

Recording & Supporting Grant Expenditures

June 26-27, 2019

Tania Williams, Program Integrity Analyst
Aamer Javed, Auditor

Division of Financial Integrity, Financial Advisory Branch
Health Resources and Services Administration (HRSA)



Agenda

Allowable Costs must be:

- Reasonable
- Allocable
- Adequately Documented

How to Adequately Document:

- Separate Tracking of Federal Expenditure
 - ✓ Chart of Account
 - ✓ General Ledger
- Type of Documentation
- Record Retention Period



Statutory, Regulatory, and National Public Policy Requirements

Available Resources for Proper Financial Management of your Grant:

- 45 CFR Part 75
- HHS Grants Policy Statement (HHS GPS)
- Policy Information Notice (PIN) 2013-01 - Health Center Budgeting and Accounting Requirements



Allowable Costs - 45 CFR 75.403

Allowable - To be allowable under Federal awards, costs must meet the following general criteria:

- Be necessary and reasonable for proper and efficient performance and administration of Federal awards and;
- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit and;
- Be allocable to the grant.



Allowable Costs – 45 CFR 75.403 (cont'd)

- Not be included as costs or used to meet cost sharing or matching requirements of any other federally-financed program either current or a prior period.
- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- Be adequately documented.

Example – Summer Camp

SUMMER CAMP

Participants	Susan	Cindy	David
Skills	Swimming	Cooking	Dancing
Duration	5 days	14 days	30 days
Contribution	\$300	\$500	\$1,000

Example – Summer Camp (cont'd)

GRANT RECIPIENT	SUMMER CAMP			
TITLE OF PROJECT/ PROGRAM	Participants	Susan	Cindy	David
GRANT SCOPE	Skills	Swimming	Cooking	Dancing
PROJECT PERIOD	Duration	5 days	14 days	30 days
BUDGET AMOUNT	Contribution	\$300	\$500	\$1,000
		Grant No. S1	Grant No. C1	Grant No. D1



Reasonable Costs

Reasonable

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Reasonable Costs (cont'd)

Reasonable Costs Must:

- Be generally recognized as ordinary and necessary for operations and performance
- Restraints or requirements (e.g. internal control) are in place
- Must be comparable to market prices for goods or services
- Indicate that individuals acted with prudence for the circumstances
- Must not significantly deviate from established practices and policies

Example – Summer Camp (cont'd)

SUMMER CAMP			
Participants	Susan	Cindy	David
Skills	Swimming	Cooking	Dancing
Duration	5 days	14 days	30 days
Contribution	\$300	\$500	\$1,000
<i>REASONABLE COSTS</i>	bathing suits, fee for pool, & bus fare	grocery items, Cookware, fee for Kitchen, mileage claim	music, shoes, fee for gym, & bus fare

Allocable Costs

Allocable

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.

Allocable Costs (cont'd)

Allocable Costs Must:

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

Cost Allocation

- Federal vs. Non-federal
 - Be accorded consistent treatment
- Direct vs. Indirect Costs
 - A cost cannot be both a direct and indirect cost
- Documented Allocation Plan
- Negotiated Indirect Cost Rate (if applicable)

Example – Summer Camp (cont'd)

SUMMER CAMP			
Participants	Susan	Cindy	David
Skills	Swimming	Cooking	Dancing
Duration	5 days	14 days	30 days
Contribution	\$300	\$500	\$1,000
<i>REASONABLE COSTS</i>	bathing suits, fee for pool, & bus fare	grocery items, Cookware, fee for Kitchen, mileage claim	music, shoes, fee for gym, & bus fare

How to Document Federal Expenditures

- The grantee's records must identify the source and application of funds for federally funded activities and be supported by source documentation (45 CFR §§ 75.302(b)(3)).
- The grantee must comply with Federal statutes, regulations, and the terms and conditions of the Federal awards (45 CFR § 75.303(b) and 2 CFR part 230, Appendix A, § A.3.b).
- Policies and Procedures



Example – Summer Camp (cont'd)

SUMMER CAMP			
Participants	Susan	Cindy	David
Skills	Swimming	Cooking	Dancing
Duration	5 days	14 days	30 days
Contribution	\$300	\$500	\$1,000
REASONABLE COSTS	bathing suits, fee for pool, & bus fare	grocery items, Cookware, fee for Kitchen, mileage claim	music, shoes, fee for gym, & bus fare
ALLOCABLE COSTS	Susan's account	Cindy's account	David's account
SUPPORTED COSTS	receipts and payment records		

KNOWLEDGE CHECK QUESTION 1

An organization claimed the mileage reimbursement at \$3 per mile for the site visit under the Federal award. This visit is part of the organization's routine practice to monitor the Federal program. Would this claim be reasonable?

KNOWLEDGE CHECK QUESTION 2

To be allowable under Federal awards, costs must be

1. R .
2. A .
3. D .

Separate Tracking of a Federal Grant

- 45 CFR § 75.302 (b)(1)
- The financial management system must identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.

Separate Tracking of a Federal Grant

Chart of Account

- **A Chart of Accounts (COA)** is the complete list of all accounts that are related to an organization. It is used to organize the finances of the entity and to segregate expenditures, revenue, assets and liabilities in order to give interested parties a better understanding of the financial health of the entity.
- Accounts are typically defined by an identifier (account number) and are coded by account type.
- Sub-account for a separate tracking of a Federal grant; subsidiary ledger contains information that is specific to a certain general ledger account.

Separate Tracking of a Federal Grant

COA - Typical 5 Categories

Code	Code Description
1000	Assets
2000	Liabilities
3000	Net Assets
4000	Revenues
5000	Expenses

Separate Tracking of a Federal Grant

COA Example Sub-Account (Asset & Liability)

Code		Code Description
1000		Assets
	1001	Cash – Operating Account
	1002	Cash – Payroll Account
	1101	Account Receivable – Medicare
	1102	A/R – HRSA Grant 330
	1301	Prepaid Insurance
2000		Liabilities
	2001	Account Payable – Vendor
	2002	Account Payable – Salaries
	2003	Long-term: Mortgage Payable
3000		Net Assets
	3001	Unrestricted Net Assets
	3002	Restricted Net Assets



Separate Tracking of a Federal Grant

COA Example Sub-Account (Revenue)

Code		Code Description
4000		Revenues
	4001	HRSA 330 Grant
	4002	HRSA Capital Development Grant
	4003	Revenue - Private Insurance
	4004	Revenue - Medicaid



Separate Tracking of a Federal Grant

COA Example Sub-Account (Expenses)

Code			Code Description
5000			Expenses
5001			Salaries & Wages
			0010 HRSA 330 Grant
			0020 Local Grant
5050			Travel - Program support
			0010 HRSA 330 Grant
			0020 Local Grant
5070			Supplies - Program support
			0010 HRSA 330 Grant
			0030 HRSA CIP Grant



Separate Tracking of a Federal Grant

Chart of Account- Example

Summer Camp (01)

Participants	Susan	Cindy	David
Skills	Swimming	Cooking	Dancing
Contribution	\$300	\$500	\$1,000
<i>REASONABLE COSTS</i>	bathing suits, fees for pool, & bus fare	grocery items, Cookware, fee for Kitchen, mileage claim	music, shoes, fee for gym, & bus fare
<i>ALLOCABLE</i>	Susan's account	Cindy's account	David's account
<i>Chart of Account</i>	SC (01)-SW(0010)	SC (01)-CO(0020)	SC (01)-DA(0030)
<i>Revenue</i>	1-0000-4001	1-0000-4002	1-0000-4003
<i>Facility use</i>	1-0010-5010	1-0020-5010	1-0030-5010
<i>Travel</i>	1-0010-5050	1-0020-5050	1-0030-5050
<i>Supplies</i>	1-0010-5070	1-0020-5070	1-0030-5070

Separate Tracking of a Federal Grant

Chart of Account- Example

Code Description	Code	Code Description
Site Code	01	Summer Camp (SC)
Site Code	02	Winter Camp (WC)
Program Code	0010	Swimming (SW)
Program Code	0020	Cooking (CO)
Program Code	0030	Dancing (DA)
Program Code	0040	Snowboard/ Skiing
Program Code	0050	Local Grant for SC
Revenue Code	4001	SC - Contribution for SW
Revenue Code	4002	SC - Contribution for CO
Revenue Code	4003	SC - Contribution for DA
Revenue Code	4004	WC - Contribution
Revenue Code	4005	Local Grant for SC



Separate Tracking of a Federal Grant

General Ledger

- A general ledger (GL) is complete record of all the financial transactions over the life of your organization. The general ledger holds all of the information needed to prepare financial statements and includes assets, liabilities, equity (net asset), revenue and expenses.
- Expenditure report for a Federal grant

Separate Tracking of a Federal Grant

GL Example – Expenditure Report

Expenditure Report (1-0020-5070) for the month of July 2018

Site Code Site Title	Site Code	GL Title	GL Account Code	Sub Acct Code Sub Title	Sub Account Code	Effective Date	Transaction	Debit	Credit	Total
Summer Camp	01	Supplies	5070	Cooking	0020	7/4/2018	ABC Mart	89.21		89.21
Summer Camp	01	Supplies	5070	Cooking	0020	7/8/2018	XYZ Kitchen	60.67		60.67
Summer Camp	01	Supplies	5070	Cooking	0020	7/15/2018	ABC Mart	40.46		40.46
Sub-Total for 1-0020-5070								190.44		190.44



KNOWLEDGE CHECK QUESTION 3

_____ is the complete set of all accounts related to an organization.

It typically has five categories: 1) Assets; 2) Liabilities; 3) Net Asset; 4) _____; and 5) _____

KNOWLEDGE CHECK QUESTION 4

_____ is the complete records of all financial transactions over the life of an organization. It is the backbone of any accounting system.

Adequately Documented

Types of Documentation

Personnel Costs

- Salaries and Wages - Timecard/ PAR (Personnel Activity Report) allocating actual hours to a specific fund; payroll records
- Fringe Benefit Costs

Non-Personnel Costs

- Invoices including vendor (within the grant scope), date (within the project period), amount (if entire amount is not claimed, the basis of the cost should be documented.), and authorization record for cost approval and allocation.
- Payment records (canceled checks)



Adequately Documented

Most common deficiency – Lack of Supporting Documentation

- Invoices showing vendor, date and amount paid.
- Receipt of purchase.
- Dates on invoices and receipts should fall within the grant period.
- Copies of cancelled checks showing the amounts were actually paid.
- Connection to the grant (cost center, fund type code) – in general ledger.
- Subrecipient agreements or contracts.
- Costs should support only items listed in the grant budget.
- Travel logs.
- Personal Activity Reports.



What to Document for Salaries and Wages

- For salaries and wages to be allowable for Federal reimbursement, grantees must maintain monthly after-the-fact certifications of the actual activity for each employee working on Federal awards (2 CFR part 230, Appendix B, §§ 8.b and 8.m).
- Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. The records must support the distribution of the employee's salary or wages among specific activities or costs. The grantee's system of internal controls should include processes to review after-the-fact interim charges made to a Federal award based on budget estimates. (45 CFR § 75.430(i)(1)).

Time and Effort Reporting

Salaries and Wage (45 CFR § 75.430(i)(1))

- **Budget vs. Actual Time**
 - ✓ ACTUAL TIME ONLY!
 - ✓ Adjustments from budgeted time to actual time
- **Employees Funded by Multi-sources**
 - Requirement – Personnel Activity Reports
- **100% Funded Employees**
 - Semi-Annual Compliance Certification

Federal Record Retention

Record Retention (45 CFR 75.361)

- Must retain all records for three years after submitting the final expenditure report (FFR for non-construction awards; Outlay Report and Request for Reimbursement for construction awards)
- **Exception** for the 3-year rule - If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

Avoiding Unallowable Costs

Examples of Unallowable Cost

- **Alcoholic beverages**
(45 CFR 75.423)
- **Bad debt** (45 CFR 75.426)
- **Contingency provisions**
(45 CFR 75.433)
- **Fines and penalties**
(45 CFR 75.441)
- **Lobbying** (45 CFR 75.450)
- **Entertainment Costs (e.g. amusement, social activities, meals)**
(45 CFR 75.438)



KNOWLEDGE CHECK QUESTION 5

An organization charged meals to the Federal award. The meals were prepared for the staff event, “Bring kids to the workplace”. Would this be allowable cost under the Federal awards?

KNOWLEDGE CHECK QUESTION 6

How long should the Federal records be retained?

Key Points

- **Documented!**
- **Documented!!**
- **DOCUMENTED!!!**

Key Points (cont'd)

- Think Allowable, Allocable & Reasonable
- Grantees should have adequate policies and procedures for fiscal oversight
- Be compliant, and follow the rules of the NOFO and NOA

Key Points (cont'd)

- Use the approved budget as your guide
- When in doubt, consult your HRSA Grants Management Specialist or Project Officer
- **REMEMBER: IF IT IS NOT DOCUMENTED... IT DOES NOT EXIST!**



Questions?



Contact Information

Tania Williams, Program Integrity Analyst

Division of Financial Integrity

Health Resources and Services Administration (HRSA)

Email: twilliams@hrsa.gov

Phone: (816) 426-5229

Aamer Javed, Auditor

Division of Financial Integrity

Health Resources and Services Administration (HRSA)

Email: ajaved@hrsa.gov

Phone: (214) 767-3070





Connect with HRSA

To learn more about our agency, visit

www.HRSA.gov



Sign up for the HRSA *eNews*

FOLLOW US:

