

DOCUMENTATION REQUIREMENTS FOR GRANTEES ON WORKING CAPITAL ADVANCE

GENERAL GUIDANCE

The Working Capital Advance method of funding works like an imprest fund, allowing a grantee to be advanced funds, which must be disbursed upon receipt. Please note, however, that the grantee's initial request cannot be for the entire grant award. (See Section A under Specific Guidelines for a discussion on how the initial advance is determined.) After the funds are received and disbursed, the grantee can request to be reimbursed for the costs incurred and paid under the grant. However, if a balance remains on the prior request, the grantee should reduce its next request for funds by that amount. All Requests for Advance or Reimbursement (*Payment Request*) forms, exclusive of the initial advance, should be supported by adequate documentation. As such, with each new *Payment Request*, information is provided that verifies actual expenses incurred and paid from the previous request. Expenses will be reimbursed only if required matching costs were incurred, paid and documented. The final *Payment Request* must include documentation that substantiates not only the expenditures of the final request, but also the initial advance; including matching.

The Office of Inspector General (OIG) and the Grants & Contracts Office (G&C) assembled the following instructions to assist grantees who have been placed on the Working Capital Advance method of funding. These instructions should be followed for each *Payment Request* submitted to the G&C. **If the grantee does not follow these instructions, the G&C will be unable to review and process the *Payment Request*, and the entire request will be returned.**

All Payment Requests with the appropriate documentation must be submitted to the G&C. Please contact either the grants specialist that was assigned to work with your organization at (202) 682-5403 or the OIG at (202) 682-5402 if there are any questions.

SPECIFIC GUIDELINES

For the G&C to efficiently process the grantee's *Payment Request*, it is essential that the grantee follow the specific guidelines provided below.

A. Requesting the Initial Advance

1. Determine the Initial Advance. The grantee should determine its immediate cash requirements. The amount of the advance will be limited to the expenses, which will be incurred during the 30 days between the receipt of the *Payment Request* and receiving the funds electronically in its bank account. (In most instances, do not request more than 20% of the grant award.) Advances must be disbursed immediately upon receipt.
2. Submitting the *Payment Request Form*. All grant recipients are required to submit this form when requesting an advance. Please note "advance" on this form -- not "reimbursement" when requesting the initial advance. (See next paragraph for additional instructions.)

B. Replenishing the Advance

1. Submitting the *Payment Request Form*. A *Payment Request* form is used for each reimbursement request for NEA funds. Supporting documentation must accompany each *Payment Request* following the initial request for advance of funds. This documentation will verify the expenditures covered by the previous advance and the required match. The *Payment Request*, Summary Cover Sheet, and documentation should be faxed to (202) 682-5609/10 or sent via a delivery service to the National Endowment for the Arts, Grants & Contracts Office, Room #618, 1100 Pennsylvania Ave., NW, Washington, DC 20506.
2. Allowable Costs. *Payment Requests* must be supported by appropriate documentation for the allowable expenditures incurred and paid on the grant. Grantees that are unsure whether a particular expenditure is allowable, should consult the approved project budget and/or the appropriate OMB Circulars (A-110, A-21 and A-122 for Nonprofit and Institutions of Higher Education or the Common Rule and A-87 for State and Local Governments). The Circulars have been relocated to 2 CFR Parts 220, 225 and 230. Alternatively, contact G&C if additional assistance is needed.
3. Appropriate Forms of Documentation. To be reimbursed for allowable expenses, the grantee must provide documentation that costs were incurred and paid. Generally, this will take the form of an invoice, receipt or contract supported by a copy of the cancelled check/electronic copy or other document supporting that the transaction was enacted; i.e., bank statement, electronic reference, etc. Note that both the front and back of all copies of the cancelled checks should be included. If the back side is not available, a copy of the respective bank statement can be substituted. (For reimbursement of wages and fringe benefits, personnel activity reports are required - see part 6 below.)

4. Summary Cover Sheet and Attached Supporting Documentation. Accompanying each *Payment Request* should be a Summary Cover Sheet, which displays summary data regarding the request. The Summary Cover Sheet should include the following information: check numbers or charge method (Visa, etc.), date of check/charge, and payee; amount of expense; form of supporting documentation (i.e. invoice, receipt, contract, personnel activity report, etc.); and a brief explanation of the purpose of the expense (see suggested format on Attachment 2).

All supporting documentation for each disbursement should be accompanied by a copy of the cancelled check/ electronic copy and arranged in the same order as indicated on the Summary Cover Sheet. In addition, all documentation must be legible.

Helpful Hints. Summary Cover Sheets must be complete, accurate, and well organized. Pages should be numbered or grouped to facilitate cross-referencing of checks and supporting documentation. For the second *Payment Request* submitted by a grantee (and/or the person preparing the request), the initial number of transactions documented should be small so that any deficiencies in the submission that are identified by the grants specialist can be corrected with the minimum amount of effort.

- a. Listing of Cancelled Checks/Charges. Each cancelled check/charge should be listed either sequentially by check number or in some logical order if grouped by cost category.
- b. Date Check Written/Charge Incurred. Provide the date that the check was written or the charge was incurred.
- c. Payee. Identify to whom the check was written.
- d. Total Amount of Expense. Identify the total amount of the expense reflected in the corresponding check. An explanation in the form of a footnote must be provided if the total amount of the check is different than the amount used in the supporting documentation.
- e. Form of Documentation. Identify the type of supporting documentation (i.e. invoice, contract, receipt, personnel activity reports, etc.).
- f. Explanation. Provide a brief explanation of the purposes for which the costs were incurred if not self evident by the payee.
- g. Signatures. The Summary Cover Sheet should be signed and dated by both the **preparer and an authorizing official** other than the preparer. The authorizing official should ensure that the Summary Cover Sheet and supporting documentation are organized and easy to follow. (An authorizing official is an official of the organization with authority to legally bind the organization.)

5. Matching Requirements. Unless noted on the grant award letter, all grants are 1:1 matching awards. The grant matching requirement is directly related to the amount of funds for which you may be reimbursed by the NEA. For example, if the grant has a 50/50 matching requirement, the NEA can only reimburse you for 1/2 of the costs documented.

6. Personnel Activity Reports. For wage and fringe benefit expenses, personnel activity (time and effort) reports are required for nonprofits, and state and local governments. OMB Circular A-122 requires a nonprofit to maintain records of employee time, account for a full day's work, be able to identify the portion devoted to grant projects, and be prepared at least monthly and coincide with one or more pay periods. (A state or local government should see OMB Circular A-87 for specific guidance for preparing personnel activity reports.) A sample format for presenting such information in accordance with OMB Circular A-122 is provided in Attachment 1. However, if the grantee is currently recording such information in another format, please request the OIG's approval of this format before submitting the reports with the grantee's other documentation. The Summary Cover Sheet should indicate the total amount of wages and fringe benefits, the net amount of the pay check, and the amount of wages and fringe benefits applicable to the grant.

Personnel activity reports should be signed by both the employee and the employee's supervisor. The personnel activity reports should also be cross referenced to the Summary Cover Sheet so that one can easily identify the individuals and amount (or percent) of time that they devoted to the specific NEA project for which reimbursement is requested.

NOTE: The NEA does not waive the requirement to maintain personnel activity reports for nonprofit organizations and institutions of higher education under the working capital advance method of funding.

7. Use of In-kind Contributions

The use of in-kind contributions (e.g., donated services, goods or facilities for which a dollar value can be established) can only be used for matching purposes if they are allowed in the approved project budget. Furthermore, the use of such contributions must be verified in the format provided in Attachment 3. The NEA reserves the right to disallow any expenditure that is not documented or is in excess of reasonable costs for such services, facilities, or goods provided. Detailed information on in-kind contributions is located in OMB Circular A-110, Section 23, the Common Rule, Section 1157.24, and 2 CFR 215, as appropriate.

- C. Final Payment Request

The final *Payment Request* must contain documentation for the expenditures that are being reimbursed as well as documentation to verify expenditures covered by the initial advance. In addition, all matching requirements must be met and documented. For example, a grantee with a grant requiring a 50/50 match, who received \$5,000 as the initial advance and is requesting \$5,000 as the final payment, must provide documentation for \$20,000 in expenses in order to receive the entire final payment.

D. Use of Automated (ADP) Prepared Financial Reports

If the grantee uses an automated accounting system that separately tracks expenses associated with the project or activity supported by the NEA, a copy of such documentation may be submitted in lieu of the Summary Cover Sheet with each *Payment Request* if:

1. Contained on the ADP generated sheets are the account numbers and applicable category of expense (this can be handwritten on the report if necessary), period of time covered, payee and amount of expense. The check numbers and date of issue should also be identified.
2. The following supporting documentation is provided and arranged in the same order as, and cross-referenced to, the information conveyed in the ADP generated report:
 - a. Copy of cancelled check; and
 - b. Attached to each check is supporting documentation such as personnel activity reports, invoices, etc. (NOTE: An explanation in the form of a footnote must be provided if the total amount of the check is different than the total amount of the supporting documentation.)
3. The ADP report is signed and dated by both the preparer and an authorizing official other than the preparer.

RELIEF FROM THE WORKING CAPITAL ADVANCE DOCUMENTATION REQUIREMENTS

The grantee should notify the OIG as soon as the recommendations prescribed in the Audit Report have been met and its fiscal systems and/or financial condition have improved. At that time, the OIG will request additional information in order to make a determination as to whether the grantee can return to the regular method of funding or a less stringent method of funding. If the OIG is not kept apprised of the grantee's financial condition, the grantee will remain on the working capital advance funding method as long as it receives grants from the NEA.

ATTACHMENTS

The following attachments are included for the grantee's use. A Summary Cover Sheet must be included with each *Payment Request* after the initial advance is submitted.

- Attachment 1. Sample Personnel Activity Report.
- Attachment 2. Sample Summary Cover Sheet.
- Attachment 3. Sample In-kind Contribution Report.

SAMPLE PERSONNEL ACTIVITY REPORT (TIME AND EFFORT REPORT)

Organization Name: _____	
Employee's Name _____	Week Ending _____
<u>Activity</u>	<u>Distribution of Time</u>
Arts Endowment	
1. Grant	_____ %
2. Grant	_____ %
Other	
3. Project name	_____ %
4. Project name	_____ %
5. Project name	_____ %
Administrative	_____ %
Fundraising	_____ %
Leave	
Sick	_____ %
Vacation/annual	_____ %
Other (specify)	_____ %
TOTAL:	<u>100</u> %
Employee's Signature _____	Date: _____
Supervisor's Signature _____	Date: _____

In preparing personnel activity reports, please note the following:

- The reports must be based on an after-the-fact determination of the employee's actual activities (i.e., these cannot be estimated in advance). For example, the distribution of time might be determined based on notes from personal calendars and/or reasonable estimates of time spent on various activities.
- All of the employee's compensated time must be accounted for in these reports. This would include time spent on activities in addition to the Endowment-supported project(s), as well as leave (sick/vacation/holiday), administrative duties, etc. **NOTE: For nonprofessional employees, grantees must also maintain records indicating the total number of hours worked each day in conformance with the Fair Labor Standards Act (29 CFR Part 516).**
- The reports must be signed by the employee or a responsible supervisory official.
- Reports must coincide with one or more pay periods and be used to reconcile salary and fringe benefit costs to appropriate accounts on a regular (preferably monthly) basis.
- Unless otherwise specified in the grant award letter or if the organization is on either working capital advance or cost reimbursement method of funding, the Endowment waives the requirement to maintain personnel activity reports for nonprofit organizations and institutions of higher education receiving an award of less than \$50,000 starting with year 2005 awards. However, appropriate records must be maintained to verify any expenses attributed to Federal/matching funds.

NATIONAL ENDOWMENT FOR THE ARTS**SAMPLE SUMMARY COVER SHEET**

GRANTEE NAME: _____

GRANT #: _____

Check No.	Date of Check	Payee	Total Amount Of Expense Claimed	Type of Documentation	Explanation
101	7/01/08	Dane Lewis	\$ 150.00 ^{1/}	Pers. Act. Report	Salary
102	7/05/08	Henry Supply Co.	112.66	Invoice	Supplies – Art
103	7/05/08	The Mike Miller Band	800.00 ^{2/}	Contract	Performance Advance
104	7/12/08	Blue Lights Co.	150.00 ^{3/}	Invoice	Light Fees
VISA	7/12/08	Home Hardware	220.00	Charge, Invoice	Stage Lumber
105	7/12/08	The Mike Miller Band	<u>\$1,200.00</u> ^{2/}	Contract	Performance Fees
Total Grant Costs			<u>\$2,632.66</u>		

^{1/} Gross salary was \$600.00; net check was \$400.00; \$150.00 applies to 25% of time spent on grant.

^{2/} Total contract was for \$2,000 of which \$800 represents advance.

^{3/} Check was for \$200, but included a \$50 payment on a previous billing unrelated to the current grant.

Prepared by:

Signature/Title_____
Date

Reviewed and Approved by:

Signature/Title_____
Date

SAMPLE IN-KIND CONTRIBUTION REPORT

Report of
 SERVICES RENDERED, GOODS DONATED, FACILITIES PROVIDED
 to the

_____ (name of organization) _____

Project: _____

Donor Organization: _____

Address: _____

Donor's Signature: _____ Phone: _____

Position: _____

Date(s) services were performed, goods were donated, or facilities provided for project:

Services Rendered:		VALUE
by _____	hours _____	\$ _____
by _____	hours _____	_____
by _____	hours _____	_____
by _____	hours _____	_____
by _____	hours _____	_____
Others listed on reverse; amount from reverse:		_____
	Total Services	\$ _____

Goods Donated:		
Item _____		\$ _____
Item _____		_____
Item _____		_____
Others listed on reverse; amount from reverse:		_____
	Total Goods	\$ _____

Facilities Provided:		
Place _____		\$ _____
Place _____		_____
Place _____		_____
Place _____		_____
Others listed on reverse; amount from reverse:		_____
	Total Facilities	\$ _____
	TOTAL VALUE	\$ _____

APPROVED BY:
 Name: _____
 Title: _____
 Date: _____

Note: Please attach an explanation of the bases for the valuation of each item and any supporting documentation.