

# **ACL Office of Fiscal Operations (OFO)**

## *Developmental Disability Council (DDC) Formula Award Fiscal Requirements and Costs Allowability Training*

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2024 OIDD Training and Technical Assistance Institute  
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# Presenters



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**Image Caption:** Slide contains a two pictures, one for each presenter.



# 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
- ACL Match Monitoring Project

# Program Overview

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# DDC Formula Award Program

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## The Basics

- The DDC state formula grant program makes 56 annual awards.
- Each DDC award is managed over a three-year timeframe.
- Depending on the state, awards are issued to the DSA (Designated State Agency) or directly to the DDC.
- The approved state plan provides the roadmap for project implementation.

## Applicable Rules and Regulation

- The program was established by the DD ACT.
- Grantees must also adhere to the to the following:
  - Program regulations at 45 CFR 1326,
  - Uniform Guidance as codified in 45 CFR 75, and
  - NoA Terms and conditions.

# Notice of Award (NoA) and Project Period

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# Notice of Award (NoA) Key Considerations

- Each award has a unique NoA, active DDC awards include:
  - FY 2022 – 2024 formula awards (program code SCDD)
  - FY 2021 CDC vaccine award, only extensions (program code SCC5)
  - FY 2022 Public Health Workforce award (program code SCPH)
- The NoA provides key award data, ACL contacts, and terms and conditions.
- NoAs often have multiple versions. The “-##” at the end of the grant number provides the NoA version. The higher the number, the newer the NoA.

## Grant Number Nomenclature

Each award has a unique grant number. The grant number has five subparts.

Example – 2401MDSCDD-01

24 – Federal fiscal year

01 – Award number

MD – State abbreviation

SCDD – ACL formula grant program code

01 – Version Number



# Payment Management System

- PMS is used to complete financial reporting and drawdown award funds. These functions are often done by the DSA but may be a combo of the DSA and DDC.
- PMS Accounts are requested and processed by PMS. ACL cannot create PMS accounts and cannot modify user privileges.
- The PMS helpdesk can provide support with system access, account issues, and locating reports:
  - Email: [PMSSupport@psc.hhs.gov](mailto: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 (45 CFR 75.309 and 45 CFR 75.403).**

- 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.

On an as-needed basis, grantees may apply for a one-time no-cost extension (45 CFR 75.308(d)(2)).

# Key Program Requirements

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# Key Requirements Section Overview

This key requirements section will discuss the following statutory and regulatory requirements:

- Obligation
- Liquidation
- No-Cost Extensions
- Match
- Administrative Costs
- DSA Reimbursement

# DD Act Obligation Requirement



- The DD Act Obligation Requirement is codified into regulation at 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.
  - A common SCDD award obligation example is the commitment of funds to a subaward for implementation of a State Plan project.

# DD Act Liquidation Requirement



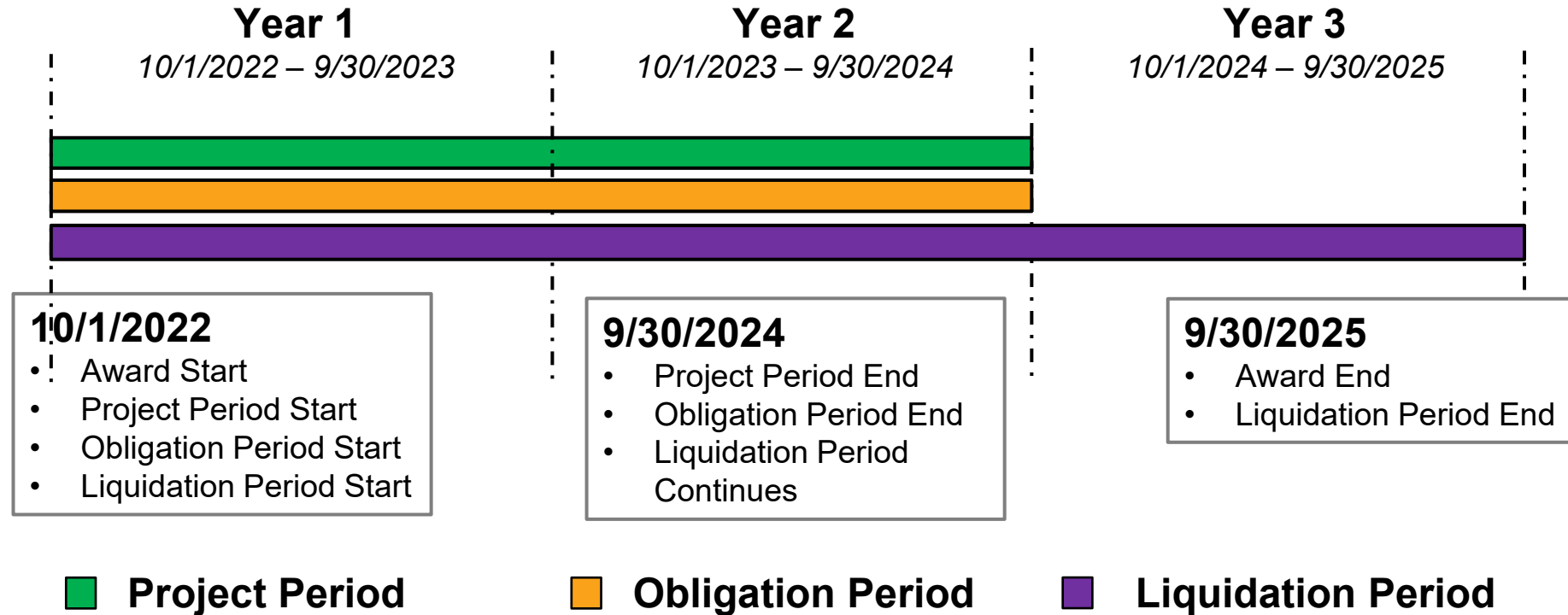
- The DD Act Liquidation Requirement is codified into regulation at 45 CFR 1326.3(a):
  - *“All obligations incurred pursuant to a grant made under the Act for a specific FFY (Federal Fiscal Year) must be liquidated within two years of the close of the Federal fiscal year in which the grant was awarded.”*
- 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 (Two Years)*



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



**Image Caption:** Slide depicts a graphic illustration of the time (years) in the project period, obligation period, and liquidation period for a standard award. The FY 2023 DDC award is used as an example. The FY 2023 award started on 10/1/2022, therefore the standard project period is 10/1/2022 – 9/30/2024 (2 years), the obligation period is 10/1/2022 – 9/30/2024 (2 years), and the liquidation period is 10/1/2022 – 9/30/2025 (3 years).

# No-Cost Extension (NCE) – 45 CFR 75.308(d)(2)



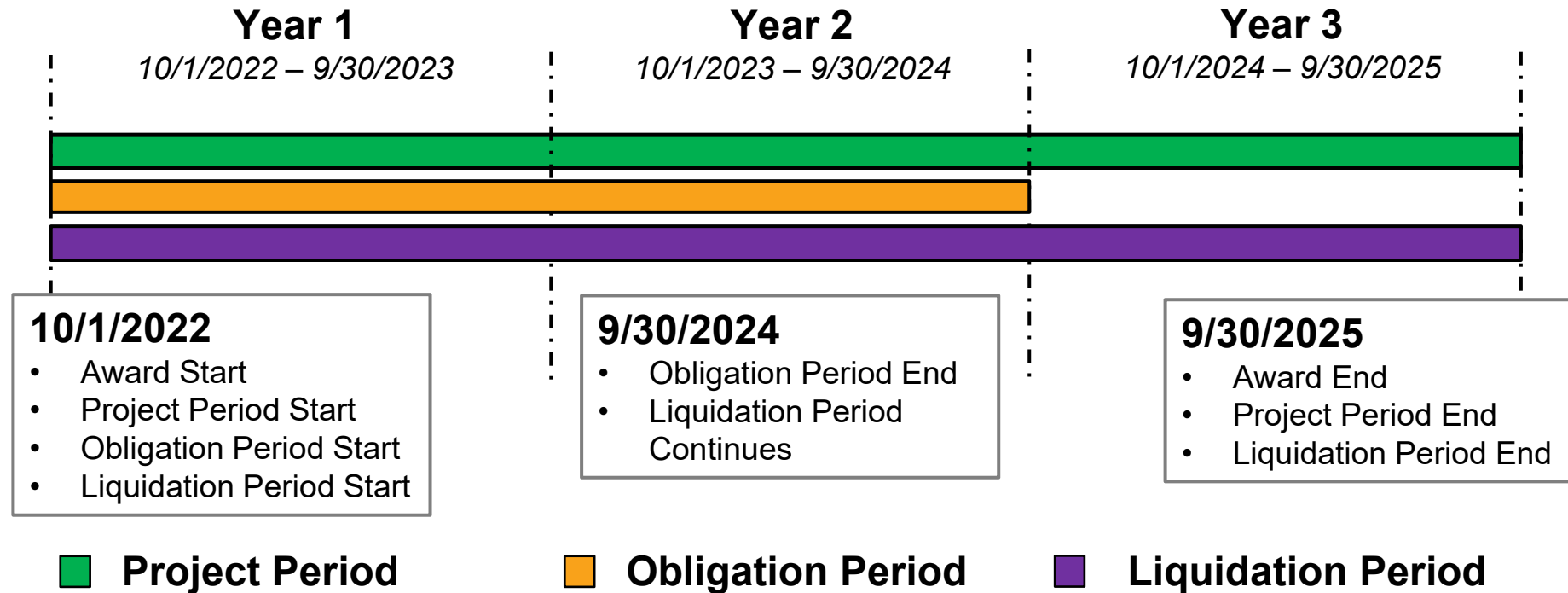
- NCEs can extend the grant project period for up to 12 additional months.
  - NCEs provide additional time to implement activities and incur allowable expenses.
- NCEs are requested through the Program Office and if approved, an updated NoA will be issued.
  - The justification provided for the NCE 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)



**Image Caption:** Slide depicts a graphic illustration of the time (years) in the project period, obligation period, and liquidation period for an extended award. The FY 2023 DDC award is used as an example. The FY 2023 award started on 10/1/2022, therefore the extended project period is 10/1/2022 – 9/30/2025 (3 years), the obligation period is 10/1/2022 – 9/30/2024 (2 years), and the liquidation period is 10/1/2022 – 9/30/2025 (3 years).



# DD Act Match Requirement



- The DD Act Match Requirement is codified into regulation at 45 CFR 1326.35(d) and (e):
- The base requirements for determining the aggregate minimum State share of expenditures is ...
  - 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.
- Match is calculated as a cost share of the total project budget. See two examples below:
  - **[Correct Method] - Total project budget is \$40,000. Assuming a 25% match, the Federal fund investment would be \$30,000 (75%) and the non-Federal share [match] would be \$10,000 (25%).**
  - [Incorrect Method] – Federal fund investment is \$30,000, so match is \$7,500 ( $\$30,000 \times 25\%$ ).
- All match must be from non-Federal sources.
- Match will be discussed further in the ACL Match Monitoring Project section of this presentation.

# DD Act Administrative Costs Cap



DD Act Reference – Sec. 124 (42 USC 15024) (c)(5)(B)(i) State Plan Requirements – Assurances:

“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 are available to pay Administrative Costs.
  - DDC 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.
- Reimbursement paid to the DSA is considered an administrative cost.



# 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 the DSA responsibilities may be reimbursed in full.
- These expenses would be subject to the administrative cap.



# DSA Reimbursement Example

**SCDD Award Amount** - \$500,000

**Max Reimbursement** - \$25,000 [ $\$500,000 \times 5\% = \$25,000$ ]

The DSA can only collect one half (1/2) of its actual expenditures, so using the parameters above, below are the reimbursement amounts for three examples:

1. \$30,000 in expenses permits a \$15,000 reimbursement
2. \$50,000 in expenses permits a \$25,000 reimbursement
3. \$65,000 in expenses permits a \$25,000 reimbursement (capped at 5%)

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



# KEY REQUIREMENT QUESTIONS

**Pause to catch up on questions in the chat.**

# Financial Reporting (FFR/SF-425) and Closeout

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# Financial Reports

- Federal Financial Reports (FFRs or SF-425s) are submitted in PMS.
  - 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.
  - Final reports for extended SCC5 (CDC) awards are due 120 days after 9/30/2024.
- FFR or SF-425 data is cumulative, and each award has its own form.

# FFR (SF-425) Boxes 10a – 10h – Federal Fund Usage

## Boxes 10a-10c

- Box 10a – Funds drawn from PMS. Amount is automatically entered by PMS. Field cannot be edited in the Final FFR.
- Box 10b – Award expenses. PMS automatically enters 10a amount in 10b. Field cannot be edited in the Final FFR.
- Box 10c – Line 10a minus 10b. Auto-filled by PMS [Not editable]. Field must be zero in the Final FFR.

## Boxes 10d-10h

- Box 10d – Auto-filled by PMS [ Not editable]. Will match most recent NoA.
- Box 10e – Award expenses. Should match line 10b.
- Box 10f – Award funds obligated to the award but not yet charged. Field must be zero in the Final FFR.
- Box 10g – Sum of lines 10e and 10f. Auto-filled by PMS [ Not editable]. Field must match line 10e in the Final FFR. **Represents award obligation amount. The amount should not increase between the year 2 Annual FFR and year 3 Final FFR.**
- Box 10h - Line 10d minus 10g. **Unobligated balance.**



# FFR (SF-425) Boxes 10i – 10k – Match Data and Box 12 Remarks



## Boxes 10i-10k

- Box 10i – Non-Federal match required for the award based on the funds expended across all projects. The required amount may vary over the course of the award based on the grantee’s obligation speed and the actual expenditures incurred against subawards (contracts).
- Box 10j – Total amount of non-Federal match contributed to the award to meet the required amount.
- Box 10k - Line 10i minus line 10j.

## Box 12 Remarks

- In the FFR Remarks Field (Box 12) , ACL requests DDC grantees to provide a narrative explaining the basis for calculating their required match amount (Box 10i).
- Sample Narrative – “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) Boxes 10l – 10o – Program Income



## Program Income Key Facts

- Definition (from 45 CFR 75) – “Program income means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance”
- Program income earned during the project period from funded projects or activities should be applied to the award expenses using the deductive method (45 CFR 75.307(e)(1)).
- Income earned after the period of performance is not subject to Federal requirement (45 CFR 75.307(f)).
- ACL recommends providing a narrative entry in the Remarks (Box 12) explaining the how the program income was earned and how it is being used.

## Boxes 10l-10o

- Box 10l – Program income earned.
- Box 10m – Program income expended using the deductive method.
- Box 10n – Program income expended using the addition method.
- Box 10o – Unexpended program income.



# FFR – Additional Considerations

- DSAs & DDCs must maintain supporting documentation for amounts reported on the FFR (SF-425).
  - This includes supporting documentation for all expenditures and all match contributions.
  - Internal controls should be in place to ensure that an expense is properly allocated.
- FFR Preparer and Certifier
  - All FFRs must be prepared and certified before ACL can review.
  - PMS permits a single individual to serve as 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 to ensure proper checks and balances are upheld.**

# DD Act Obligation Requirement Reporting in the FFR



## DD ACT Requirement

“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.” **DDCs have until the end of award year 2 (9/30 of the second year) to obligate funds.**

## EXAMPLE – Year 2 Annual FFR Submission for \$500,000 SCDD Award

- Box 10a - \$400,000 (Amount drawn from PMS)
- Box 10b - \$400,000 (Amount of award expenses paid)
- Box 10c - \$0 (Box 10a – 10b)
- Box 10d - \$500,000 (Award amount)
- Box 10e - \$400,000 (Amount of Federal award expenses)
- Box 10f - \$70,000 (Amount of award funds obligated but not liquidated)
- **Box 10g - \$470,000 (Amount of award funds obligated by the end of year 2). Grantees cannot draw award funds in excess of this amount.**
- Box 10h - \$30,000 (Amount of award funds subject to deobligation because they were not obligated in the two year period)



# Missed Opportunities - Analysis of DDC Formula Award FFR Obligation Data

- ACL OFO has analyzed the FY 2019 – 2022 SCDD award obligation amounts using the line 10g amount in the Year 2 Annual FFRs.

## RESULTS

- For the FY 2019 and 2020 awards about 3.5% of the funding provided through DDC formula awards was not obligated by the end of year 2. For FY 2021 and 2022 the percentage of unobligated funds increased.
- For each fiscal year about 40% of program grantees failed to fully obligate their award by the end of Year 2.

**IMPACT** – Any award funds not obligated by the end of year 2 cannot be used to implement award activities and cannot be drawn from PMS.

# DD Act Liquidation Requirement Reporting in the FFR

## DD ACT Requirement

“All obligations incurred pursuant to a grant made under the Act for a specific FFY (Federal Fiscal Year) must be liquidated within two years of the close of the Federal fiscal year in which the grant was awarded.” **PMS has been programmed with a strict drawdown cutoff date for DDC formula awards. No award funds can be drawn after 9/30 of the third year.**

## EXAMPLE – Year 3 Final FFR Submission for \$500,000 SCDD Award

- Box 10a - \$470,000 (Amount drawn from PMS)
- Box 10b - \$470,000 (Amount of award expenses paid)
- Box 10c - \$0 (Box 10a – 10b)
- Box 10d - \$500,000 (Award amount) **(Amount would be \$470,000 if ACL deobligated the \$30,000 from box 10h in the Year 2 Annual FFR)**
- Box 10e - \$470,000 (Amount of Federal award expenses)
- Box 10f - \$0 (Must be zero in Final FFR)
- **Box 10g - \$470,000 (Amount is equal to or less than box 10g amount in Year 2 Annual FFR)**
- Box 10h - \$0 (Amount of award funds to be deobligated)

# ACL Guidance on the DD Act Obligation and Liquidation Requirements

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- ACL has developed updated guidance on the DD Act obligation and liquidation requirements. The guidance will be issued soon and will address the following topics:
  - How grantees can demonstrate compliance with the obligation and liquidation requirements through the FFRs.
  - How ACL will assess compliance and what actions ACL will take to address obligation and liquidation requirement non-compliance.
  - ACL's timeline for implementing compliance measures.
- When the guidance is released, ACL's Office of Fiscal Operations (OFO) will provide dedicated email follow-up to all grantees with an analysis of recent FFR submissions against the DD Act obligation and liquidation requirements.
- ACL OFO has worked with PMS to ensure that draw access for all SCDD awards expires on 9/30 of the third year.



# 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) – **Currently, this is only applicable if the grantee intends to dispose of property purchased with Federal funds.**
- Awards will be closed out by the assigned GMO (Grants Management Officer) in ACL OFO.
- 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.**





# FFR AND CLOSEOUT QUESTIONS

**Pause to catch up on questions in the chat.**

# Cost Allowability

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# Testing Your Award Expenses

Use the following four tests to confirm that your expenses are chargeable to the Federal award:

1. Program Eligible – State Plan project/activity, Admin expense, DSA reimbursement
2. Allowable – Review 45 CFR 75.403 and check against selected items of cost in 45 CFR 75.420-475.
3. Allocable – Review 45 CFR 75.404 to confirm that an expense is allocable to a Federal award in whole or part.
4. Reasonable – Review 45 CFR 75.405 to confirm that an expense is reasonable to be charged to program and Federal 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.**



# 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.



# 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 align with 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 the 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 allocability, as 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.

# Grant Management Best Practices

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# Internal Communication

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- ACL recommends that the DSA and the DDC meet regularly to discuss award implementation, oversight, and reporting.
  - DDCs and DSAs should consider implementing an MOU to more clearly articulate expectations for communication, data management, and recordkeeping.
- The DSA and the DDC should establish systems and pathways for data sharing and record retention.
- Make sure all staff working on the award understand the basic award requirements, goals, and timelines. Ensure that staff have been trained on applicable policies and procedures.



# Subaward Management

**Grantees are expected to have policies and procedures for implementing and managing subawards, including monitoring subawardee performance and compliance with the match requirement.**

- 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 necessary reimbursements should be issued timely.



# 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.
- Policies and procedures should be kept up to date and should be revised 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.

# ACL Match Monitoring Project

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# Background

**ACL commenced the match monitoring project in November 2023. ACL implemented this monitoring work to achieve the following goals:**

- Obtain a better understanding of grantee knowledge and the processes utilized to comply with the DD Act match requirement.
- Identify any knowledge gaps or implementation obstacles.
- Use the conclusions gathered to improve training, technical assistance, and policy.



# Scope and DDC Participation

- ACL randomly selected 11 grantees for review (10 states and 1 territory).
- Grantees were reviewed over two phases:
  - Phase 1 – 5 grantees – started November 2023.
  - Phase 2 – 6 grantees – started February 2024.
- Review Status
  - Phase 1 is complete; reports will be issued soon.
  - Phase 2 is ongoing with exit conferences scheduled during the month of May.

# Results and Preliminary Lessons Learned

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## The major goal of this monitoring work has been learning.

- ACL has not approached this monitoring work as a formal compliance exercise. ACL has issued no findings, but instead made observations and recommendations to improve grantee processes and/or to increase efficiency.

The preliminary lessons learned from the match monitoring review include:

- DDCs define, scope, and apply the match requirement differently.
- DDC award match is a cost share, not the Federal funds awarded multiplied by 25%.
- Many DDCs receive state funding, which can be a source of match contribution, but it was not always clear how state funding was being used to support the projects or activities that triggered match to be required.
- The processes for preparing match data for FFRs could be clearer.
- There is a tendency to default to the 25% match requirement without clearly marketing the 10% poverty option.



# ADDITIONAL QUESTIONS

**Pause to catch up on questions in the chat.**





# OFO Contacts

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## **Primary Contact for SCDD awards –**

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