidation Requirement in the SF-425

Grantees will report on liquidated amounts in the SF-425.

Liquidations - ACL will track compliance with the DD Act liquidation requirement in the Final FFR:

- No funds can be liquidated (drawn from PMS) after the last day (9/30) of third year.
- In the Final FFR, lines 10a, 10b, 10e, and 10g should all be equal.
- **Potential Repayments** - Any funds drawn beyond the obligated amount recorded in line 10g of the second annual FFR and any funds drawn after 9/30 of the third year.
- **Deobligation** – Any funds recorded in line 10h of the final FFR will be deobligated during closeout.

SF-425 Liquidation Requirement Example

Final FFR - SCDD Award Amount - \$500,000, reduced to \$470,000

10a – Cash Receipts	\$470,000
10b – Cash Disbursements	\$470,000
10c – Cash on Hand	\$0
10d – Total Federal Funds Authorized	\$470,000
10e – Federal Share of Expenditures	\$470,000
10f – Federal Share of Unliquidated Obligations	\$470,000
10g - Total Federal Share	\$470,000
10h - Unobligated balance of Federal Funds	\$0

**Matches
Second Annual
SF-425**

**Deobligation
Amount**

Grant Closeout

- NoA Terms and Conditions and 45 CFR 75 outline the following closeout requirements:
 - Final FFR (SF-425)
 - Final PPR (Program Performance Report)
 - Property Report (SF-428) – **Specific guidance is being developed.**
- Awards will be closed out by the assigned ACL GMO (Grants Management Officer).
- Please be timely with submitting reports. Report delinquencies can lead to drawdown restrictions.
- **If award funds are reported in line 10h of the Final FFR, they will be deobligated.**

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Cost Allowability

aka Can I Charge the Grant Award?

How to Review a Cost (Expenditure)

Four Part Test:

1. Program Eligible - State Plan & Budget
2. Allowability - Additional Tests
3. Reasonable
4. Allocable (associated with a specific award)

Program Eligible – State Plan & Budget

[45 CFR 1326.35](#) provides that all costs must be consistent with the approved State Plan.

Each year the Council makes an annual budget for implementing the State Plan activities:

- The budget should be developed based on a projection of future funding and then reconciled based on actual funding.
- The budget should account for all available funds, including unobligated funds from the prior year award and the newly awarded funds.

All charges need to be allocable to a specific award and backed up with supporting documentation.

Allowability – Additional Tests

Cost allowability is broadly covered in [45 CFR 75 Subpart E – Cost Principles](#).

The specific standards for cost allowability are covered in 45 CFR 75.403 (a component of 45 CFR 75 Subpart E).

*** Your use of grant funds should align with the Cost Principles unless the authorizing Act or Statute permits an eligible use of funds that goes beyond the parameters outlined in 45 CFR 75 Subpart E.**

Costs Allowability Criteria

45 CFR 75.403 establishes the criteria for assessing cost allowability, paraphrased below:

- Necessary and reasonable for implementing the grant.
- Conforms with award limitations or exclusions.
- **Consistent with your own policies and procedures.**
- Accorded consistent treatment.
- In accordance with generally accepted accounting principles (GAAP).
- Not included as a cost or used to meet cost sharing requirements of any other grant, open or closed.
- Properly documented.
- Consistent with state laws and requirements.

Cost Principles – Specific Cost Items

45 CFR 75 Subpart E provides guidance on the many common cost categories (including those listed below), if you have questions, first review the regulation and then ask ACL for help:

- Advertising
- Accounting services
- Audit services
- Budgeting
- Building lease
- Communication
- Compensation for personnel services
- Conferences
- Employee fringe benefits
- Insurance costs
- Maintenance and repair
- Material and supplies
- Printing and reproduction
- Procurement + Recruiting
- Real property rentals and equipment
- Taxes
- Training and education
- Transportation
- Travel

Allowability – Prohibited Costs

- **Unless the authorizing Act provides special permission, funds cannot be used for ...**
 - for personal gain of an individual through gifts or cash payments
 - illegal activities or to purchase illegal products
 - Purchase of alcoholic beverages
 - Paying fines and penalties
 - Fundraising

Assessing Cost Reasonableness

45 CFR 75.404 establishes the criteria for assessing cost reasonableness, paraphrased below:

- **Ordinary and Necessary** – Is the cost (expense) consistent with your normal business practices and operating procedures? Does the cost match how you would normally manage and implement grants?
 - What are the state laws and standards that apply?
- **Sound Business Practices** – Is the cost consistent with “sound business practices”, meaning would cost be considered appropriate and justified in a normal business setting.
- **Market Prices** – The cost (expense) is consistent with the price for comparable goods or services within the geographic area.

Cost Allocability

45 CFR 75.405 establishes the criteria for assessing cost reasonableness, paraphrased below:

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

How funds can be allocated:

- Is incurred specifically for the Federal award;
- Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award.

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Grant Management Best Practices

Best Practice

Internal Communication

- We recommend that DSA and the Council meet regularly to discuss award implementation, oversight, and reporting.
 - DD councils and DSAs should consider implementing an MOU to more clearly articulate expectations for communication, data management, and recordkeeping.
- The DSA and Council should establish systems and pathways for data sharing and record retention.
- Make sure all award staff understand the basic award requirements, goals, and timelines, and applicable policies and procedures.

Best Practice

Subaward Management

Grantees are expected to have policies and procedures for implementing and managing subawards, including monitoring.

- Subawards made in excess of \$30,000 should be reported in the [FSRS system](#), as required by FFATA (Federal Funding Accountability and Transparency Act)
- Subawards should identify the Federal sources utilized to fund the award and roll down award specific terms and conditions.
- Subawards should be tracked based on the award project period and reimbursements should be issued and applicable funds drawn by the liquidation end date.

Best Practice

Policies and Procedures

Grantees should have grant program policies and procedures to direct staff on how to manage and implement award activities and adhere to grant requirements.

- The grant should be managed consistent with the organizational policies and procedures unless otherwise restricted by the specific award terms and conditions.
- Policies and procedures should be kept up to date and should be revised timely in line with any major program changes or the organization's own review and revision schedule.
- Record retention requirements should account for any award specific or overarching regulatory standards.

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DD Council Award ACL Fiscal Contacts

Primary ACL Fiscal Contact

- Vincent Woodard - Vincent.Woodard@acl.hhs.gov

Back-up ACL Fiscal Contact

- Aaron Taylor – Aaron.Taylor@acl.hhs.gov