



Intermediary Development Series

Managing Public Grants

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The National Resource Center gratefully acknowledges the expert and experienced practitioners who assisted in the development of *The Intermediary Development Series* guidebooks:

Acquiring Public Grants
Building Multiple Revenue Sources
Delivering Training and Technical Assistance
Designing Sub-Award Programs
Establishing Partnerships
Identifying and Promoting Promising Practices
Managing Public Grants
Measuring Outcomes

The ideas and information in this publication should not be construed as an official Department of Health and Human Services position. This guidebook is published in the interest of technical information exchange.

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(703) 752-4331 | Fax (703) 752-4332

E-Mail: Resource_Center@DareMightyThings.com

<http://www.acf.hhs.gov/programs/ccf/>

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Introduction

Welcome to *The Intermediary Development Series*—a multi-volume series designed to outline the key steps and elements necessary to help intermediaries build capacity in the faith-based and community-based organizations (FBO/CBOs) they serve. This series represents more than the sharing of information. It represents a common commitment to an intermediary's ideals—providing the most effective services in a more efficient manner to the grassroots organizations that are reaching those in our country with the greatest needs.

Who is the audience for *The Intermediary Development Series*?

An *intermediary* is something that exists between two persons or things, or someone who acts as an agent or mediator between persons or things. An intermediary organization, then, exists between the people with the resources and the organizations needing the resources—namely finances or information.

The Compassion Capital Fund, administered by the U.S. Department of Health and Human Services, helps FBO/CBOs build capacity and improve their ability to provide social services to those in need. In this context, an intermediary acts as a mediator between the Federal government and grassroots organizations to help accomplish these goals. This series will prove useful to both existing and emerging intermediaries (those currently funded through CCF as well as an expanded audience of potential recipients) and the FBO/CBOs they serve.

What is *The Intermediary Development Series*?

Think of it as help when and where it's most needed—a ready reference for common priority issues and comprehensive answers to critical questions. It was developed as a key component of the Compassion Capital Fund in response to the questions and concerns consistently posed by intermediaries representing all areas of expertise and experience levels. The following titles are included in this eight-volume series:

Acquiring Public Grants
Building Multiple Revenue Sources
Delivering Training and Technical Assistance
Designing Sub-Award Programs
Establishing Partnerships
Identifying and Promoting Promising Practices
Managing Public Grants
Measuring Outcomes

How is *The Intermediary Development Series* used?

It is intended to be used as a practical guide for intermediaries to help FBO/CBOs in a variety of tasks including securing more funding, providing services more effectively or on an increased scale and also helping them operate more efficiently. As such, it's flexible—readers who wish to use it as a self-guided reference for specific questions are likely to keep it nearby. Key terms (bolded within the text) are defined in a glossary of terms included in the appendix of each

guidebook. It's also comprehensive—emerging intermediaries may find the volume, *Delivering Training and Technical Assistance*, especially helpful for more in-depth assistance. Finally, regardless of the audience, its user-friendly format makes it easy to share with the variety of organizations intermediaries serve.

Who developed *The Intermediary Development Series*?

This series was developed for the Department of Health and Human Services by the National Resource Center—an information clearinghouse designed to provide customized technical assistance, specialized workshops and other useful tools to help increase intermediaries' scale, scope and effectiveness. Expert practitioners were enlisted to develop and field-test each topic in *The Intermediary Development Series*, ensuring each volume would provide accurate and, most of all, *practical* answers to common questions.

Managing Public Grants

By reading this particular volume in *The Intermediary Development Series*, intermediary organizations will know the key concepts and elements required to manage Federal grants effectively, including:

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

This guidebook will help organizations answer these key questions:

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

Managing Grants Overview

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

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

Critical Elements of Grants Management

Your application details the specific project activities your organization will undertake and the objectives you want to accomplish. The **cooperative agreement** or grant agreement specifies the terms of the award. The award package includes the notice of award specifying the amount of the award, **project period**, budget period, standard terms and conditions, reporting requirements and required forms for submission.

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

Key Documents in Grant Management

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

Federal Grants Management Policies

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

OMB Circulars

Office of Management and Budget circulars govern all rules for Federal grant management. It is very important to become familiar with government-wide circular requirements that apply to your organization type. OMB circulars can be accessed online at www.omb.gov. The information presented in this guidebook is derived from the following OMB Circulars:

- **OMB Circular A-110:** Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations
- **OMB Circular A-122:** Cost Principles for Nonprofit Organizations
- **OMB Circular A-127:** Policies and Standards for Financial Management Systems
- **OMB Circular A-133:** Audits of States, Local Governments and Non-Profit Organizations
- **OMB Circular A-134:** Financial Accounting Principles and Standards

Educational institutions and commercial (for-profit) companies are governed by different OMB Circulars, which are not discussed in this guidebook. However, those OMB Circulars and additional information can be found at www.whitehouse.gov/omb/.

Agency Requirements

Each Federal awarding agency is governed by OMB A-110 and applicable Federal law. You can find The Code of Federal Regulations online at www.gpo.gov/nara/cfr. The following list will help you identify the governing legislation in the Code of Federal Regulations for each of the agencies listed below:

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

The governing legislation for each agency details specific terms, requirements and conditions for all funding awards issued by the applicable Federal agency. The CFR is organized by subsection; accessing it online will provide you with direct links to specific sections. This allows you to easily search for information related to a topic or question you may have.

Roles and Relationships in Managing Federal Grants

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

The Roles and Responsibilities of Your Organization

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

- Develop and implement work plans that will ensure that the services and activities included in the approved application are achieved in an efficient, effective and timely manner.
- If **sub-award** plans and programs are part of grant requirements, submit plans and procedures for the issuance of sub-awards for Federal approval according to specified timeline and prior to the issuance of any such sub-awards.
- Ensure that key project staff members attend and participate in Federal funding agency-sponsored workshops and meetings.
- Develop a reporting system and submit the completed required performance and financial reports on time, as required by your cooperative agreement.
- Work collaboratively with agency officials and other intermediary organizations.

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

The Role of Federal Program Officers¹

Program officers have a vested interest in the success of your program and are available to you to provide the following assistance:

- Promote collaborative relationships and facilitate the exchange of information among intermediary organizations as it relates to technical assistance and training needs, emerging issues, research findings, available resources and model programs.
- Provide consultation to intermediary organizations with regard to the development of work plans, special issues and concerns and approaches to address problems that arise. They can also identify any special focus areas for technical assistance.

¹ HHS CCF Program Announcement, Federal Roster, Friday June 7, 2002 and GPD Part 1.04: General - HHS Responsibilities HHS Transmittal 99.03.

- Provide timely review, comment and approval on sub-award plans and procedures submitted by approved intermediary organizations.
- Sponsor meetings of all technical assistance providers to promote coordination, information sharing and access to resources, training and learning opportunities.
- Work together to address issues or problems identified by the intermediary organization or others with regard to the recipient's ability to carry out the full range of activities included in the approved application in the most efficient and effective manner.
- Refer any incoming written prior approval requests received to the grant's management officer for correspondence control purposes.
- Provide requested input on the disposition of prior approval requests to the grants management officer within the specified time frame.
- Have a working knowledge of types of costs/activities requiring prior approval.
- Refer questionable situations to the grants management officer for resolution.

Program officers generally have oversight responsibility for program performance, while grants management officers are generally responsible for financial aspects of the funded project.

The Role of Grants Management Officers (GMO)²

Grants management officers are responsible for monitoring recipient compliance with cost policies and requirements. They do this by reviewing recipient reports (and other available information) and through other means such as site visits. The GMO has the final say in approving or denying program expenditures and facilitating the appeals process. Grant awards and amendments are not binding on the Federal government unless signed by the responsible GMO. The GMO's primary post-award responsibilities are as follows:

- Approve or deny all requests for prior approval.
- Review and sign all subsequent business-related correspondence concerning grants.
- Serve as the official receipt and control points for all required recipient reports and all formal communications or contacts that, if approved, would result in changes to an award, including its terms and conditions.
- Maintain the official grant files for individual grant awards. Program officials will supply such material as necessary to ensure that the official grant files are complete.
- Monitor the receipt of all required reports and follow-up as necessary to obtain delinquent reports. GMOs must also review and ensure all necessary adjustments to financial reports are made prior to grant closeout.
- Close out grant awards/files and ensure that grant files contain all pertinent documents, including required reports and evidence that appropriate grants management and program office reviews and evaluations have been conducted.
- Resolve or participate in the resolution of audit findings involving grant programs.

You can rely on your project staff to deliver services, while Federal program and grants management officers are available to assist with implementation and management concerns and questions. The end result of a good working relationship with these key stakeholders is an effective and efficient program.

² GPD Part 1.04: General - HHS Responsibilities HHS Transmittal 99.03.

The Grant Award Process

Once a funding decision has been made, the Federal awarding agency will issue the applicable award instrument, as specified in the program announcement in the Federal Register. Award instruments include *grants*, *cooperative agreements* and *contracts*.

Grants and *cooperative agreements* are used when the principal purpose of the transaction is to support a public purpose authorized by the awarding agencies Federal statute. *Contracts* are used when the principal purpose is the acquisition of property or services for the direct benefit or use by the Federal government.³ *Grants* are used when a recipient organization is expected to implement and achieve programmatic goals autonomously. *Cooperative agreements* are used when substantial involvement is expected between the funding agency and the recipient when carrying out the funded activities.

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

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

Process for Receiving Award Payments

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

These steps occur before any payment is made to your organization. The processes for submitting reports and ensuring timely payments are addressed in detail in forthcoming sections of this guidebook.

³ OMB Circular A-110, Subpart B. Pre-Award Requirements Section, .11.

Developing an Operational Plan

Your organization's compliance with the terms of your grant agreement entails familiarizing project staff with Federal program requirements, participating in technical assistance workshops and implementing the proposed project as planned and within budget. This guidebook provides information specific to financial and program-related reporting generally required by Federal funding agencies. (For information about other critical program implementation issues, please see the *Designing Sub-Award Programs*, *Delivering Training and Technical Assistance*, *Establishing Partnerships*, *Identifying and Promoting Promising Practices* and *Measuring Outcomes* guidebooks, part of the National Resource Center's *Intermediary Development Series*.)

Your operational plan will be based on information presented in your application narrative and the required reporting schedule detailed in your award package. When you developed your application for funding, you described who, what, when, how, where and why specific activities will take place to achieve desired outcomes and project objectives.

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

Create a Reporting Calendar and Assign Responsibilities

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

Sample Operational Plan Format						
Goals	Activities	Responsible Member	Year 1 Timeline			
			Q1	Q2	Q3	Q4

In this sample format, reporting deadlines can be entered as activities with due dates indicated in the timeline. This format also allows you to indicate who is responsible for completing each of the activities detailed.

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

Ensure Timely Payments

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

- Failure to comply with the project objectives, terms and conditions of the award or Federal reporting requirements
- A recipient or **subrecipient** is delinquent in a debt to the United States as defined in OMB Circular A-129

The Division of Payment Management (DPM) oversees all payments to funded organizations. Within the Department of Health and Human Services, electronic payment is the required payment method, meaning grant funds will be deposited directly into your organization's bank account.

Electronic Payments⁴

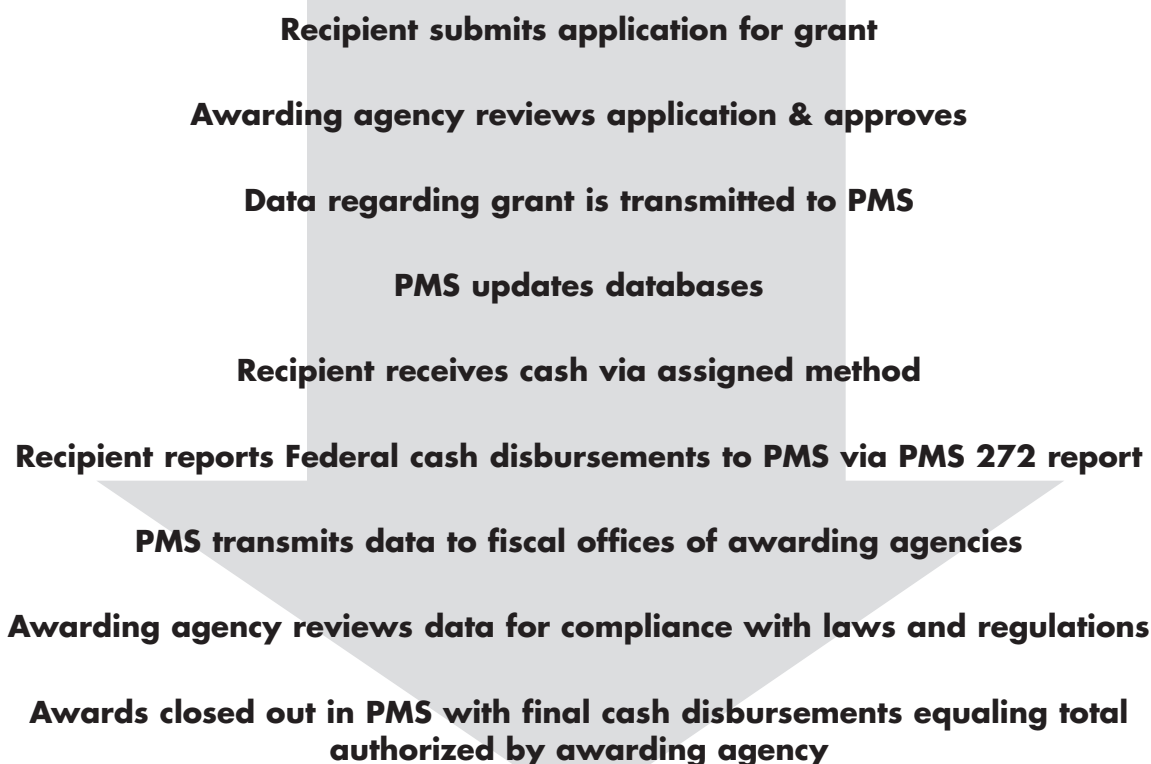
The Division of Payment Management (DPM) operates the Payment Management System (PMS)—a full-service centralized grants payment and cash management system selected as one of the two grants payment systems for the entire Federal government. The fully automated system receives payment requests, edits them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

⁴ Division of Payment Management (DPM) Website.

Keep in Mind

The Division of Payment Management (DPM) offers Payment Management System User training classes for new grant recipient organizations. For information about registering for the training or obtaining a CD of the training, go to www.dpm.psc.gov.

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



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

Recipients complete 1199A Direct Deposit Form, available online at www.dpm.psc.gov, in order to register banking data within the Payment Management System. Recipients request funding via an assigned payment method through Payment Management, which is (generally) paid on a next day basis and completes quarterly reports (PMS 272) which certify the disbursement of the funds.

Other Payment Methods⁵

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

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

Reimbursement is the preferred payment method when the recipient organization cannot meet requirements for accounting standards or payment procedures. When the reimbursement method is used, the Federal awarding agency will make payment within 30 days after receipt of the billing.

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

⁵ OMB Circular A-110, Subpart C: Pre-Award Requirements, Financial and Program Requirements, Section, .22 Payment.

Meeting Goals and Objectives

Project performance will be evaluated based on your progress regarding stated goals and objectives and fiscal performance. You will be required to provide project performance information at regular reporting intervals as specified in your grant or cooperative agreement. Tracking project activities, outputs and timelines is critical to meeting your project goals and objectives. For more information about project evaluation, see the *Measuring Outcomes* and *Identifying and Promoting Best Practices* guidebooks, part of the National Resource Center's *Intermediary Development Series*.

Self-monitoring

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

Evaluation Process

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

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

Two-part Evaluation

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

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

Federal Agency Monitoring

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

Reporting

Administrative or Performance Reporting⁶

As a grant recipient, you are responsible for managing and monitoring each project, program, sub-award, function or activity supported by the award. In addition, you must monitor sub-awards to ensure subrecipients have met the audit requirements of OMB Circular A-133. Recipients are generally required to submit the original and two copies of performance reports. Refer to your award package for details on format requirements for performance reports. When required, performance reports generally contain brief information regarding each award, including:

- A comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator or both. As appropriate (and whenever the output of programs or projects can be readily quantified), such quantitative data should be related to cost data for computation of unit costs.
- Reasons why established goals were not met (if appropriate).
- Other pertinent information including (when appropriate) analysis and explanation of cost overruns, under-spending or high unit costs.

Performance Reporting Frequency

The Federal awarding agency determines the frequency with which the performance reports are to be submitted in the award package. All reports are due 90 calendar days after the grant period. Quarterly or semi-annual reports are due 30 days after the reporting period. The final performance reports are due 90 calendar days after the expiration or termination of the award.

⁶ OMB Circular A-110, Subpart C: Post-Award Requirements, Section .51 Monitoring and Reporting Program Performance.

Financial Management

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

- Accurate, current and complete disclosure of financial results
- Records that adequately identify the source and application of funds for federally sponsored activities
- Effective control over accountability for all funds, property and other assets
- Comparison of **outlays** with budget amounts for each award. Whenever appropriate, financial information should be related to performance data and unit cost information. (For example, your program served "X number of people at a cost of X dollars per person.")
- Written procedures to minimize time elapsed between transfer of funds and payments for program purposes by the recipient
- Written procedures for determining the reasonableness, allocability and allowability of costs (See OMB Circular A-122, Cost Principles for Nonprofit Organizations)
- Accounting records, including cost accounting records that are supported by source documentation

Banking Standards, Accounting and Cost Principles

Federal awarding agencies do not require separate depository accounts for funds provided to a recipient, but you are accountable for the receipt, obligation and expenditure of funds.

Advances of Federal funds must be deposited and maintained in insured, interest-bearing accounts. Cost principles for nonprofit organizations can be found in OMB Circular A-122. Questions about specific requirements for accounting methods and fiscal reporting should be directed to your assigned Federal grants management officer.

Indirect Costs⁷

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

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

⁷ OMB Website and Circular A-122.

The Department of Health and Human Services (HHS) is the cognizant agency for most nonprofit organizations. To establish an *indirect cost rate* for your organization, contact the HHS to initiate the application process. Indirect cost rate agreements are negotiated by the HHS, Division of Cost Allocation. You will find a sample indirect rate cost proposal for nonprofit organizations at <http://rates.psc.gov>.

Should You Apply for a Federal Indirect Rate?

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

Cost Sharing Requirements⁸

OMB Circular A-122 details cost principles to be used in determining the value of your organization's and your collaborating partners' contributions to the project. The process for determining the valuation of any donated service, material, **equipment**, buildings and land must be documented. The Office of Grants Management (OGM) must approve all cost share documentation prior to finalizing cooperative agreement. Contributions that meet all of the following criteria will be accepted as part of your cost sharing requirements:

- Are verifiable from your records
- Are not included as contributions for any other federally assisted project or program
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives
- Are allowable under applicable cost principles
- Are not paid by the Federal government under another award, except where authorized
- Are provided for in the approved budget
- Conform to other provisions on OMB Circular A-110 as applicable

Specific instructions for determining the value of donated land or property, donated equipment, land and buildings, volunteer services, employee services and donated supplies for the purposes of cost sharing can be found in OMB Circular A-110.

Program Income⁹

Program income is defined in 45 CFR 74 as income earned by the recipient that is directly generated by a supported activity or earned as a result of the award (see exclusions in specific agency regulations). Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federally funded projects,

⁸ OMB Circular A-110, Subpart C: Post-Award Requirements, Financial and Program Requirements, Section .23 Cost Sharing or Matching.

⁹ OMB Circular A-110, Subpart C: Post-Award Requirements, Financial and Program Requirements, Section .24 Program Income.

the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights and interest on loans made with award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in the terms and conditions of the award, program income also does not include the receipt of principal on loans, rebates, credits, discounts, etc. or interest earned on any of them. Furthermore, program income does not include taxes, special assessments, levies and fines raised by governmental recipients.

Program income earned during the project period is retained by your organization for use as specified by the Federal awarding agency in the award document. In the event that the Federal awarding agency does not specify in its regulations or the terms and conditions of the award how program income is to be used, the OMB Circular A-110 will provide you with specific instructions.

Revisions in Budget and Program Plans¹⁰

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

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

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

The Federal awarding agency may also restrict the transfer of funds among direct cost categories or programs, functions and activities for awards. If you have a surplus of funds (but have applied for continuation funding) you do not have to submit notification.

¹⁰ OMB Circular A-110, Subpart C: Post-Award Requirements, Financial and Program Requirements, Section .25 Revision of budget and program plans.

How to Request Changes

When requesting approval for budget revisions, you must use the budget forms that were included in the application—unless the Federal awarding agency indicates a letter of request is sufficient. Generally, the Federal awarding agency will review your request and provide notification of approved changes within 30 calendar days, or they will notify you in writing of a date when a decision can be expected.

Negotiating the Process

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

Financial Reporting¹¹

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

Requirements and Forms

You may be required to submit financial reports to both the Federal awarding agency and the Division of Payment Management. Note the following:

- The Federal awarding agency will generally require Financial Status Reports (Form SF-269).
- The Division of Payment Management requires you to submit quarterly reports (PMS 272) that certify the disbursement of the funds.

Frequency

The Federal awarding agency determines the Financial Status Report deadlines. It is important to remember that you must submit Financial Status Reports on time even if no activity has occurred during the reporting period. The Division of Payment Management may require you to submit quarterly reports (PMS 272) that certify the disbursement of the funds within 15 calendar days of the end of each quarter.

¹¹ OMB Circular A-110, Subpart C: Post-Award Requirements, Reports and Records, Section .52 Financial Reporting.

Property Management¹²

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

OMB Circular A-110 specifies rules for acquiring and accounting for property purchased with Federal funds. For complete and specific information regarding property management, including intangible property and property trust relationships, consult OMB Circular A-110. The following summarizes sections of OMB A-110 that may be most applicable to your organization.

Equipment

Equipment is defined in 45 CFR 74 as tangible nonexpendable personal property, including exempt property charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with recipient policy, lower limits may be established. Documentation of your policy must be provided to your grants management officer.

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

You may use the equipment in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. When no longer needed for the original project or program, you may use the equipment in connection with other federally sponsored activities. For specific instructions regarding equipment use and disposition, see OMB Circular A-110, Section .34.

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

¹² OMB Circular A-110, Subpart C: Post-Award Requirements, Property Standards, Sections .31 to .37.

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

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

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

Real Property

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

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

Insurance

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

Supplies and Other Expendable Property

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

You must not use supplies acquired with Federal funds to provide services to non-Federal outside organizations for a fee that is less than private companies charge for equivalent services (unless specifically authorized by Federal statute) for as long as the Federal government retains an interest in the supplies.

Audits¹³

All faith-based and community organizations that receive Federal funds are subject to basic audit requirements. These audits are intended only to examine the federally funded parts of an organization's operations and are not designed to identify unrelated problems. The audits are necessary to make sure that Federal dollars have been spent properly on legitimate costs. Therefore, it is extremely important for grant recipients to keep accurate records of all transactions conducted with Federal funds.¹⁴

Most organizations are not audited by the government itself, although the Federal government has the right to audit any program that receives public money at any time. For example, charities that spend less than \$300,000 a year in Federal funds are generally asked only to perform a "self-audit." Larger grants (those over \$300,000 a year) require an audit by a private, independent outside legal or accounting firm. More information on audits may be found on the Office of Management and Budget's web site (www.whitehouse.gov/omb/circulars).¹⁵

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

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

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

¹³ OMB Circular A-133 - Revised June 24, 1997 "Audits of States, Local Governments, and Non-Profit Organizations."

¹⁴ *Guidance to Faith-Based and Community Organizations on Partnering with the Federal Government* (published by the White House Office of Faith-Based and Community Initiatives 2002).

¹⁵ *Guidance to Faith-Based and Community Organizations on Partnering with the Federal Government.*

Your Organization's Audit Responsibilities

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

Preparing for an Audit and Maintaining Program Records

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

Records Maintenance

Financial records, supporting documents, statistical records, and all other records pertinent to an award must be retained for a period of three years from the date of submission of the final expenditure report. Some exceptions may apply given litigation, property records and agency transference. See OMB Circular A-110 for specific details.

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

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

Noncompliance and Termination¹⁶

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

Noncompliance Remedies

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

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

Termination

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

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

¹⁶ OMB Circular A-110, Subpart C: Post-Award Requirements, Termination and Enforcement, Section .61 Termination, Section .62 Enforcement.

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

Hearings and Appeals

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

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

Continuation Funding

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

Even though a grant may be for a specified period (3-5 years), it does not guarantee yearly funding. Each grantee is requested to submit an annual proposal for continuation funding based on the guidelines provided by the Federal funding agency. Although each grant program may have its specific requirements for what is contained in a continuation grant, most agencies ask grantees to provide information about performance for current grant, new or continuing project objectives and project budgets. Deadlines for continuation grants are established by the awarding agency. There may be negotiations on continuation grants from year to year depending on:

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

Grant Closeout¹⁷

Upon completion of your project, you must submit all required financial, performance and equipment reports to the Office of Grants Management within 90 calendar days after the date of completion of the award. Prior to the end of the project period, you may request an extension of that time period from the Federal funding agency if needed.

However, unless an extension is authorized, you must liquidate all obligations incurred under the award within 90 calendar days after the budget period or the date of completion. You must also promptly refund any balances of unobligated cash that the Federal awarding agency has advanced or paid and that is not authorized to be retained by the recipient for use in other projects. OMB Circular A-129 governs unreturned amounts that become delinquent debts. Upon award completion and closeout, equipment records must be maintained, but report only equipment valued at over \$5,000.

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

Subsequent Adjustments and Continuing Responsibilities

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

- The right of the Federal awarding agency to disallow costs and recover funds on the basis of a later audit or other review.
- The obligation of the recipient to return any funds due as a result of later refunds, corrections, or other transactions.
- Audit requirements.
- Property management requirements in OMB Circular A-110, Sections .31 through .37.
- Records retention as required in OMB Circular A-110, Section .53.

Collection of Amounts Due

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

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

¹⁷ OMB Circular A-110, Subpart D: After-the-Award Requirements, Section .71 Closeout Procedures.

Summary

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

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

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

Appendix

Resources

Government Funding

- Department of Housing and Urban Development
- Department of Education
- Department of Labor
- Department of Justice
- Catalog of Federal Domestic Assistance
- U.S. Nonprofit Gateway – official U.S. gateway to all government information

For more information on how to obtain Federal funds, see the *Acquiring Public Grants* guidebook, part of the National Resource Center's *Intermediary Development Series*.

Grants, Cooperative Agreement and Nonprofit Management

- National Cooperative Agreement Management Association (NCMA)
www.ngma-grants.org
- National Grants Management Association www.ngma-grants.org/links.htm
- Alliance for Nonprofit Management: professional association devoted to improving management and governance capacity of nonprofits; searchable databases
- InnoNet Workstation for NonProfits: suite of online evaluation and planning tools designed specifically for non-profit program planning
- GENIE: information to non-profit managers, volunteers on board members regarding agency administration
- BoardSource (formerly National Center for Nonprofit Boards): building effective non-profit boards
- University of Wisconsin Extension Service: Learner Resource Center—non-profit management educational resources

Technical Assistance Contacts

For more information, contact the National Resource Center
Telephone (703) 752-4331
Fax (703) 752-4332
Resource_Center@DareMightyThings.com

FBCI Contacts

HHS Center for Faith-Based and Community Initiatives

200 Independence Ave., SW,
Room 118F
Washington, DC 20201
(202) 358-3595
e-mail: CFBCI@hhs.gov

U.S. Department of Agriculture

(202) 720-3631

U.S. Department of Education

400 Maryland Avenue, S.W.
Washington, D.C. 20202
(202) 401-0003
e-mail: faith.cbo@ed.gov

U.S. Department of Housing and Urban Development

451 7th Street, SW, Room 10286
Washington, D.C. 20410
(202) 708-2404

U.S. Department of Justice,

950 Pennsylvania Avenue, NW
Washington, D.C. 20503
(202) 514-6702

U.S. Department of Labor

200 Constitution Avenue, NW
Washington, D.C. 20210
(202) 693-6450
e-mail: contact-ofbci@dol.gov

Forms

Office of Management and Budget Information: Grants Management Forms. These standard forms should be included in your award package, or they can be downloaded in PDF form.

SF-424, Application for Federal Assistance
SF-424A, Budget Information - Nonconstruction Programs
SF-424B, Assurances - Nonconstruction Programs
SF-424C, Budget Information - Construction Programs
SF-424D, Assurances - Construction Programs
SF-269, Financial Status Report (Long Form)
SF-269A, Financial Status Report (Short Form)
SF-270, Request for Advance or Reimbursement
SF-271, Outlay Report and Request for Reimbursement for Construction Programs
SF-272, Federal Cash Transactions Report
SF-272A, Federal Cash Transactions Report
SF-LLL, Disclosure of Lobbying Activities (as revised in 1996)
SF-SAC, Data Collection Form for Single Audits

OMB Circulars

- **OMB Circular A-110** - Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations
- **OMB Circular A-122** - Cost Principles for Nonprofit Organizations
- **OMB Circular A-133** - Audits of States, Local Governments, and Non-Profit Organizations

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Herman, Robert D. (editor). *The Jossey-Bass Handbook of Nonprofit Leadership and Management*. Aspen Publishers, Inc. (Supplemented annually).