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## FINANCIAL MANAGEMENT GUIDE FOR RECIPIENTS OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS

Corporation for National and Community Service  
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## FINANCIAL MANAGEMENT GUIDE FOR RECIPIENTS OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS

### I. Purpose

This guide has been developed to provide grantee organizations with a condensed overview of the financial management requirements of a Corporation for National and Community Service grant and to describe some common deficiencies that were identified under the former Commission on National and Community Service grants in complying with standard requirements. The guide will not supersede any of the requirements that will be established by the terms and conditions of a grant or the standard federal requirements that apply to all grants to states. It is intended solely as a reference guide for potential grantees. This guide discusses only financial management requirements and contains no guidance on meeting program requirements.

### II. Financial Management Standards for Grantees

The following items are highlights from the grant Administrative Provisions (see clause 3 of General Provisions) which provide grantees with the financial management requirements of a Corporation grant. Grantee staff, such as the Executive Director, Project Director, and Accounting staff, should become familiar with the provisions in order to ensure that all requirements are met. The following items have been highlighted because grantees have the most difficulty in meeting these requirements:

#### 1. Payroll System

Amounts charged to grants for salaries and wages must be based on documented payrolls approved by

a responsible official of the organization. Payrolls must be supported by time and attendance records for each and every individual employee. Salaries and wages chargeable to more than one grant program or other cost objective (e.g., the employee is assigned to the Corporation grant for 50% to the grantee's management functions) must be supported by appropriate time distribution records. See Appendixes 1a and 1b for examples of time records.

Typical of the problems encountered in this area is the case where the grantee organization kept time records on the secretary because she only worked part-time but none on the Project Director because she was "always there and besides, she is salaried." The auditor questioned all of the salary cost for the Project Director and the associated fringe benefits as well.

For additional information on Payroll Systems see the following as appropriate:

State and Local Government Grantees see OMB Circular A-122, attachment B, item No. 6, "Compensation for Personnel Services".

Educational Institutions see OMB Circular A-21, section J., "Compensation for Personnel Services".

Non-Profit Organizations see OMB Circular A-87, section 10, "Compensation for Personnel Services".

2. Supporting Documentation

Each grantee must maintain adequate supporting documents for every expenditure (Federal, and non-Federal) made under a Corporation grant. Costs must be shown in books of record, e.g., a disbursement ledger/journal, and must be supported by source documents. Any cost incurred under the grant must be supported by a source document or it will be questioned during an audit. For example, a charge for travel can properly be entered into the organization's journal/ledger and paid by check, but if it is not supported by a travel voucher (source document), it will be questioned during an audit. See Appendixes 2 and 3 for examples of supporting travel documents and Appendix 4 for descriptions of supporting documents for various expenses.

3. Financial Reports

Grantees must submit the financial reports required in the grant provisions and in the time frames shown therein.

The financial reports must be directly traceable to the grantee's books of record as of the end of each report period and cannot be based on estimates or other methods of projection.

Delinquent reports may delay approval of cash advances or reimbursements.

4. Accounting System

Grantees shall maintain an accounting system that, at a minimum, provides for the following:

- a. Itemization of each expenditure in such a manner that the purpose of the expenditure is readily identifiable to the grant or any

of the grantee organization's other activities.

- b. Expenditures for a grant, as recorded, must be readily and logically assignable to the approved budgeted line items for that grant as shown in the Grant Award.
- c. The expenditures for the grant recorded in the grantee's accounting system must be in such a format that the required Federal financial reports can be prepared from and identified back to the system entries.

5. Audit Requirements

Each Corporation grantee that receives \$100,000 or more a year must have an audit made for that year in accordance with the appropriate OMB Circular, A-128 for Audits of State and Local Governments and A-133 for Audits of Institutions of Higher Learning and Other Non-Profit Institutions. Grantees that receive between \$25,000 but less than \$100,000 shall have an audit made in accordance with the appropriate circular (A-128 or A-133) or have an audit made of each Federal award.

6. Accounting for Matching (Non-Federal) Share of Grant Award

All contributions, both cash and in-kind must be properly valued and clearly identifiable from the grantees records, have adequate supporting documentation and meet the criteria established by the appropriate circular A-110 or A-102 implemented by 45 CFR 602.

See Appendix 5 for an example of an in-kind contribution receipt voucher.

### III. Grantee Responsibility

In accepting a grant award from the Corporation for National and Community Service the grantee must agree to administer the grant in accordance with governing Corporation regulations, policies, and terms and conditions in effect at the time of award. The award is made to the grantee organization where all the responsibilities connected with the administration of the award remain. The grantee must have established policies relating to salary scales, fringe benefits, rate of travel reimbursement, and personnel policies that must be applied consistently throughout the grantee organization. It is the grantee's responsibility to ensure that none of its policies conflict with the governing Corporation regulations, policies, and terms and conditions in effect at the time of grant award. Similarly, accounting for funds expended under the grant must be in accordance with, and be a part of, the grantee organization's overall financial management system.

Upon receipt of a Corporation grant award, the grantee must review the requirements of the grant award, grant provisions and any federal circulars that are incorporated by reference in the provisions and, if necessary, must change or add appropriate steps to its financial system to comply with these requirements. Circulars will be made available to new grantees. Some grantees see themselves as only a "pass-through" for grant funds and believe that financial management responsibility lies with the project staff or subgrantee for meeting these requirements. Nothing could be further from the truth; total responsibility for meeting all financial requirements and for the operation of the project rests solely with the grantee organization.

#### Most Frequently Noted Audit Findings

Some of the most common audit findings that result in cost being questioned or disallowed are listed below:

1. Inadequate Documentation
  - a. Time and attendance.
  - b. Travel records.
  - c. Volunteer Expenses (meals, travel, etc.).
  - d. In-kind contribution(s).
  
2. Inadequate Accounting System/Poor Internal Controls

Inability to equitably allocate costs (costs specifically incurred under the award) and to identify and segregate all costs allocable to individual organizational projects/grants.
  
3. Inaccurate Financial Status Reports

Many of the reports are improperly based upon estimated rather than actual expenditures; furthermore, inaccuracies on quarterly reports are not corrected on the next report.
  
4. Interests

Grantees (State governments excluded) fail to return to the Corporation interest earned on Federal funds.

To resolve a cost not supported by a source document creates a work load at least five times greater than it would have taken had the grantees system contained the original source document.

If questions arise during the period of performance of the grant regarding financial requirements that are not adequately covered by the attachments or conditions of the grant, the grantee should obtain clarification from the Corporation Grant Officer prior to taking any action. Failure to obtain clarification could lead to problems that will be discovered later when the grant is audited or a site visit review is made.

Communications:	Invoices showing description, date and cost.  Itemized telephone bills.
Printing:	Invoices showing description, date, and cost.
Space:	Invoices showing description, date covered and cost.  If in-kind, basis for establishing costs recorded in ledger; this is generally covered in grant award. Also need signed vouchers, at least annually, but preferably quarterly.
Stipends and Living Allowances:	Time and attendance records signed by authorized official . Volunteer records/files.  Amount paid consistent with program guidelines.
Meals:	Invoices showing date, cost, and number of volunteers.  For in-kind, receipt showing basis for establishing cost recorded and concurred in by sponsor, and vouchers.
Travel:	Travel vouchers, signed by volunteer and authorized supervisor, showing mileage, dates traveled, and purpose.
Equipment/Supplies/ Contractual Services:	Same supporting documentation as required for same line items under Volunteer Support Expenses, above.