

Nathan Deal
Governor



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To: Georgia AmeriCorps Programs
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The Georgia Commission for Service and Volunteerism (GCSV) is committed to strong accountability for the use of public funds and the highest level of integrity in program management. We expect each one of our AmeriCorps programs to share our commitment to earn the public's trust by using sound accounting practices and managing our funds in the most efficient manner possible. Our goal should be one hundred percent compliance at all times. To help us reach this ambitious goal, please review the financial management material we have prepared and updated.

GCSV now awards both Cost Reimbursement and Fixed Amount AmeriCorps grants. The Fixed Amount grants do not require the same level of reporting as the Cost Reimbursement grants. But regardless of the type of grant awarded, each AmeriCorps sub-grantee is responsible for ensuring appropriate use of federal funds granted to them. Each sub-grantee must maintain financial management systems that provide accurate, current and complete disclosure of the financial results of its program. To meet this requirement, you must have adequate accounting practices and procedures, internal controls, audit trails and cost allocation procedures. The financial requirements and responsibilities involved in managing an AmeriCorps sub-grant are detailed in documents that include:

- AmeriCorps Provisions
- Code of Federal Regulations
- OMB Circulars (now part of the federal code)
- AmeriCorps Policies and FAQs
- AmeriCorps Grant Application Instructions
- Grant Award from CNCS
- GCSV Grant Contract

The Corporation for National and Community Service (CNCS) has provided links to these resources and more at <http://www.nationalserviceresources.org/financial-man>. The web site resources are updated often and include links to presentations, OMB circulars, best practices, definitions, and more. The AmeriCorps grant award and the GCSV AmeriCorps contract you will sign also contain important policies and procedures.

The enclosed material addresses some of the important items that impact the day-to-day management of your AmeriCorps grant. GCSV has resource links on www.AmeriCorpsGA.org and we will provide more training tools and information as the program year progresses. Please keep in mind that each sub-grantee is responsible for being familiar with and following all award requirements, rules and procedures.

Thank you for your service, and please let me know if you have any questions.

A handwritten signature in black ink, appearing to read "John Turner".

John Turner, Executive Director
Georgia Commission for Service & Volunteerism



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1. BASICS OF A GOOD FINANCIAL MANAGEMENT SYSTEM

To build a good financial management system, your AmeriCorps program must adhere to standard accounting practices, using ledgers and similar books of record supported by source documentation which establish a clear audit trail. The financial reports must lead back to the ledgers and source documents clearly. Your financial management system must be able to do the following:

- Track program expenditures according to legal and grant requirements.
- Ensure timely and accurate reporting (PER, FFR, etc.).
- Maintain financial reports that lead clearly back to ledgers and source documents.
- Document payroll through time and attendance records and payroll tax records.
- Maintain written cost allocation procedures and individual time distribution records which allow the program to identify and segregate costs chargeable to the grant.
- Separate financial duties (for example, one person signs the checks and another reconciles the bank statement, or one person authorizes expenditures and another posts them in the ledger and balances the books).
- Insure, maintain and keep track of the program's property.
- Protect the organization through liability insurance.
- Document and track in-kind and cash match to the grant award.

2. ACCOUNTING SYSTEM

Sub-grantees must maintain an accounting system that, at a minimum, allows you to:

- Itemize each expenditure in such a manner that the purpose of the expenditure is readily identifiable to the grant or any of the sub-grantee organization's other activities.
- Assign expenditures to the approved budget line items for that grant as shown in the grant award.
- Prepare federal financial reports from system entries.

3. ADMINISTRATIVE (INDIRECT) COSTS

Administrative (indirect) costs are general or centralized expenses of overall administration of an organization that receives CNCS funds. This category does not include particular program or project costs. Examples include costs for agency accounting staff, costs to audit the program, the cost of liability insurance that protects the agency as a whole. No more than 5% of the total grant amount may be used to pay for administrative costs. These costs are budgeted in Section II of the approved grant (see the AmeriCorps Provisions and applicable OMB Cost Principles in Circulars A-21, A-87, A-122).

See the grant application instructions for descriptions of the two types of administrative cost rates available to you.

Note that for 2012-13 grants, GCSV will assess the 1% Fixed Commission Amount from both Fixed Amount and Cost Reimbursement AmeriCorps grants. You will be able to budget and claim 4% of indirect cost on Cost Reimbursement grants. The funds GCSV collects from the sub-grantee Administrative indirect costs will be deposited in a separate account at DCA from other GCSV operating accounts and will be used to pay for training for programs and for the annual fees charged to use the OnCorps program management system.

4. COSTS – ALLOWABLE, ALLOCABLE, REASONABLE

A cost is considered **allowable** under the grant if it is:

- reasonable,
- budgeted for under the grant,
- complies with generally acceptable accounting principles,
- complies with OMB Circulars,
- is not charged against any other grant or used to match other grant funds,
- is treated consistently with other costs incurred by the organization and documented

An allowable cost is **allocable** to the AmeriCorps grant if:

- it is incurred specifically for the AmeriCorps program,
- or benefits both the program and other work in such a way that it can be divided equitably,
- is necessary to the overall administration of the program.

In other words, allocations should be based on actual costs and on the principles of equity and reasonableness and assigned to the program, cost categories and cost objectives that benefit from the cost.

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. In determining reasonableness of a given cost, consideration is given to:

- Whether the cost is ordinary and necessary for the operation of the organization or the performance of the award.
- The restraints or requirements imposed by such factors as: sound business practices; federal, state and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the organization, its employees, the public at large, and the federal government.
- Significant deviations from the established practices of the organization which may unjustifiably increase the award cost.

These definitions are provided in the OMB Circulars, which address state and local governments, educational institutions, and non-profits. You should bookmark the circulars appropriate to your organization on your computer for easy reference.

5. FINANCIAL MONITORING REVIEW AND AUDITS

GCSV staff **may** conduct a financial monitoring review of programs to determine whether financial operations are properly conducted, financial reports are fairly presented and the program is complying with applicable laws, regulations and administrative requirements that affect the expenditure of program funds.

As a part of this review process, programs are required to submit the most recent audit of the organization to GCSV. If the program is part of an entity that expends \$500,000 or more per year in federal awards (not just the AmeriCorps grant), the organization must have an annual audit that complies with OMB Circular A-133. The package to GCSV should also include outcomes of the audit such as the auditors' final report and recommendations, and the organization's corrective action plan if applicable. Programs which expend less than \$500,000 must provide its financial statements or its audit if the organization has one completed.

State and local governments and educational institutions will likely have an overall audit which may not clearly identify AmeriCorps funds. These audits should still be submitted to GCSV for review.

The allocable cost of an A-133 audit is an administrative cost (subject to the 5% cap) under the grant.

6. BUDGET CHANGES

Programs must get written approval from GCSV via use of the Grant Adjustment Request form (on the Resource page of OnCorps) before making the following changes:

- Changes in the scope or specific goals and objectives of the funded program
- Changes in (or absences of) the program director and other key staff
- Changes in the level of member supervision
- Sub-granting or contracting out any program activities if not in approved grant
- Changes in the grant period
- Other costs requiring prior approval under the appropriate OMB cost principles circular
- Budget transfers to absorb administrative costs above the amount specified in the approved budget, if below the 5% administrative cap
- Purchases of equipment over \$1,000 using grant funds if not in the approved grant
- Changes to individual budget line items of more than 10% of that line item's total amount (Federal plus Grantee). Budget revisions/amendments exceeding 10% of the total budget (Federal plus Grantee) will require GCSV approval. For competitive programs CNCS approval must also be obtained. For any changes, a full explanation must be provided including the reason for the change and what the adverse consequences would be if the request were denied. Requests for budget revisions must be submitted in the prescribed format

7. FINANCIAL RECORDS

Cost Reimbursement sub-grantee programs must document every cost charged to the grant, whether it is the federal share or the sub-grantee's share of the program. Programs must keep source documentation for costs such as receipts, travel vouchers, invoices and bills. Not all documentation must be provided to GCSV (see PER section below).

A. Payroll, Time and Attendance Records

Cost Reimbursement sub-grantee programs must keep signed time and attendance records for members and staff who will be charged to the grant or match (in whole or in part). Electronic timesheets are acceptable if both the member/staff and the supervisor electronic signatures are password protected. Staff time distribution records must allow for identification of all their time and segregate costs chargeable to the grant from costs not chargeable to the grant (such as fundraising/grant writing). Sample time sheets may be found at www.nationalserviceresources.org.

Timekeeping records for non-profit organizations, whether treated as direct or indirect costs, must comply with § 2 CFR 230 (formerly A-122). Key provisions include requirements that staff timekeeping records must:

- Be maintained for all staff whose compensation is charged, in whole or in part, directly to grant awards.
- Reflect an after-the-fact determination of the employee's actual activity, not budgeted or estimated activity.
- Account for the total activity of each employee
- Be signed by the employee and supervisor who have direct knowledge of the employee's activity.
- Be prepared at least monthly and coincide with one or more pay periods.

Educational institutions are not required to support charges for salaries and wages with signed time and attendance records for professorial and professional staff if they are in compliance with the criteria in Section 8.b of OMB Circular A-21. Review the circular for acceptable methods of documenting the distribution of charges for personal services.

Three categories of sub-grantees are governed by exceptions to the staff timesheet requirements.

- State, Local and Indian Tribe Governments must comply with requirements of § 2 CFR 225 [OMB A-21].
- Educational Institutions must comply with requirements of § 2 CFR 220 [OMB A-21].
- Fixed Amount Grants are exempt from timekeeping requirements.

B. Other Program Costs Incurred

Programs must keep adequate records so an auditor can link billable items to source payment documentation.

C. Matching Funds and In-Kind Contributions

Cost Reimbursement sub-grantee programs must document all in-kind and other matching contributions. In-kind contributions are the value of goods, services, property or equipment used in direct support of program objectives. Matching funds are allowable as documented, as long as they may be verified, are not included as contributions for any other federally-assisted program, are necessary and reasonable, allowable under applicable cost principles and are not paid for with other federal funds (except when authorized).

D. Retention of Financial Records

All financial records, supporting documentation, member information, statistical records, evaluation data and personnel records must be kept and must be available to GCSV and CNCS for seven years from the date of the program's submission of its final FFR to CNCS and until any audit findings involving the records have been resolved.

E. Disposal of Records

Programs must make reasonable efforts to protect the confidentiality of disposed program records in such a way as to protect the identity and privacy of members.

8. FINANCIAL REIMBURSEMENT & REPORTING REQUIREMENTS

A. Periodic Expense Report (PER) for Cost Reimbursement Grants

- GCSV staff will review reimbursement requests to insure that spending is consistent with the budget plan and that match is being generated in the amounts required by the agreement.
- Grant funds may be requested no more than once monthly by submission of a PER. Typically, programs may expect payment within 10 days from the date of receipt of a request for funds. All sub-grant funds are paid electronically. Programs should keep the payment schedule in mind to avoid potential cash flow problems.

- If your program is new with GCSV, you will need to complete two forms for processing payments: one documenting those authorized to submit drawdown requests for payment, and the electronic funds transfer authorization for the account in which you want funds deposited.
- See the detailed PER guidelines at the end of this document.
- **GCSV may place a hold on reimbursement for Cost Reimbursement sub-grantees, or quarterly distribution of funds for Fixed Amount sub-grantees, if a program is out-of compliance or otherwise has not fulfilled all grant requirements of CNCS and GCSV.**

B. Aggregate Financial Report (AFR)

This report aggregates the information in a program's approved PERs for a specified period. GCSV in turn aggregates all program AFRs into a consolidated report of all programs for CNCS. CNCS then aggregates all reports to determine spent and obligated funds at a national level at a given point in time.

- Programs must submit AFRs by the deadlines specified in the grant award document.
- The AFR due for a period must be submitted and approved before any later PERs can be submitted for reimbursement.
- The program should use the AFR to reconcile internally with its accounting records.

C. Reimbursement to Programs under PDAT or Disability Grants

- When AmeriCorps program staff or members incur costs by participating in some GCSV-sponsored events or incur eligible expenses under the Disability grant, you will request reimbursement from GCSV on a Department of Community Affairs expense form. GCSV will provide the appropriate form.
- These items are not to be included on a program's PER.
- **For the 2012-2013 program year, GCSV required applicants to budget for an AmeriCorps Program Directors' conference. Travel expenses for attending this required conference should be included in the sub-grantee's PER unless otherwise directed by GCSV.**

D. Fixed Amount Distributions to Programs

Fixed Amount AmeriCorps grants do not require a budget, are not subject to the OMB cost principles and are not managed or reported by line item budgets. Nonetheless, sub-grantee programs operating with Fixed Amount grants should adhere to the general principles of developing a program-specific budget and managing it internally within the organization. Fixed Amount sub-grantees are not required to submit the financial reports to the Corporation, including the final financial report

Fixed Amount grants are not subject to the Federal Cost Principles. For Education Award Only programs, the fixed federal assistance amount of the grant is based on the approved and awarded number of full-time equivalent members (MSYs) specified in the award. For full-cost and Professional Corps Fixed Amount grants, the fixed federal assistance amount of the grant is based on the approved and awarded numbers of full-time members and their completion of their terms of service. No slot conversions are permitted for Fixed Amount Grants.

For regular (Full Cost) and Professional Corps Fixed Amount grants, the sub-grantee may receive funds from GCSV based on the number of members who complete a full term of service or if the member leaves before completing service, a pro-rated amount based on hours served. Full-cost and Professional Corps programs may draw up to 20% of the funds within the first two months to cover start-up costs (recruitment and application, training, criminal history checks, etc.). Funds drawn after that should be based on the number of members on board at the time and the percentage of hours completed.

Fixed Amount sub-grantees will receive quarterly distributions of grant funds. Prior to each distribution, Fixed Amount sub-grantees will be required to report the number of members enrolled and prorate the amount of service of members that have been exited from the program during the period. The amount of the grant distribution will be adjusted by GCSV based upon the number of members enrolled and the prorated amounts for members exited. The final distribution will be determined by calculating the final amount of the grant for the year or entire project period (at closeout) based on the number of successful completions of terms of service (as certified by the program) as well as the hours served in terms of service which were not certified as successfully completed.

Fixed Amount grants must comply with OMB Circular A-133 and the Uniform Administrative Requirements. Fixed Amount grants include Education Award programs, Professional Corps, and Full-Cost Fixed Amount grants.

9. INSURANCE & FICA

A. Liability

Programs must have sufficient liability insurance to protect the organization, employees and members. Members must be covered for both on and off site project activities. Programs decide how much liability coverage is sufficient, given the specific risk factors the program presents. General liability insurance is an administrative cost, which can be charged to the grant (subject to the grant's administrative cost limit) or can be included in the program's match.

GCSV does not require a Fidelity Bond from sub-grantees for the 2012-2013 program year.

C. Workers Compensation

AmeriCorps members must be covered for workers compensation.

D. Unemployment

In the state of Georgia, AmeriCorps programs are not required to pay into unemployment for AmeriCorps members.

E.

Unless the sub-grantee obtains in writing a ruling from the Social Security Administration or the Internal Revenue Service that specifically exempts its AmeriCorps members from FICA requirements, the sub-grantee must provide FICA for members who receive a stipend or living allowance.

10. OMB CIRCULARS

Application of OMB Circulars by Sub-Grantee Organization.

	State & Local Governments	Educational Institutions	Nonprofit Organizations
Cost Principles	A-87	A-21	A-122
Administrative Requirements	A-102	A-110	A-110
Audit Principles	A-133	A-133	A-133

Copies of relevant OMB Circulars may be accessed at http://www.whitehouse.gov/omb/circulars_default/

A. Cost Principles

Circulars on cost principles describe the type of expenses the program can charge to the grant. In addition, the circulars explain how to allocate costs between funding sources. These circulars address two basic issues – whether the cost is allowable and is it allocable to the grant.

B. Uniform Administrative Requirement for Grants and Agreements

These circulars address the adequacy of financial management systems, including accounting methods, internal controls, income and expense documentation and written cost allocation plans. They cover:

- Financial management
- Equipment purchases, inventory and disposal
- Program income
- Products produced with grant funds
- Financial reporting and record-keeping requirements
- Close-out procedures
- Remedies for non-compliance

C. Audit Principles

This circular establishes uniform audit requirements for non-federal entities that administer federal awards and implements the Single Audit Act Amendments of 1996. This circular applies to states, local governments, educational institutions and nonprofit organizations.

11. CLOSEOUT OF GRANT

At the end of each program year, GCSV is required to close all activity for the funded period and certify that all requirements have been met. This closeout procedure will in many cases require GCSV program staff to communicate with the AmeriCorps program sub-grantee for a period of time following the actual end date of the program. Program staff should understand that their obligation and responsibilities regarding the operation, documentation and reporting on their grant will continue past the program year end date. Those responsibilities do not end until GCSV has certified the closeout of the grant award.

When a grant award ends, specific financial information must be gathered and submitted. This is the process by which GCSV determines that all applicable administrative actions and all required work of the award have been completed by the sub-grantee.

Sub-grantees shall submit a final Periodic Expense Report (PER) and a final Aggregate Financial Report (AFR) as required by the terms and conditions of the award. The PER and AFR should document all spending under the grant and indicate compliance with the budgeted match.

If the closeout is for a multiple-year grant cycle, GCSV will request a final inventory be taken of equipment and supplies. This would include:

- Equipment Inventory of items purchased with federal grant funds with a current per unit fair market value of \$5,000 or more, or a written statement that there are no such items.
- Inventory of Unused or Residual Supplies purchased with federal grant funds which in the aggregate exceed \$5,000 or a written statement that such supplies (if any) do not exceed \$5,000.

PLEASE NOTE: the reconciliation/closeout of a grant does not affect:

- the requirement to retain records pursuant to the grant conditions;
- the requirements and rights for audit pursuant to the grant conditions;
- the right of GCSV to disallow costs and recover funds on the basis of an A-133, A-128 or other audit or other review; and
- the obligation of the sub-grantee to return any funds due GCSV as a result of later refunds, corrections, cost disallowances or other actions.