

**Federal Funds Management Office**

COMMONWEALTH OF PUERTO RICO



COMMONWEALTH OF  
PUERTO RICO

# **Comprehensive Grant Management Manual**

A Guide to Managing Federal Awards under the New OMB Uniform  
Guidance

November 2015





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# 1. General Information

## 1.1 Overview

The purpose of this manual is to provide government employees responsible for managing Federal awards with general guidance on the Federal Grant Management in accordance with Federal and State requirements consonant with the Federal Office of Management and Budget's (OMB) Uniform Guidance. This manual is intended to assist all government agencies of the Commonwealth of Puerto Rico with Federal grants implementation, from pre-award to close-out and auditing, and will help facilitate programmatic and fiscal accountability. It is intended to be a reference guide on managing Federal Grants; hence, it does not substitute Federal or State Laws or Regulations.

The content of the manual is organized according to the typical lifecycle of an award: Credentials, Planning, Pre-Award, Award, Post-Award, Closeout, and Cost Principles and Auditing. The manual is available for viewing and downloading at the Puerto Rico Federal Funds Management Area website, [www.grants.pr.gov](http://www.grants.pr.gov). For feedback on this manual, including topics that should be included in future version, please contact the Puerto Rico Federal Funds Management Area.

## 1.2 Background

The Commonwealth of Puerto Rico depends on Federal grants funds to provide support for a wide range of programs and services for its citizens. Federal grant funding comprises approximately 23% of the Puerto Rico's annual budget and, as such, contributes significantly to the government's ability to meet the needs of its most vulnerable citizens. While such funds offer tremendous opportunity, they also represent potential pitfalls. Failure to comply with the applicable statutes and regulations could result, in the best-case scenario, in loss of future funding and, the worst case, an obligation to repay grant dollars already expended. In an effort to promote effective, efficient and consistent use of available grant funds, the Puerto Rico Federal Funds Management Area developed this manual to assist government recipients of Federal grants in filling their fiduciary responsibilities.

## 1.3 Purpose

The objectives of the manual are to:

- (1) assist with the management of active grants;
- (2) communicate the responsibilities of top-tier agencies in the grant-management system of the Commonwealth, including the Commonwealth's Office of Management and Budget (OGP, by its Spanish acronym), the Commonwealth's Treasury Department (Treasury) and the Government Development Bank (GDB), as well as grantees, pass-through agencies and sub-grantees regarding grants seeking, application, implementation, monitoring and auditing; and
- (3) help in the oversight of the utilization of Federal grant funds across government.



## 1.4 Applicability

This manual applies and, to any applicable extent, is binding to all government entities of the Executive Branch, including the public corporations to the extents determined by Op. Sec. Just., issued on February 28, 1986, and article 3(b)(3)(A) of Act No. 147-1980, as amended. It excludes from its application the State Electoral Commission, the Office of Government Ethics, the Office of the Panel of the Independent Prosecutor, the University of Puerto Rico and the Office of the Electoral Auditor. The manual is not designed to relieve the state agencies, grantees, subgrantees and contractors of their responsibility to ensure compliance with laws, rules, and regulations related to their specific programs and grants.

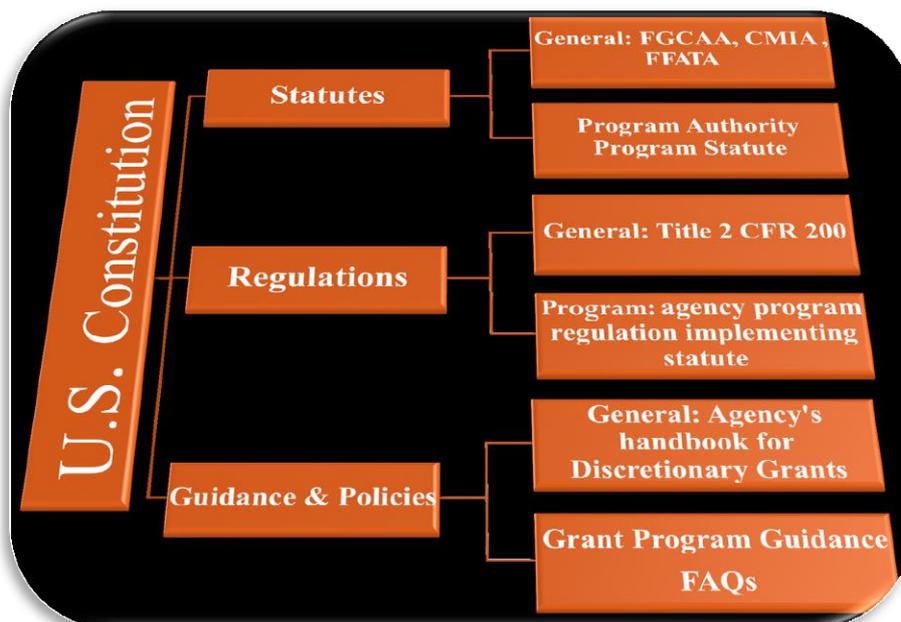
## 2. Laws and Regulations

### 2.1 Legal framework

The administration and operation of the Federal grants are authorized and regulated by various Federal and State Laws and Regulations. This manual incorporates by reference the provisions and policies issued in:

- (1) the circulars of the OGP, Treasury, the Puerto Rico Comptroller's Office (PRCO);
- (2) regulations issued by Federal agencies (both programs and administrative) and published in the Code of Federal Regulations (CFR);
- (3) Federal and State Executive Orders; and
- (4) Government-wide common rules applicable to Federal grants and cooperative agreements.

Please, see Summary of Applicable Laws and Regulations in [Annex I](#) of this Manual. On any given program, the regulations the legal precedence or hierarchy of regulations is as follow, from top to bottom with Constitution above them all:





## 2.2 Federal statutes

Grantees should also be familiar with the following Federal regulations affecting the administration of Federal funds:

- (1) **The Cash Management Improvement Act (CMIA)**; provides the general rules and procedures for the efficient transfer of funds for Federal financial assistance programs between the Federal government and the states. For more information visit: [https://www.fiscal.treasury.gov/fsservices/gov/rvnColl/cmias/rvnColl\\_cmia\\_statute.htm](https://www.fiscal.treasury.gov/fsservices/gov/rvnColl/cmias/rvnColl_cmia_statute.htm)
- (2) **The Federal Funding Accountability and Transparency Act (FFATA)**; requires information on Federal awards (Federal financial assistance and expenditures) be made available to the public via a single, searchable website, which is [www.USASpending.gov](http://www.USASpending.gov). See also: [www.fsrs.gov](http://www.fsrs.gov) and **Federal Funding Accountability and Transparency Act of 2006.pdf**
- (3) **The Digital Accountability and Transparency Act of 2014 (DATA Act)**; requires the U.S. Department of the Treasury to establish common standards for financial data provided by all government agencies and to improve the ability of the general public to track and understand how the government is spending their tax dollars. See also: [www.usaspending.gov/Pages/Data-Act.aspx](http://www.usaspending.gov/Pages/Data-Act.aspx) and **Digital Accountability and Transparency Act of 2014**.
- (4) **The Executive Order 12372, Intergovernmental review of Federal programs (EO 12372)**; allows each State to designate an entity to perform the review of proposed Federal financial assistance and direct Federal development. See also: [Executive Order 12372--Intergovernmental review of Federal programs.pdf](http://www.whitehouse.gov/the-press-office/2012/05/01/eo-12372)
- (5) **The Single Audit Act**; establishes audit requirements for ensuring that Federal assistance is expended properly. See also: [www.whitehouse.gov/omb/financial\\_fin\\_single\\_audit](http://www.whitehouse.gov/omb/financial_fin_single_audit)

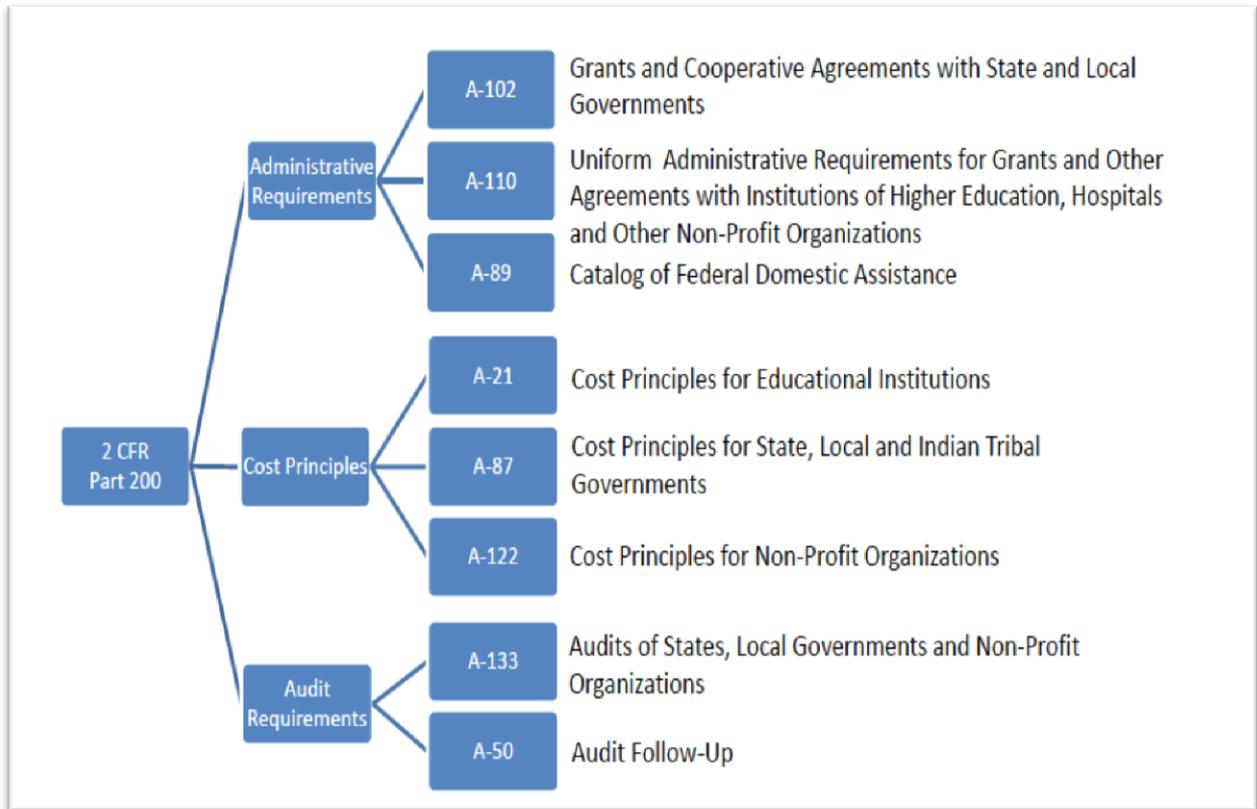
## 2.3 Uniform Guidance

2 CFR 200, contains the guidance issued by OMB - entitled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). It supersedes and combines the requirements of previous OMB Circulars (A-21, A-50, A-87, A-89, A-102, A-110, A-122 and A-133) with the intent to streamline the Federal grant-making and monitoring process, to ease administrative burden for grant applicants and recipients, and to reduce the risk of waste, fraud, and abuse.

The Uniform Guidance is effective from December 26, 2014. Audit requirements for grantees are effective for fiscal years starting on or after January 1, 2015 (therefore, in Puerto Rico, generally, for fiscal years ending June 30, 2016).

For information on grant management and to obtain copies of current circulars and common rules, visit the OMB at: [www.whitehouse.gov/omb/circulars\\_default](http://www.whitehouse.gov/omb/circulars_default). The most recent version of the CFR can be found on the US Government Printing Office website at: [www.gpo.gov](http://www.gpo.gov).

Figure 1: Codification of eight OMB Circulars



The Uniform Guidance does not entirely change the eight Federal Regulations shown above from which it is derived. However, it does include some changes such as:

- (1) **Audit Rules:** The new guidance raises the threshold for compliance audits (the Single Audit) of entities that received Federal awards from \$500,000 on federal award funds expended per fiscal year to \$750,000 per fiscal year.
- (2) **Conflict of Interest:** The guidance requires Federal agencies to establish conflict of interest policies for Federal awards and mandates that non-Federal entities disclose in writing any potential conflict of interest to the Federal awarding agency (or higher-tiered entity).
- (3) **Mandatory Disclosure:** The guidance requires organizations for a Federal awards to disclose, in a timely manner and in writing, to the Federal awarding agency or passthrough entity, all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal awards. An organization's failure to make required disclosures can result in a number of actions, including suspension and/or debarment.
- (4) **Indirect Costs:** The guidance requires pass-through entities to either honor a nonprofit's negotiated indirect cost rate if one already exists, or negotiate a rate in accordance with Federal guidelines.
- (5) **Direct Costs:** The guidance makes clear that, in certain circumstances, program administration costs can be reported as direct costs applicable to a specific program. Previously, grantees were usually required to pass these charges through their indirect cost rates.



## 2.4 State Rules

Grantees should also be familiar with the Commonwealth's regulations that could have an impact in the administration of Federal funds. Many of those regulations are cited throughout this manual.

## 3. Definitions

- 1) **Active grant:** A grant meeting the following criterion: today's date is between the budget start and end dates.
- 2) **Allocable cost:** A cost is considered "allocable" if the federal program in question received a benefit in proportion to the amount of funds expended.
- 3) **Allowable cost:** A cost incurred by a recipient that is: (1) reasonable for the performance of the award; (2) allocable; (3) in conformance with any limitations or exclusions set forth in the Federal cost principles applicable to the organization incurring the cost or in the Notice of Award as to the type or amount of cost; (4) consistent with regulations, policies, and procedures of the recipient that are applied uniformly to both Federally supported and other activities of the organization; (5) accorded consistent treatment as a direct or indirect cost; (6) determined in accordance with generally accepted accounting principles; and (7) not included as a cost in any other Federally supported award (unless specifically authorized by statute).
- 4) **Audit finding:** deficiencies which the auditor is required by section 200.516(b) of the Uniform Guidance "Audit findings", to report in the schedule of findings and questioned costs.
- 5) **Auditee:** any non-Federal entity that expends Federal awards, which must be audited under the audit requirements of the Uniform Guidance.
- 6) **Auditor:** an auditor who is a public accountant or a Federal, state or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of nonprofit organizations.
- 7) **Budget:** the financial plan for the project or program that the Federal awarding agency or pass-through entity approves during the Federal award process or in subsequent amendments to the Federal award. It might include the Federal and non-Federal share or only the Federal share, as determined by the Federal awarding agency or pass-through entity.
- 8) **Capital assets:** tangible or intangible assets used in operations having a useful life of more than one year, which are capitalized in accordance with GAAP. Capital assets include: (1) land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and (2) additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).
- 9) **Capital expenditures:** expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.
- 10) **Carryover:** Unobligated Federal funds remaining at the end of any budget period that, if authorized, might be carried forward to another budget period to cover allowable costs of



that budget period (whether as an offset or additional authorization). Obligated, but unliquidated, funds are not considered carryover.

- 11) **CMIA: Cash Management Improvemnet Act of 1990**, as amended, and implementing regulation **31 CFR 205**. It provides the general rules and procedures for the efficient transfer of funds for Federal financial assistance programs between the Federal government and the states.
- 12) **Catalog of Federal Domestic Assistance (CFDA) number:** Federal programs are assigned a number in the Catalog of Federal Domestic Assistance (CFDA), which is referred to as the "CFDA number."
- 13) **CCR/FedReg:** Central Contractor Registration/Federal Agency Registration.
- 14) **CFDA program title:** The title of the program under which the Federal award was funded in the CFDA.
- 15) **Closeout:** The process by which the Federal awarding agency or pass-through entity determines that all applicable administrative actions and all required work of the Federal award have been completed and takes actions as described in section 200.343 of the Uniform Guidance, "Closeout".
- 16) **Cluster of programs:** Cluster of programs means a grouping of closely related programs that share common compliance requirements. The types of clusters of programs are research and development (R&D), student financial aid (SFA), and other clusters. "Other clusters" are as defined by OMB in the compliance supplement or as designated by a state for Federal awards the state provides to its subrecipients that meet the definition of a cluster of programs. When designating an "other cluster," a state must identify the Federal awards included in the cluster and advise the subrecipients of compliance requirements applicable to the cluster, consistent with section 200.331(a) of the Uniform Guidance, "Requirements for pass-through entities". A cluster of programs must be considered as one program for determining major programs, as described in section 200.518, "Major program determination", and, with the exception of R&D as described in section 200.501(c), "Audit requirements", whether a program-specific audit might be elected.
- 17) **Cognizant agency:** The Federal agency which, on behalf of all Federal agencies, is responsible for: reviewing, negotiating, and approving cost allocation plans, indirect cost rate and similar rates; monitoring non-Federal audit reports; conducting Federal audits as necessary; and resolving cross-cutting audit findings. The cognizant agency under the applicable cost principles and audit purposes might be different for a given recipient.
- 18) **Cognizant agency for audit:** the Federal agency designated to carry out the responsibilities described in section 200.513(a) of the Uniform Guidance, "Responsibilities". The cognizant agency for audit is not necessarily the same as the cognizant agency for indirect costs. A list of cognizant agencies for audit might be found at the **Federal Audit Clearinghouse (FAC) website**.
- 19) **Cognizant agency for indirect costs:** the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under this part on behalf of all Federal agencies. The cognizant agency for indirect cost is not necessarily the same as the cognizant agency for audit. For state and local governments: Appendix V to the Uniform Guidance.
- 20) **Compliance Supplement:** Appendix XI to the Uniform Guidance (previously known as the Circular A-133 Compliance Supplement).
- 21) **Conflict of interest:** Conflict of Interest is a cross-cutting issue that affects many policy areas such as peer review, financial conflict of interest, and responsible conduct of research. There are different uses of this term throughout this document. It generally means that a



competing personal interest could affect, or could appear to affect, an individual's judgment or could cause the individual's impartiality to be questioned. Conflicts of Interest (actual or potential) might arise in the objective review process or in other activities or phases of the financial assistance process.

- 22) **Continuation grant:** an extension or renewal of existing program funding for one or more additional budget period(s) that would otherwise expire. Continuation grants are typically available to existing recipients of discretionary, multi-year projects; however, new applicants might be considered. Receipt of a continuation grant is usually based on availability of funds, project performance, and compliance with progress and financial reporting requirements. Applications for continuation might compete with other continuation requests submitted to the awarding agency.
- 23) **Contract:** a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in the OMB Uniform Grants Guidance does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward (see section 200.92 of the Uniform Guidance, "Subaward").
- 24) **Contractor:** an entity that receives a contract as defined in section 200.22 of the Uniform Guidance, "Contract".
- 25) **Cooperative agreement:** a legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity that: (1) is used to enter into a relationship the principal purpose of which is to transfer anything of value from the Federal awarding agency or pass-through entity to the non-Federal entity to carry out a public purpose authorized by a law of the United States, and not to acquire property or services for the Federal government or pass-through entity's direct benefit or use; (2) is used to enter into a relationship the principal purpose of which is to transfer anything of value from the Federal awarding agency or pass-through entity to the non-Federal entity to carry out a public purpose authorized, and not to acquire property or services for the Federal government or pass-through entity's direct benefit or use; and (3) does not include a cooperative research and development agreement or an agreement that provides only direct cash assistance to an individual, a subsidy, a loan, a loan guarantee, or insurance.
- 26) **Cooperative Audit Resolution:** the use of audit follow-up techniques, which promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding between the Federal agency and the non-Federal entity. This approach is based upon: (1) a strong commitment by Federal agency and non-Federal entity leadership to program integrity; (2) Federal agencies strengthening partnerships and working cooperatively with non-Federal entities and their auditors; and non-Federal entities and their auditors working cooperatively with Federal agencies; (3) a focus on current conditions and corrective action going forward; (4) Federal agencies offering appropriate relief for past noncompliance when audits show prompt corrective action has occurred; and (5) Federal agency leadership sending a clear message that continued failure to correct conditions identified by audits which are likely to cause improper payments, fraud, waste, or abuse is unacceptable and will result in sanctions.
- 27) **Corrective Action:** action taken by the auditee that: (1) corrects identified deficiencies; (2) produces recommended improvements; or (3) demonstrates that audit findings are either invalid or do not warrant auditee action.
- 28) **Cost allocation plan:** central service cost allocation plan or public assistance cost allocation plan. The documentation identifying, accumulating, and allocating or developing billing rates based on the allowable costs of services provided by a state, local government, or Indian



tribe on a centralized basis to its departments and agencies. The costs of these services might be allocated or billed to users.

- 29) **Cost principles:** the government-wide principles, issued by OMB, on allowability and unallowability of costs under Federally sponsored agreements.
- 30) **Cost sharing or matching alternative:** an alternative use of program income whereby income accrued during the period of grant support might be used to satisfy a cost sharing or matching requirement. An additive alternative is the use of program income earned during or after the project period that permits income that is generated under a grant to be added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives. A deductive alternative is the use of program income earned during the period of grant support under which allowable costs of the project or program to be paid by the Federal government are offset by the amount of the program income.
- 31) **Data Universal Numbering System (DUNS) number:** the nine-digit number established and assigned by Dun and Bradstreet, Inc. (D&B) to uniquely identify entities. A non-Federal entity is required to have a DUNS number in order to apply for, receive, and report on a Federal award.
- 32) **Debarment and Suspension:** the actions taken by a debarring official in accordance with OMB guidance at 2 CFR 180, "Non-procurement Debarment and Suspension", to exclude a person or organization from participating in grants and other non-procurement awards government-wide. If debarred or suspended, the person or organization might not receive financial assistance (under a grant, cooperative agreement, or subaward, or contract under a grant) for a specified period of time. Debarments and suspensions are distinct from post-award suspension action by an awarding agency.
- 33) **Direct costs:** Costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.
- 34) **Disallowed costs:** Disallowed costs means those charges to a Federal award that the Federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award.
- 35) **Discretionary grant:** A grant, or cooperative agreement, for which the Federal awarding agency generally might select the recipient from among all eligible recipients, might decide to make or not make an award based on the programmatic, technical, or scientific content of an application, and can decide the amount of funding to be awarded.
- 36) **Earmark:** are grants that are appropriated by Congress prior to a peer review. The term "earmark" is a reference to the Congressional Record where the awards are written into legislation specifically with the grant applicant's name, activity, and dollar amounts. In the context of cost sharing in federal awards, earmarking includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/might be used for specified activities, including funds provided to subrecipients. Earmarking might also be specified in relation to the types of participants covered.
- 37) **E-Biz POC:** an E-Business Point of Contact for an organization is designated during organization registration with the System for Award Management (SAM) and is the person responsible for the administration and management of grant activities in his/her organization. E-Business POCs give representatives of their organization the privilege to submit grant applications through Grants.gov by designating Authorized Organization Representative (AOR) authority.



- 38) **EPLS:** Excluded Parties List System.
- 39) **Equipment:** tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000<sup>1</sup>.
- 40) **Expenditures:** charges made by a non-Federal entity to a project or program for which a Federal award was received. The charges might be reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied. For reports prepared on a cash basis, expenditures are the sum of: (1) cash disbursements for direct charges for property and services; (2) the amount of indirect expense charged; (3) the value of third-party in-kind contributions applied; and (4) the amount of cash advance payments and payments made to subrecipients. For reports prepared on an accrual basis, expenditures are the sum of: (1) cash disbursements for direct charges for property and services; (2) the amount of indirect expense incurred; (3) the value of third-party in-kind contributions applied; and (4) the net increase or decrease in the amounts owed by the non-Federal entity for goods and other property received, services performed by employees, contractors, subrecipients, and other payees, and programs for which no current services or performance are required such as annuities, insurance claims, or other benefit payments.
- 41) **Expiration date:** in context of awarded grant: (1) the date signifying the end of the current project period, after which the grantee is not authorized to obligate grant funds. In context of funding opportunity announcement key dates: or (2) the day after the last submission due date for the announcement. As of the Expiration Date, the announcement is no longer active and applications will not be accepted unless either the late policy or system issue policy applies.
- 42) **Federal agency:** an "agency" as defined at 5 U.S.C. 551(1) and further clarified by 5 U.S.C. 552(f).
- 43) **Federal Audit Clearinghouse (FAC):** the clearinghouse designated by OMB as the repository of record where non-Federal entities are required to transmit the reporting packages required the audit requirements of the Uniform Guidance.
- 44) **Federal award:** Federal award has two definitions, which depend on the context of its use: (1) the Federal financial assistance that a non-Federal entity receives directly from a Federal awarding agency or indirectly from a pass-through entity, as described in section 200.101 of the Uniform Guidance, "Applicability"; or (2) the instrument setting forth the terms and conditions. The instrument is the grant agreement, cooperative agreement, other agreement for assistance covered in section 200.40(b), "Federal financial assistance".
- 45) **Federal award date:** the date when the Federal award is signed by the authorized official of the Federal awarding agency.
- 46) **Federal awarding agency:** the Federal agency that provides a Federal award directly to a non-Federal entity.
- 47) **Federal financial assistance:** for grants and cooperative agreements, Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, cooperative agreements, non-cash contributions or donations of property (including donated surplus property), direct appropriations, food commodities, and other financial assistance. For audit requirements, the term also includes assistance that non-Federal entities receive or administer in the form of loan, loan guarantees, interest subsidies and insurance. It does not include amounts received as reimbursement for services rendered to

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<sup>1</sup> Puerto Rico Treasury Department equipment definition is more restrictive and therefore the one that applies.



individuals as described in section 200.502(h) and (j) of the Uniform Guidance, "Basis for determining Federal awards expended".

- 48) **Federal financial report (FFR):** The **Federal Financial Report (SF-425)** is a single form consolidating the collection of financial information previously collected on the Cash Transaction Report (SF 272 and the Financial Status Report (SF269).
- 49) **Federal interest:** Federal interest means, for purposes of section 200.329 of the Uniform Guidance, "Reporting on real property", or when used in connection with the acquisition or improvement of real property, equipment, or supplies under a Federal award, the dollar amount that is the product of the: (1) Federal share of total project costs; and (2) current fair market value of the property, improvements, or both, to the extent the costs of acquiring or improving the property were included as project costs.
- 50) **Federal program:** All Federal awards, which are assigned a single number in the **Catalog of Federal Domestic Assistance (CFDA)**. When no CFDA number is assigned, all Federal awards to non-Federal entities from the same agency made for the same purpose. Also, a cluster of programs. The types of clusters of programs are: (1) research and development (R&D); (2) student financial aid (SFA); (3) "Other clusters" as described in the definition of Cluster of Programs.
- 51) **Federal share:** The portion of the total project costs that are paid by Federal funds.
- 52) **Fixed amount awards:** a type of grant agreement under which the Federal awarding agency or pass-through entity provides a specific level of support without regard to actual costs incurred under the Federal award. This type of Federal award reduces some of the administrative burden and record-keeping requirements for both the non-Federal entity and Federal awarding agency or pass-through entity. Accountability is based primarily on performance and results. See sections 200.201(b) of the Uniform Guidance, "Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts", and 200.332, "Fixed amount subawards".
- 53) **Formula grant:** allocations of Federal funding to states, territories, or local units of government determined by distribution formulas in the authorizing legislation and regulations. To receive a formula grant, the entity must meet all the eligibility criteria for the program, which are pre-determined and not open to discretionary funding decisions. Formula grants typically fund activities of a continuing nature and might not be confined to a specific project. Common elements in formulas include population, proportion of population below the poverty line, and other demographic information.
- 54) **Funding opportunity announcement (FOA):** a publicly available document by which a Federal Agency makes known its intentions to award discretionary grants or cooperative agreements, usually as a result of competition for funds. Funding opportunity announcements might be known as program announcements, requests for applications, notices of funding availability, solicitations, or other names depending on the Agency and type of program.
- 55) **Generally Accepted Accounting Principles (GAAP):** the meaning specified in accounting standards issued by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).
- 56) **Generally Accepted Government Accounting Standards (GAGAS):** also known as the Yellow Book, generally accepted government auditing standards issued by the Comptroller General of the United States, which are applicable to financial audits.
- 57) **Grant:** financial assistance mechanism providing money, property, or both to an eligible entity to carry out an approved project or activity.



- 58) **Grant agreement:** a legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity that: (1) is used to enter into a relationship the principal purpose of which is to transfer anything of value from the Federal awarding agency or pass-through entity to the non-Federal entity to carry out a public purpose authorized by a law, and not to acquire property or services for the Federal awarding agency or pass-through entity's direct benefit or use; (2) is distinguished from a cooperative agreement in that it does not provide for substantial involvement between the Federal awarding agency or pass-through entity and the non-Federal entity in carrying out the activity contemplated by the Federal award; and (3) does not include an agreement that provides only direct cash assistance to an individual, a subsidy, a loan, a loan guarantee, or insurance.
- 59) **Grants.gov:** ([www.grants.gov](http://www.grants.gov)) has been designated by the Office of Management and Budget as the single access point for all grant programs offered by 26 Federal grant-making agencies. It provides a single interface for agencies to announce their grant opportunities and for all applicants to find and apply for those opportunities.
- 60) **Grantsmanship:** skill in obtaining, implementing and securing grants.
- 61) **Improper payment:** (1) any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and (2) includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.
- 62) **Indirect cost rate proposal:** the documentation prepared by a non-Federal entity to substantiate its request for the establishment of an indirect cost rate as described in Appendix III through Appendix VII, and Appendix IX to the Uniform Guidance.
- 63) **Indirect facilities and administrative (F&A) costs:** those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it might be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.
- 64) **Intangible property:** property having no physical existence, such as trademarks, copyrights, patents and patent applications and property, such as loans, notes and other debt instruments, lease agreements, stock and other instruments of property ownership (whether the property is tangible or intangible).
- 65) **Internal controls over compliance requirements for Federal awards:** a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (1) transactions are properly recorded and accounted for, in order to permit the preparation of reliable financial statements and Federal reports, maintain accountability over assets, and demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (2) transactions are executed in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and any other Federal statutes and regulations that are identified in



- the Compliance Supplement; and (3) funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.
- 66) **Internal controls:** a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations; (2) reliability of reporting for internal and external use; and (3) compliance with applicable laws and regulations.
- 67) **Legal Cost:** For a federal cost to be permissible, it must be authorized and not prohibited by State or local laws or regulations. In other words, if it is not permissible to pay for a certain cost with State or local funds, it will not be permissible to pay for that cost with federal funds.
- 68) **Level of effort:** as a category of cost sharing, implies requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services.
- 69) **Local government:** any unit of government within a state, including a: (1) county; (2) borough; (3) municipality; (4) city; (5) town; (6) township; (7) parish; (8) local public authority, including any public housing agency under the United States Housing Act of 1937; (9) special district; (10) school district; (11) intrastate district; (12) council of governments, whether or not incorporated as a nonprofit corporation under state law; and (13) any other agency or instrumentality of a multi-, regional, or intra-state or local government.
- 70) **Major program:** a Federal program determined by the auditor to be a major program in accordance with section 200.518 of the Uniform Guidance, "Major program determination" or a program identified as a major program by a Federal awarding agency or pass-through entity in accordance with section 200.503(e), "Relation to other audit requirements".
- 71) **Management decision:** the evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what corrective action is necessary.
- 72) **Mandatory grant:** a grant, or cooperative agreement, awarded under a program where the authorizing statute requires the head of the agency or designee to make an award to each eligible entity under the conditions and in the amount, or based on the formula, specified in the statute.
- 73) **Matching or cost sharing:** the portion of project costs not paid by Federal funds (unless otherwise authorized by Federal statute). This might include the value of allowable third party in-kind contributions, as well as expenditures by the recipient.
- 74) **Modified total direct cost (MTDC):** all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward and subcontract in excess of \$25,000. Other items might only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.
- 75) **Necessary and Reasonable:** The threshold for a specific cost being permissible with federal funds is that the particular cost is "necessary and reasonable" for the "proper and efficient performance and administration" of the federal program at issue. In short, this means that, at a minimum, the cost is necessary to further the goals or to comply with the requirements of the federal program. If a direct link between the specific purpose of the program and the



specific proposed cost cannot be made, it is unlikely that the cost is necessary and reasonable for the proper and efficient performance and administration of the program. In general, a cost is considered “necessary and reasonable” when: (1) The cost is ordinary and necessary; (2) Sound business practices were followed; (3) Purchases were comparable to market prices, and (4) Individuals acted with prudence under the circumstances. To meet the necessary and reasonable standard, an Agency must be able to demonstrate that the specific proposed expenditures are not excessively costly and are prudent. The circumstances and details surrounding a proposed cost are essential to performing this analysis – in other words, for example, simply because an expenditure made sense in the past does not mean the same expenditure still makes sense now – a specific analysis regarding necessity and reasonableness must be undertaken for every specific proposed cost

- 76) **Non-Federal entity:** a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.
- 77) **Non-Federal share:** when cost sharing or matching is required as a condition of an award, the portion of allowable project/program costs not borne by the Federal government.
- 78) **Nonprofit organization:** any corporation, trust, association, cooperative, or other organization, not including IHEs, that: (1) is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest; (2) is not organized primarily for profit; and (3) uses net proceeds to maintain, improve, or expand the operations of the organization.
- 79) **Notice of award:** the official, legally binding document, signed (or the electronic equivalent of signature) by a Federal Grants Management Officer that: notifies the recipient of the award of a grant; contains or references all the terms and conditions of the grant and Federal funding limits and obligations; and, provides the documentary basis for recording the obligation of Federal funds in the accounting system.
- 80) **Obligations:** orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.
- 81) **Office of Management and Budget (OMB):** the Executive Office of the President, Office of Management and Budget.
- 82) **Oficina de Gerencia y Presupuesto (OGP):** the Commonwealth's Office of Management and Budget, ascribed to the Office of the Governor.
- 83) **ORCA:** Online Representations and Certifications Application.
- 84) **Oversight agency for audit:** the Federal awarding agency that provides the predominant amount of funding directly to a non-Federal entity not assigned a cognizant agency for audit. When there is no direct funding, the Federal awarding agency, which is the predominant source of pass-through funding must assume the oversight responsibilities. The duties of the oversight agency for audit and the process for any reassignments are described in section 200.513(b) of the Uniform Guidance, "Responsibilities".
- 85) **Pass-through entity:** a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.
- 86) **Pass-through funding:** funds issued by a Federal agency to a state agency or institution that are then transferred to other state agencies, units of local government, or other eligible groups per the award eligibility terms. The state agency or institution is referred to as the "prime recipient" of the pass-through funds. The secondary recipients are referred to as



"subrecipients." The prime recipient issues the subawards as competitive or noncompetitive as dictated by the prime award terms and authorizing legislation.

- 87) **Performance goal:** a target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. In some instances (e.g., discretionary research awards), this might be limited to the requirement to submit technical performance reports (to be evaluated in accordance with agency policy).
- 88) **Period of performance:** the time during which the non-Federal entity might incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award.
- 89) **Personal property:** property other than real property. It might be tangible, having physical existence, or intangible.
- 90) **Personally identifiable information (PII):** Information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual. Some information that is considered to be PII is available in public sources such as telephone books, public Web sites, and university listings. This type of information is considered to be Public PII and includes, for example, first and last name, address, work telephone number, email address, home telephone number, and general educational credentials. The definition of PII is not anchored to any single category of information or technology. Rather, it requires a case-by-case assessment of the specific risk that an individual can be identified. Non-PII can become PII whenever additional information is made publicly available, in any medium and from any source, that, when combined with other available information, could be used to identify an individual.
- 91) **Program income:** gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance. 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 Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. See also section 200.407 of the Uniform Guidance, "Prior written approval". Also, 35 U.S.C. 200-212, "Disposition of Rights in Educational Awards" applies to inventions made under Federal awards.
- 92) **Project cost:** Total allowable costs incurred under a Federal award and all required cost sharing and voluntary committed cost sharing, including third-party contributions.
- 93) **Questioned cost:** a cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
- 94) **Real property:** Land, including land improvements, structures, and installations, but not movable machinery and equipment.



- 95) **Recipient (grantee):** a non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program. The term recipient does not include subrecipients.
- 96) **Research and Development (R&D):** all research activities, both basic and applied, and all development activities that are performed by non-Federal entities. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function. "Research" is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. "Development" is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.
- 97) **Simplified Acquisition Threshold:** as defined by Federal Acquisition Regulations (FAR) System, means \$150,000, except for acquisitions of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack (41 U.S.C. 1903), the term means- (1) \$300,000 for any contract to be awarded and performed, or purchase to be made, inside the United States; and (2) \$1 million for any contract to be awarded and performed, or purchase to be made, outside the United States.
- 98) **State Single Point of Contact (SPOC):** the Commonwealth's representative in charge of the consultancy and review process of applications to Federal assistance, established by Federal Executive Order 12372, "Intergovernmental Review of Federal Programs", and ascribed to the Puerto Rico Planning Board.
- 99) **State:** any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and any agency or instrumentality thereof exclusive of local governments.
- 100) **Subaward:** an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward might be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.
- 101) **Subrecipient (subgrantee):** a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient might also be a recipient of other Federal awards directly from a Federal awarding agency.
- 102) **Supplies:** all tangible personal property other than those described in section 200.33 of the Uniform Guidance, "Equipment". A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life.
- 103) **System for Award Management (SAM):** is a website that consolidates Federal procurement systems and the Catalog of Federal Domestic Assistance (CFDA). Currently CCR, FedReg, ORCA and EPLS have been migrated to SAM.
- 104) **Termination:** The ending of a Federal award, in whole or in part, at any time prior to the planned end of period of performance.
- 105) **Terms and conditions of award:** All legal requirements imposed on a grant, whether based on statute, regulation, policy, or other document referenced in the grant award, or specified by the grant award document itself. The Notice of Award might include both standard and special conditions that are considered necessary to attain the grant's objectives, facilitate



post award administration of the grant, conserve grant funds, or otherwise protect the Federal Government's interests.

- 106) **Third-party In-kind contributions:** the value of non-cash contributions (i.e., property or services) that: (1) benefit a Federally assisted project or program; and (2) are contributed by non-Federal third parties, without charge, to a non-Federal entity under a Federal award.
- 107) **Treasury Offset Program (TOP):** Nontax delinquent debts owed by a state entity to any Federal agency can be offsetted by an award payment up to the amount of the debt balance. Debts owed by a state will only stop payments up until the debt balance.
- 108) **Transparency Act:** The **Federal Funding Accountability and Transparency Act of 2006**, as amended ("Transparency Act" or FFATA), requires the Office of Management and Budget to establish a single searchable database, accessible to the public, with information on financial assistance awards made by Federal agencies, currently located at [www.usaspending.gov](http://www.usaspending.gov). The Transparency Act also includes a requirement for recipients of Federal grants to report information about first-tier subawards and executive compensation under Federal assistance awards.
- 109) **Type A award (CMIA):** Programs that comply with **CMIA's** definition of a major program by exceeding the monetary threshold calculated as a percentage of the total Federal participation with the State pursuant to agreement between the State and the Federal Treasury called a **Treasury State Agreement (TSA)**.
- 110) **Type B award (CMIA):** All other programs not meeting **CMIA's** definition of a major program.
- 111) **Uniform Guidance:** In an effort to streamline the Federal government's guidance on administrative requirements, cost principles, and audit requirements for Federal awards, the Office of Management and Budget has issued final guidance (referred to as "Uniform Guidance") that supersedes A-21, A-87, A-110, A-122, A-89, A-102, A-133, and the guidance in circular A-50 on Single Audit Act follow-up. By consolidating these 8 circulars, the uniform guidance provides a streamlined format that improves both clarity and accessibility. It is located in **Title 2 of the Code of Federal Regulations (CFR), Part 200**.
- 112) **Unliquidated obligation:** For financial reports prepared on a cash basis, obligations incurred by the non-Federal entity that have not been paid (liquidated). For reports prepared on an accrual expenditure basis, these are obligations incurred by the non-Federal entity for which an expenditure has not been recorded.
- 113) **Unobligated balance:** The amount of funds authorized under a Federal award, that the non-Federal entity has not obligated. The amount is computed by subtracting the cumulative amount of the non-Federal entity's unliquidated obligations and expenditures of funds under the Federal award from the cumulative amount of the funds that the Federal awarding agency or pass-through entity authorized the non-Federal entity to obligate.



## 4. Grants Management Overview

Consistent with its role of oversight, OGP's [Administrative Memorandum 148-15](#) created the Federal Funds Management Area (FFMA) ascribed to the OGP with the purpose of improving capacity of the government entities to identify, acquire and manage competitive and non-competitive Federal grants.

### 4.1 Federal Funds Management Area duties

To effect changes to the limited participation of Puerto Rico in Federal awards, and improve the grantsmanship required to effectively manage grants, account for Federal funds and perform as required by Federal programs, OGP's [CC 123-15](#), specifically directed the FFMA:

- (1) design and publish the criteria and rules that will govern government-wide processes conditioning grants management activities by the government entities in regards to its budgetary or programmatic aspects, and that are not currently subject to be regulated by the Planning Board, the Office of the Comptroller or the Treasury Department (Treasury);
- (2) set an infrastructure to guide government compliance and performance with regards to grants awarding and management;
- (3) establish a basic view of the Commonwealth's grants portfolio composition to accurately identify grants and support additional analysis;
- (4) research and document trends in the Commonwealth's Single Audit reports as they pertain to grants and make recommendations on how to resolve existing findings, prevent new findings, and in general reduce the number of findings per grant dollars expended;
- (5) represent the Commonwealth in Federal, inter-State, industry-led and other working groups on matters related to Federal financial assistance;
- (6) establish and maintain a single point of presence in the Internet to disseminate opportunities, requirements, guidance and resources available to public and private entities, as well as performance measures and audit information pertaining to Federal programs managed by the government;
- (7) design and implement activities to improve the government's grantsmanship and a professional betterment system aimed at increasing grantsmanship in the government entities through the development of training, policies, standards, and strategies that allow for a well-trained staff with required skills and able to identify opportunities, submit proposals and follow up on compliance;
- (8) provide support to bolster Puerto Rico's share of the research and development Federal award budget; and
- (9) provide support to the Planning Board and the Office of the Commissioner of Municipal Affairs to leverage the participation of local governments in Federal financial assistance; and advise the Chief Executive and the Legislative branches on matters related to Federal financial assistance.



## **4.2 Agency duties:**

### **4.2.1 Point of Contacts**

OGP's **CC 123-15** directed the agencies appoint a representative (POC) with knowledge in the agency's grants management and vested with the necessary authority to effect decisions and to execute the following duties:

- (1) ensure the continuous flow of Federal awards data and information required by the Program;
- (2) clarify and solve problems pertaining to the flow and access to Federal awards data which might affect the work of government organism;
- (3) through coordination with the FFMA, maintain the government organisms up to date regarding matters pertaining to Federal or local legislation or Guidance affecting Federal financial assistance;
- (4) coordinate through the FFMA information or activities that involve more than one government organism;
- (5) identify and propose solutions for administrative problems related with the operations of the grant management units of the government entities;
- (6) investigate the training, technical assistance, systems or any other capacity building needs of the grant management units of the government entities;
- (7) identify and analyze the compliance problems of the Federal grant programs;
- (8) disseminate the norms, methods, procedures, rules and regulations adopted by the FFMA;
- (9) coordinate the implementation of funding opportunities, guidance, best practices, standards, metrics and any other government-wide activity devised for the improvement of the grant management practices of the government entities; and
- (10) advise the FFMA Manager whenever requested to do so.

### **4.2.2 Organization**

In order to effectively manage grants, the heads of the government agencies should ensure that the following functions, among others as might be required, are properly assigned and executed by adequately trained and knowledgeable personnel:

- (1) representation of the agency to the Federal agency;
- (2) identification of funding alternatives, planning, preparation and recommendation of proposals to be submitted to the Federal agencies;
- (3) review of the terms and conditions in the awarding documents and recommendation of the appropriate documents for accepting Federal funds;
- (4) maintenance of the agency's knowledge-base on Federal regulations that apply to Federal funds and each program;
- (5) capacity building activities for grantwriting, compliance and financial management of Federal assistance;
- (6) compliance monitoring and follow-up on the agency's correct use of approved funds based on the requirements (terms, conditions and procedures) established by the grantor;
- (7) compliance with Federal procurement procedures, exceptions, consultation process approvals;



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- (8) documentation of expenditures as allowable, reasonable, allocable, and in accordance with the program statute, applicable regulations, and terms and conditions, including expenses for personnel, professional services, equipment, supplies and other allowable and expenses to be within the amounts stipulated by the Federal agency;
- (9) follow-up and coordination when Federal funding is nearing completion and forecast of situations requiring grant extensions or planning and execution of adjustments in the budget that might affect compliance with the approved Work Plan;
- (10) creation, custody and maintenance and retention of records of official documents relating to each filed proposed and approved;
- (11) submission of financial, performance and close-out reports to Federal agencies and the FFMA according to schedule;
- (12) maintenance of accounts and records for each source of funds, and processes related to award budgeting, financial accounting, cash management, drawdown of funds, remittances, payments and financial reporting as required by Federal and state provisions;
- (13) implementation of the activities in the work plan as approved by the Federal agency; proper use of the equipment and materials that were assigned for the project during the prescribed term;
- (14) accomplishment of the goals, objectives and activities specified in the notice of award and evaluation of progress towards achieving program outcomes;
- (15) maintenance of internal control procedures adequate to safeguard Federal funds and resources; and
- (16) coordination and support to the Puerto Rico Comptroller's Office (PRC), internal, external and Federal auditors, and coordination and execution of internal and subrecipient monitoring tests, external audits in accordance with the provisions of the **Single Audit Act**, as amended, implementation of corrective action plans and, reporting of any suspected fraud in the use of Federal funds to the appropriate state and Federal entities;

Effective oral and written communication capability with Federal agencies is essential to effectively manage Federal funds. English language skills are a basic requirement when considering appointing key personnel to manage the entity's grant programs.

#### **4.2.3 Grant Managers**

For each award agreement funded with Federal financial assistance, the government entity shall designate one or more employees to act as grant manager who shall be responsible for enforcing performance of the terms and conditions of the agreement. Each grant manager responsible for agreements in excess of the threshold established for Single Audit reporting must complete a training conducted by the FFMA.

Grant Managers will determine how, where and why grant funds are spent. Every federal dollar spent should uphold that trust. Recipients have burden of proof to document their expenditures as allowable, reasonable, allocable, in accordance with the program statute, applicable regulations, and terms and conditions.

All recipients are expected to:

- (1) Accomplish the goals, objectives and activities specified in the Notice of Award;



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- (2) Evaluate progress towards achieving program outcomes;
- (3) Maintain separate accounts and records for each source of funds;
- (4) Maintain separate records for matching funds (when applicable);
- (5) Maintain internal control procedures adequate to safeguard federal funds and resources;
- (6) Maintain equipment inventory and disposition records for equipment purchased with federal funds;
- (7) Cooperate with federal awarding agency during on-site visits;
- (8) Submit program and fiscal reports in accordance with the schedule specified on notice of award and/or program guidelines.
- (9) Retain records pertinent to the federal award for a period of three (3) years from the date of submission of the final expenditure report or,
- (10) Expend federal funds in accordance with the applicable regulations and the approved budget

### 4.2.4 Capacity building

Professional development is extremely important to keep up with trends, changes in programs and regulations. The grants field is ever changing and requires a high level of reading and ongoing training. Professional development can be obtained through various accessible means, such as online workshops and webinars, resources from various Federal programs, as well as resources available at [www.grants.pr.gov](http://www.grants.pr.gov), the Puerto Rico Federal Affairs Administration at [www.prfaa.com](http://www.prfaa.com), and the Resident Commissioner's Office [website](#). Entities should also consult the bi-annual training schedule published by Office of the Commonwealth's Human Resources (OCALARH), available at [www2.pr.gov/agencias/ocalarh](http://www2.pr.gov/agencias/ocalarh).

## 5. Grant Management Life Cycle



The following charts show the grant life cycle from concept to completion:



GRANTOR		APPLICANT
<b>Funding Opportunity Announcement &amp; Application Phase</b>		
In the early stages of the grant process, the grantor agency plans and develops a funding program based on its mission and/or Administration and congressional initiatives.	<b>Planning an Opportunity</b>	
Next, the grantor agency formally announces the funding opportunity, advertising it to applicant communities and inviting proposals tailored to address the program mission. The grantor agency will publish details of the funding opportunity on Grants.gov, including a synopsis and the grant application package.	<b>Announcing an Opportunity</b>	
	<b>Searching for Opportunities</b>	Potential applicants will use the Grants.gov search tool to find funding opportunities that are a mission match for their organization or company.
	<b>Registering on Grants.gov</b>	When potential applicants have identified an opportunity, they must register with Grants.gov in order to validate their organizational or individual role and receive a username and password. All applications submitted through Grants.gov require valid credentials. Applicants should also check the opportunity for additional registration requirements specified by the grantor agency.
	<b>Completing an Application</b>	Completing a grant application can take days – even weeks. The application package can be downloaded from Grants.gov in the form of a PDF. Progress can be saved as required form fields are filled in. These fields require everything from basic organizational information, to explanations of proposed work and financial data. When an application package has been completed per the opportunity instructions and checked for errors, it can be submitted to Grants.gov via an internet connection.
When an application has been submitted by an applicant, the application is retrieved by the grantor and screened for compliance. If it passes initial screening, the application is routed to the appropriate agency program for	<b>Retrieving the Application</b>	When an application has been retrieved by the agency from Grants.gov, the applicant is automatically notified via email. At this point, the grantor application processing begins.



GRANTOR		APPLICANT
consideration.		
<b>Application Review &amp; Award Phase</b>		
	<b>Staying in the Loop</b>	Applicants can track the status of their application by communicating with the grant-making agency. Knowing the status of the applications is essential to their ability to plan their work and make decisions.
As the funding agency reviews applications, a range of program stakeholders will participate. The review process takes time. Grants are ultimately awarded based on merit and peer review. As the review process takes place, grantors might update applicants on the status of their application.	<b>Beginning the Review Process</b>	
When the review process has been completed, the funding agency notifies the applicants whether or not they have been awarded a grant. The agency also begins working with the award recipient to finalize the legal framework for the funding agreement. Following this, the funds are disbursed.	<b>Notifying the Award Recipient</b>	
	<b>Beginning the Hard Work</b>	After an applicant receives a Notice of Award and the funds have been disbursed, they will begin their project. The award recipient is responsible for meeting the administrative, financial and programmatic reporting requirements of the award.
<b>Implementation, Reporting &amp; Closeout Phase</b>		
After an award has been disbursed, a grants management officer at the funding agency oversees an awardee's reporting compliance. This process extends across the life of the grant award and involves reviewing reports submitted by the awardees. Representatives from the grantor agency might perform on-site visits with the project director and implementation staff.	<b>Providing Oversight</b>	
	<b>Charting Your Progress</b>	Award recipients submit two primary types of progress reports to the funding agency on a regular basis: federal financial reports and progress performance reports. These reports provide information about the overall financial status and program performance



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GRANTOR		APPLICANT
<p>As reports and financial data are passed along to the grantor agency, the program stakeholders ensure that all requirements are being met. Upon receiving the final financial and technical reports from the awardee, the grant lifecycle comes to an end.</p>	<p style="text-align: center;"><b>Award Closeout</b></p>	<p style="text-align: right;">of the grant project.</p>

Source: <http://www.grants.gov>

## 5.1 Credentials

### 5.1.1 Delegation

The Governor has delegated to the agency heads the administrative function of supervising the implementation of Federally funded projects. This person's functions include the application to and acceptance of Federal funds through proposals or agreements with Federal agencies. This person is identified as the person authorized to sign proposals, collaborative agreements, certifications and legal documents to Federal agencies or donors. The head of the agency will in turn have the discretion to delegate these functions to an employee of the agency; nevertheless, it is important to clarify that compliance with the assistance requirements lies primarily with the head of the agency.

### 5.1.2 Process

As indicated in the **Applicant's User Guide** maintained by **Grants.gov** registering means the employee will submit an application on behalf of the government entity, after completing the following steps:

- (1) obtain a Data Universal Numbering System (DUNS) Number;
- (2) register with the **SAM**;
- (3) create a Username and Password with **Grants.gov**; and
- (4) authorize the Authorized Organization Representative (AOR) and/or track the AOR status. Applicants, who are not registered with **Grants.gov**, should allow at least 21 days to complete these requirements. It is suggested that the process be started as soon as possible.

Failure to complete any of these one-time actions in a timely manner will result in the applicant's inability to submit an application by deadline.

**Step 1:** To obtain a DUNS number go to <http://fedgov.dnb.com/webform>. Requesting a DUNS number is not completed on **Grants.gov**. Prior to requesting a DUNS Number, the applicant should investigate if the organization already has a DUNS Number by consulting with the entity's financial officer, grant administrator, or authorizing official, or alternatively, online by using the DUNS search. An entity might have more than one DUNS number registered. If the organization does not have a DUNS Number, the applicant should request the financial officer, grant administrator, or authorizing official to register for a DUNS number. The



following information is required to request a DUNS number: name of the organization; organization address; phone number of the organization; name of the CEO/organization owner (head of agency); legal structure of the organization; year the organization started; primary line of business; total number of employees (full and part time).

**Step 2:** **SAM** is the official U.S. Government system that consolidated the capabilities of CCR/FedReg, ORCA, and EPLS. **SAM** registration is not completed on the **Grants.gov** website. It can be accessed at: [www.sam.gov](http://www.sam.gov). The system provides a government-wide registry for vendors doing business with the Federal government, which requires annual renewal. **Grants.gov** uses **SAM** to establish roles and IDs for electronic grant applicants. Once the **SAM** registration is complete, you must return to **Grants.gov** to continue registration and establish yourself as an AOR. Only an AOR is authorized to submit grant applications for the organization. To register with **SAM** follow the online instructions to create a user account and register (or update, if applicable) the entity's **SAM** account. The online registration takes about 30 minutes to complete, depending upon the size and complexity of the organization. It takes seven to ten business days before the **SAM** registration activates. It must be renewed annually.

**Step 3:** With the DUNS number and **SAM** registration complete, create a Grants.gov account and to request AOR status within the organization. AORs are members of the organization who are authorized to submit grant applications in **Grants.gov** on behalf of the organization. AORs have the authority to sign grant applications and the required certifications and/or assurances that are necessary to fulfill the requirements of the application process. For authorization as an AOR, your request is automatically send to the organization's E-Business Point of Contact (E-Biz POC), who has authority to approve an AOR request. To safeguard the security of your electronic information, **Grants.gov** requires all users to create an account in the system. The user must verify they are able to obtain a username and password. This process confirms the identity of the organization applicant. Before the applicant can create an organization username and password, the **SAM** registration must be complete and active. To create a username and password, from the "Applicant" menu, select the "STEP 3" and fill-out the requested information until confirmed as successfully registered.

**Step 4.** Prior to submitting grant application packages, applicants need to register to submit on behalf of the organization. The organization's E-Biz POC, identified during **SAM** registration, must authorize someone to become an AOR. The E-Biz POC is the single person responsible for the administration and management of grant activities in his/her organization. E-Biz POCs give representatives of their organization the privilege to submit grant applications through Grants.gov (i.e., authorizes AOR). This safeguards the organization from individuals who might attempt to submit grant application packages without permission. Only one E-Biz POC is assigned per each of an organization's DUNS Number. If the organization only has one DUNS Number, then there will be only one E-Biz POC for your organization. In some organizations, a person might serve as both an E-



Biz POC and an AOR, in which case the E-Biz POC will need to perform this step and approve him/herself as an AOR; in this scenario, the E-Biz POC must use an alternate email than the one used in correlation with the E-Biz POC. [Grants.gov](http://Grants.gov) has developed an **E-Biz POC Registration checklist** to help authorize the organization's AOR. Once an account is created with [Grants.gov](http://Grants.gov), the E-Biz POC listed on the organization's SAM registration will receive an email notification stating that the applicant have registered. The E-Biz POC will need to log into the E-Biz POC section of [Grants.gov](http://Grants.gov) and assign the Authorized Applicant role. To login as an E-Biz POC, it is required to enter the Marketing Partner Identification Number (MPIN) associated with the account, which will be validated against the **SAM** data in the database. If the MPIN cannot be validated, an error message will be displayed.

Once completed, the applicant can log in to view the AOR status and the most recently submitted applications. To log in, click on the "Login" link in the upper-right of the [Grants.gov](http://Grants.gov) Grants global banner. The login screen will appear and the applicant will need to log in with his/her username and password to continue. Once logged in, the "Applicant Center" screen will display the applicant's AOR status in the left navigation. An applicant will NOT be able to submit applications until the E-Biz POC has completed the authorization of the applicant's [Grants.gov](http://Grants.gov) profile.

### 5.1.3 Role Management

To manage roles assigned to the entity's representatives, an E-Biz POC, must log in [Grants.gov](http://Grants.gov), select the E-Biz POC tab and enter the DUNS number and password. In the "Applicant Center" a "Manage Applicant" link will be displayed, from which the E-Biz POC can search for any applicant by entering their user ID, last name, or first name in the "Search By" box. After selecting an applicant, roles can be reassigned. The E-Biz POC can also deactivate an AOR and revoke E-Biz POC roles from AORs as desired. When an E-Biz POC role is revoked, the permissions of an AOR to act as an E-Biz POC are removed.

### 5.1.4 Contractor Registration

The non-Federal entity is responsible for complying with all requirements of the Federal award. For all Federal awards, this includes the provisions of the **Transparency Act**, which requires that contractors in Federal awards complete their registration (see 2 CFR Part 25, "Financial Assistance: Use of Universal Identifier and Central Contractor Registration") and reporting required (see 2 CFR Part 170 "Reporting Subaward and Executive Compensation Information"). Entities must ensure their compliance through the incorporation of adequate contract clauses.

### 5.1.4 Business Continuity

In order to avoid interruptions to the flow and management of Federal funds due to personnel turnover, all agencies are responsible for keeping and securing the following information: **SAM**'s MPIN, E-Biz POC access information and email on file, list of AORs with active access to the Federal grant award and management systems, and any information required to ensure the continuity of access to any Federal or grantor agency.



## 5.2 Planning

### 5.2.1 Purpose

The primary role in the search for external resources is increasing and diversifying funding resources of the projects that are a priority for the government and the agency and to support government program commitments in the short and long term. The Strategic Plan and Annual Work Plan of the agency are instrumental in identifying state priorities and initiatives and requiring external resources. The entity, based on the work plan of the organization, should prepare a grants' proposal plan to respond to the priorities set by the head of the agency. This plan must be evaluated and endorsed by the appropriate areas to ensure that it meets public policy and procedures of the organization, fiscal priorities, and to ensure compatibility with the budget and available resources of the entity and the central government. OGP makes available the current Strategic Plans and Annual Work Plans of the agencies at [www2.pr.gov/agencias/ogp/Pages/Planes-Estrategicos.aspx](http://www2.pr.gov/agencias/ogp/Pages/Planes-Estrategicos.aspx).

### 5.2.2 Block Grants

Government entities should aim at developing proposals that are financing mechanisms of the Strategic Plan of the agency. Federal funds are allocated or granted to the State through block, formula or discretionary grants. Block Federal funding is available for construction or non-construction projects as well as for projects or activities for the provision of services, including outsourcing through third-party entities. The block grants usually require the drafting of a comprehensive plan to be developed by the agency as a condition for the granting of funds. These plans define the priorities, activities and how the funds allocated to Puerto Rico will be distributed. Some of these plans require citizen participation through public hearings. In addition, the documents must comply with public consultancy and review requirements. You might consult the most current State program plans in [www.grants.pr.gov](http://www.grants.pr.gov) or the grantee's website.

### 5.2.3 Discretionary Grants

Besides block grants, an alternative is to submit proposals for discretionary funds, known as competitive proposals. Due to a low rate of utilization the, **Snapshot of Federal Domestic Assistance** commissioned by the OGP, identified this pool of assistance as an untapped resource available to fund government services. Commonwealth entities should pursue competitive opportunities; nevertheless, it is important to know the benefits, impacts, commitments and cost of funds prior to submit a competitive proposal. Effects on budget, cash flow, procurement requirements, financial reporting, or compliance requirements must be reviewed and understood beforehand. The proposals must meet the guidelines published in notices of funding availability and the head of the agency must authorize its development and submission. Some sources of funds require collaboration with other agency, entity or nonprofit organizations. This collaboration should be established by agreement signed by all parties.



#### **5.2.4 Strategic Alignment**

As recommended by the Government Finance Officials Association (GFOA), government entities must assess the extent to which a grant is consistent with the government's mission, strategic priorities, and/or adopted plans as opposed to simply constituting additional funding for a department or agency of the government. Accepting a grant that is not consistent with the overall strategic direction of a government creates the risk that the government will spend its own funds to support a grant inconsistent with overall strategic direction or commit the government to own-source spending beyond the grant period. Such a requirement could be for a formal strategic analysis, including the creation of outcome measures, or simply a statement of the way in which the grant would further the organization's mission or strategies followed by a review by a central agency such as a finance or budget office, strategic planning office, or legislative staff.

#### **5.2.5 Funding Analysis**

As recommended by the GFOA, entities should prepare a multi-year cost/benefit analysis prior to application or acceptance. The analysis should include matching funds and any other direct costs associated with a grant, the extent to which overhead costs will be covered, in-kind contributions, audit and close-out costs, and potential costs that might need to be incurred by the government beyond the grant period. The analysis should also explore whether or not a grant requires that general revenues or a line of credit or grant anticipation notes be used to cover the gap between cash being expended and reimbursement is received by the government.

#### **5.2.6 Evaluation prior to renewal or grant continuation**

Similarly, as recommended by the GFOA, government entities should evaluate the impacts of the grant-funded program or asset prior to deciding whether to continue a grant at the end of the initial grant period. Creating outcome measures before receiving a grant will help the government to determine the extent to which the grant program or asset has produced desired benefits. Such an analysis should also include a review of actual costs and the potential benefits of using general revenues associated with the grant for other purposes. An early step in planning is to review the programmatic and fiscal documentation from prior agreements with the objective of identifying what worked and did not work in the past and any corresponding programmatic and fiscal adjustments that might be needed to make the new agreement successful.

#### **5.2.7 Information Sources**

The organization depends on internal and external information to perform its functions. The administration's priorities and Strategic Plans of the agencies are the instruments that guide the search for funds. The staff must possess adequate experience handling electronic communication systems, particularly knowledge and experience with those facilitated by the Federal agencies. Furthermore, the entity depends on the availability of data and internal statistics for the development of the proposals. Each proposal includes a section where data, profiles, studies and other related entity data must be provided as part of the process of requesting funds. Some of these data are available in the various internal offices, including the entity's Office of Planning or Statistics Office, service areas and other offices in charge of producing periodical reports and studies or



collecting service information. It is also important to know the trends and recent studies, both locally and nationally, related to the priorities of the agency. Most Federal agencies have library resources, which might include bibliography of studies prepared by the agency on issues related to their priorities, and could have been made available online. It is critical to have access to the most recent data since most applications require justification of the methodological approach through research or data demonstrating the effectiveness of the strategy proposed. The government entity should keep reference documents updated and maintain a directory of producers of data and the frequency of publication of information to expedite data access during the process of preparation of proposals.

### 5.3 Pre-Award

#### 5.3.1 Description

The Pre-award Phase begins once the agency has identified a new grant opportunity, continues through the Federal grant application process, and concludes with the approval of the grant application.

#### 5.3.2 Identification of Funding Sources

The following references should be consulted by government entities regarding the application process:

- (1) **Memorandum for the Heads of Executive Departments and Agencies regarding Puerto Rico Eligibility (57 Fed Reg. 57093)**, establishes that all Federal entities shall treat Puerto Rico as if it were a state for the purpose of program assistance eligibility, absent any one of the exceptions listed in the memorandum;
- (2) **Grants.Gov Applicant User Guide**, details the process of application to Federal grants;
- (3) Grant Forms and instructions listed in [www.grants.gov/web/grants/forms.html](http://www.grants.gov/web/grants/forms.html); and
- (4) **Federal Executive Order 12372**, and locally implementing PR **Executive Order No. 4763A**, which establish the intergovernmental review process that must be followed, if applicable to the specific program.

The search of funding opportunities for agencies should start in the following websites: [www.grants.pr.gov](http://www.grants.pr.gov); [www.grants.gov](http://www.grants.gov); and [www.fedconnect.net](http://www.fedconnect.net).

**Grants.gov** contains a database of grant opportunities throughout the Federal government. Its searching capability allows the **identification** of active open opportunities by "Opportunity Status", "Funding Instrument Type", "Eligibility", "Category", and "Agency", among other parameters. Please, note, under eligibility, the Commonwealth might be identified through many options (State or other). For further inquiries into eligibility, please contact the grantor agency and/or refer to the abovementioned **Memorandum for the Heads of Executive Departments and Agencies regarding Puerto Rico Eligibility (57 Fed Reg. 57093)**.



### 5.3.3 Notice of Funding Availability (NOFA)

Entities must carefully review the contents of the notices of funding availability to determine the specific laws, rules, and regulations that apply and must be included in the agreement; and which activities and costs are allowable and which are prohibited, among other restrictions. Sections 200.201 through 200.208 of the Uniform Guidance prescribe instructions and other pre-award matters to be used by the grantors in the announcement and application process. Please note, sections 200.203, "Notices of funding opportunities", 200.204, "Federal awarding agency review of merit of proposals", 200.205, "Federal awarding agency review of risk posed by applicants", and 200.207 of the Uniform Guidance, "Specific conditions", are required only for competitive awards, but might also be used by the Federal awarding agency for non-competitive awards where appropriate or where required by Federal statute.

### 5.3.4 Fixed amount awards

Section 200.201 of the Uniform Guidance incorporates "Fixed amount" awards that rely more on performance than on compliance for accountability. It requires a Notification of Criteria for Transparent Selection and Review process (based on current policy issued at **68 FR 37370**, referenced in M-03-16). Federal awarding agencies, or pass-through entities, as permitted by section 200.332, might use fixed amount awards (see section 200.45, "Fixed amount awards" whenever the project scope is specific and if adequate cost, historical, or unit pricing data is available to establish a fixed amount award with assurance that the non-Federal entity will realize no increment above actual cost. Payments are based on meeting specific requirements of the Federal award and there is no governmental review of the actual costs incurred by the non-Federal entity in performance of the award. A fixed amount award cannot be used in programs that require mandatory cost sharing or match. Additional certification and reporting requirements might be imposed. With prior written approval from the Federal awarding agency, a pass-through entity might provide subawards based on fixed amounts up to the Simplified Acquisition Threshold, provided that the subawards meet the requirements for fixed amount awards.

### 5.3.5 Notice of Funding Opportunity

As required by section 200.202 of the Uniform Guidance, grantors must notify the public of Federal programs included in the Catalog of Federal Domestic Assistance ([www.cfda.gov](http://www.cfda.gov)) and might not award Federal financial assistance without assigning it to a program that has been included in the CFDA unless there are exigent circumstances requiring otherwise, such as timing requirements imposed by statute. Furthermore, regarding competitive funding and cooperative agreements, section 200.203 requires that every grantor must announce funding opportunities by providing the following specific information prescribed by **Appendix I to Part 200**:

- (1) Program description;
- (2) Federal award information;
- (3) Eligibility Information (covering Eligible applicants, Cost sharing or Matching and Other applicable requirements);
- (4) Application and submission information (including Address to request application package, Content and form of application submission, DUNS number and SAM, Submission dates and Times,



- (5) Applicability of Intergovernmental Review (**EO 12372**), Funding Restrictions, and Other submission requirements);
- (6) Application review information (including Criteria, review and selection process and, optionally, Anticipated announcement and federal award dates);
- (7) Federal award administration information (containing Federal award notice information following selection, administrative and national policy requirements, and reporting requirements);
- (8) Federal award agency Contact information; and, optionally,
- (9) Any other information.

#### **5.3.5.1 Program Description**

As appropriate, the section might include whether it is a new program or a new or changed area of program emphasis, communicate indicators of successful projects, and include examples of projects that have been funded previously, as well as other information the Federal awarding agency deems necessary. At a minimum, the section must include citations for authorizing statutes and regulations for the funding opportunity.

#### **5.3.5.2 Federal Award Information**

The section must provide sufficient information to help an applicant make an informed decision about whether to submit a proposal. Relevant information could include: total amount of funding; anticipated number of Federal awards; expected range of individual Federal awards; amount of funding per Federal award, on average, experienced in previous years; anticipated start dates and periods of performance for new Federal awards; or whether applications for renewal or supplementation of existing projects are eligible to compete with applications for new Federal awards. Also, it must indicate the type(s) of assistance (grant, cooperative agreement, etc.) that might be awarded and, if cooperative agreements, it should either describe the “substantial involvement” that the Federal awarding agency expects to have or should reference where the potential applicant can find that information. If procurement contracts also might be awarded, this must be stated.

#### **5.3.5.3 Eligibility Information**

The section must address the considerations or factors that determine an applicant or application eligibility, in particular: the types of entities that are eligible to apply; whether there is required cost sharing (and if it is a certain percentage or amount or if it might be in the form of contributions of specified items or activities, e.g., provision of equipment, or unallowable types of costs acceptable as cost sharing), matching, or cost participation without which an application would be ineligible (if cost sharing is not required, the announcement must explicitly say so); and any other eligibility criteria that have the effect of making an application or project ineligible for Federal awards, number of applications an applicant might submit under the announcement, and any eligibility criteria for beneficiaries or for program participants other than Federal award recipients.



#### 5.3.5.4 Information Required

This section must include information regarding:

- (1) how applicants get application forms, kits or other materials needed to apply;
- (2) required contents and the forms or formats that an applicant must use to submit pre-applications, letters of intent, white papers, or the application as a whole (limitations on the number of pages, font size and typeface, margins, paper size, number of copies, and sequence or assembly requirements, if electronic submission is permitted or required, and related special requirements for formatting or signatures), component pieces of the application including those to be submitted separately by third parties, and any information that successful applicants must submit after notification of intent to make a Federal award, but prior to a Federal award, which could include evidence of compliance with requirements relating to human subjects or information needed to comply with the National Environmental Policy Act (NEPA), among other statutes;
- (3) unless expressly excepted, a directive requiring any applicant to be registered in SAM before submitting its application, provide a valid DUNS number in its application and continue to maintain an active SAM registration with current information at all times during which it has an active Federal award;
- (4) due dates and times for all submissions including preliminary ones or any other prior, partial or separate from the full application, designation of each type of submission as being encouraged or required and, if required, any deadline date (or dates), and whether, when, and in what form the applicant will receive an acknowledgement of receipt;
- (5) if compliance with the Intergovernmental Review is required (**EO 12372**);
- (6) funding restrictions and if the Federal award will not allow reimbursement of pre-Federal award costs;
- (7) any additional submission requirements, like where applications (and any pre-applications) must be submitted if sent by postal mail, electronic means, or hand-delivery;
- (8) aside from eligibility criteria, the merit and other review criteria or sub-criteria that evaluators will use to judge applications (including if cost sharing will be used for reviewing rather than for eligibility), its weight, or other means used to distinguish among them and, if statutory, regulatory in nature, or derived from any other preferences, detailed explanation of those preferences with an explicit indication of their effect (e.g., whether they result in additional points being assigned);
- (9) who would be responsible for evaluation against the merit criteria and/or who would make the final selections for Federal awards, or If there is a multi-phase review process, the number of people on an evaluation panel and how it operates, the way reviewers are selected, reviewer qualifications, and the way that conflicts of interest are avoided;



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- (10)if there is a single application deadline followed by the simultaneous review of all applications, anticipated dates for announcing or notifying successful and unsuccessful applicants and for having Federal awards in place, or estimate of the time needed to process an application and notify the applicant of the Federal awarding agency's decision;
- (11)if the letter of award is not an authorization to begin performance, if the notice of Federal award duly signed is the authorizing document, and whether it is provided through postal mail or by electronic means and to whom, and also might address the timing, form, and content of notifications to unsuccessful applicants;
- (12)administrative and national policy requirements the Federal awarding agency's Federal awards might include, if the funding opportunity will lead to Federal awards with some special terms and conditions that differ from the Federal awarding agency's usual (sometimes called "general") terms and conditions, and special requirements that could apply to particular Federal awards after the review of applications and other information;
- (13)any special reporting requirements for Federal awards under this funding opportunity that differ in type, frequency, form/format, or circumstances for use, from what the Federal awarding agency's Federal awards usually require;
- (14)point(s) of contact for answering questions or helping with problems while the funding opportunity is open; and
- (15)any additional optional information, whether this is a new program or a one-time initiative, related programs or other upcoming or ongoing Federal awarding agency funding opportunities for similar activities, information sources, or routine notices to applicants.

#### 5.3.6 Grants.Gov application

Once the notice has been searched, selected and carefully reviewed, application documents might be accessed through the "Application Package and Instructions" tab in [Grants.gov](https://www.grants.gov). By downloading the grant application package, it can be viewed offline and completed at request. It is recommended to file completed application packages for all funding opportunities at least 24-48 hours before the closing date. Using the username and password submitted when registering with [Grants.gov](https://www.grants.gov), the registered AOR can submit the application package in PDF format. Along any other documents that might be required, the following should be included in the package: cover page, which could have to include, as might be required, the opportunity title, offering agency, **CFDA** number, **CFDA** description, opportunity number, competition ID, opportunity open and close date, and agency contact information; mandatory documents; optional documents; SF-424 form family; and any other required specific documentation.

#### 5.3.7 Language

According to section 200.111 of the Uniform Guidance all Federal financial assistance announcements and Federal award information will be published the English language. Applications must also be submitted in the English language and must be in the terms of U.S. dollars. Notwithstanding, non-Federal entities might translate the Federal award and other documents into another language. In the event of inconsistency between any



terms and conditions of the Federal award and any translation into another language, the English language meaning will control.

### 5.3.8 Writing Grants

#### 5.3.8.1 Preparation of proposal

According to the CFDA grantwriting guidelines, a successful grant proposal is one that is well prepared, thoughtfully planned, and concisely packaged. The potential applicant should become familiar with all of the pertinent program criteria and, if necessary, refer to the information contact person listed for the program before developing a proposal to obtain information such as whether funding is available, when applicable deadlines occur, and the process used by the grantor agency for accepting applications. Basic requirements, application forms, information and procedures vary with the Federal agency making the grant award.

#### 5.3.8.2 Developing Ideas for the proposal

When developing an idea for a proposal it is important to determine if the idea has been considered in the applicant's locality or State. If a similar program already exists, the applicant might need to reconsider submitting the proposed project, particularly if duplication of effort is perceived. If significant differences or improvements in the proposed project's goals can be clearly established, it might be worthwhile to pursue Federal assistance.

#### 5.3.8.3 Community Support

As highlighted by the CFDA grantwriting guidelines, community support for most proposals is essential. Numerous letters of support can be persuasive to a grantor agency, including local government agencies and public officials. Letters of endorsement detailing areas of project commitment are often requested as part of a proposal to a Federal agency. Considerable time might be required to develop letters of endorsement since something of value (e.g., buildings, staff, services) is sometimes negotiated between the parties involved. A useful method of generating community support might be to hold meetings with the top decision makers in the community who would be concerned with the subject matter of the proposal. The forum for discussion might include a query into the merits of the proposal, development of a contract of support for the proposal, to generate data in support of the proposal, or development of a strategy to create proposal support from a large number of community groups. Stakeholder support might also be evidenced by the record of the public consultancy process documented in State program plans required for block grants or other planning instruments.

#### 5.3.8.4 Identification of a funding resource

As recommended by the CFDA grantwriting guidelines, both the applicant and the grantor agency should have like interests, intentions, and needs if a proposal is to be considered an acceptable candidate for funding. Suggestions, criticisms, and advice about the proposed project should be pursued, including, if possible, engaging



Federal agency personnel early on and checking with the Federal agency to determine its preference, if permissible. Questions about eligibility should be discussed with the appropriate program officer. Deadlines for submitting applications are often not negotiable; hence, applicants should plan proposal development around the established deadlines.

### 5.3.9 Proposal

#### 5.3.9.1 Getting organized to write the proposal

As recommended by the CFDA grantwriting guidelines, throughout the proposal writing stage keep a notebook handy to write down ideas. Periodically, try to connect ideas by reviewing the notebook. Never throw away written ideas during the grant writing stage. Maintain a file labeled "Ideas" or by some other convenient title and review the ideas from time to time. The file should be easily accessible. The gathering of documents such as articles of incorporation, tax exemption certificates, and bylaws should be completed, if possible, before the writing begins.

#### 5.3.9.2 Basic components of a proposal

The CFDA grantwriting guidelines lay out eight basic components to creating a solid proposal package:

- (1) the proposal summary;
- (2) introduction of organization;
- (3) the problem statement (or needs assessment);
- (4) project objectives;
- (5) project methods or design;
- (6) project evaluation;
- (7) future funding; and
- (8) the project budget.

The following sections reproduce the CFDA's overview of these components.

##### a. Proposal Summary

The proposal summary outlines the proposed project and should appear at the beginning of the proposal. It could be in the form of a cover letter or a separate page, but should be brief. The summary would be most useful if it were prepared after the proposal has been developed in order to encompass all the key summary points necessary to communicate the objectives of the project. It is this document that becomes the cornerstone of the proposal, and the initial impression it gives will be critical to the success of the entity's venture. In many cases, the summary will be the first part of the proposal package seen by agency officials and very possibly could be the only part of the package that is carefully reviewed before the decision is made to consider the project any further. The applicant must select a fundable project, which can be supported in view of the local need. Alternatives, in the absence of Federal support, should be pointed out. The influence of the project both during and after the project period should



be explained. The consequences of the project as a result of funding should be highlighted.

**b. Introduction of organization**

The applicant should gather data about its organization from all available sources. The data should be relevant to the goals of the Federal grantor agency and should establish the applicant's credibility.

**c. Problem statement (or needs assessment)**

The problem statement (or needs assessment) is a key element of a proposal that makes a clear, concise, and well-supported statement of the problem to be addressed. The best way to collect information about the problem is to conduct and document both a formal and informal needs assessment for a program in the target or service area. The information provided should be both factual and directly related to the problem addressed by the proposal. Areas to document are: the purpose for developing the proposal; who are the beneficiaries and how will they benefit; the social and economic costs to be affected; the nature of the problem (provide as much hard evidence as possible); how the applicant organization came to realize the problem exists, and what is currently being done about the problem; the remaining alternatives available when funding has been exhausted; what will happen to the project and the impending implications; and the specific manner through which problems might be solved. Review the resources needed, considering how they will be used and to what end. There is a considerable body of literature on the exact assessment techniques to be used. Types of data that might be collected include: historical, geographic, quantitative, factual, statistical, and philosophical information, as well as studies completed by colleges, and literature searches from public or university libraries. The FFMA's website, [www.grants.gov](http://www.grants.gov), provides a wealth of local and Federal agency data links to support proposals in a wide array of program sectors. Also, applicants should consult available databases and reports available at the **Institute of Statistics' website**, [www.data.pr.gov](http://www.data.pr.gov) and the **Planning Board's website**.

**d. Project objectives**

Program objectives refer to specific activities in a proposal. It is necessary to identify all objectives related to the goals to be reached, and the methods to be employed to achieve the stated objectives. The applicant should consider quantities or things measurable and refer to a problem statement and the outcome of proposed activities when developing a well-stated objective. The figures used should be verifiable. If the proposal is funded, the stated objectives will probably be used to evaluate program progress, so a realistic approach is a must.

**e. Project methods or design**

The program design refers to how the project is expected to work and solve the stated problem. Applicants should justify in the narrative the course of action taken which should be based on the most economical method that does not compromise or sacrifice project quality, including the financial expenses



associated with performance of the project; carefully consider the pressures of the proposed implementation, that is, the time and money needed to acquire each part of the plan; the remaining alternatives available when funding has been exhausted; what will happen to the project and the impending implications; highlight the innovative features of the proposal which could be considered distinct from other proposals under consideration; and whenever possible, use appendices to provide details, supplementary data, references, and information requiring in-depth analysis, to avoid detracting the body of design from its readability (time tables, work plans, schedules, activities, methodologies, legal papers, personal vitae, letters of support, and endorsements are examples of appendices).

**f. Project evaluation**

The evaluation component is twofold, involving product evaluation and process evaluation. 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. 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. Federal agencies now require some form of program evaluation among grantees. Evaluation designs might start at the beginning, middle or end of a project, but the applicant should specify a start-up time. It is practical to submit an evaluation design at the start of a project for two reasons: convincing evaluations require the collection of appropriate data before and during program operations; and, if the evaluation design cannot be prepared at the outset then a critical review of the program design might be advisable. 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 might be difficult to achieve. Evaluation requires both coordination and agreement among program decision makers (if known). Above all, the Federal grantor agency's requirements should be highlighted in the evaluation design. Also, Federal grantor agencies might require specific evaluation techniques such as designated data formats (an existing information collection system) or they might offer financial inducements for voluntary participation in a national evaluation study. The applicant should ask specifically about these points.

**g. Future funding**

The applicant should describe a plan for continuation beyond the grant period, and/or the availability of other resources necessary to implement the grant. It must address maintenance and future program funding if program is for construction activity and account for other needed expenditures if program includes purchase of equipment.

**h. Project budget**

It is safer to never anticipate that the income from the grant will be the sole support for the project. Applicants should be certain that implementation, continuation and phase-down costs could be met. Consider costs associated



with leases, evaluation systems, hard/soft match requirements, audits, development, implementation and maintenance of information and accounting systems, and other long-term financial commitments. A thought-out budget should justify all expenses and be consistent with the proposal narrative. Some areas in need of an evaluation for consistency are:

- (1) the salaries in the proposal in relation to those of the applicant organization should be similar;
- (2) if new staff persons are being hired, additional space and equipment should be considered, as necessary;
- (3) if the budget calls for an equipment purchase, it should be the type allowed by the grantor agency;
- (4) if additional space is rented, the increase in insurance should be supported;
- (5) if an indirect cost rate applies to the proposal, the division between direct and indirect costs should not be in conflict, and the aggregate budget totals should refer directly to the approved formula; and
- (6) if matching costs are required, the contributions to the matching fund should be taken out of the budget unless otherwise specified in the application instructions.

### **5.3.9.3 Review**

In reviewing their applications, applicants should:

- (1) get a neutral third party to check and criticize the proposal's draft for continuity, clarity and reasoning;
- (2) check to make sure that required signatures are included in the proposal where appropriate;
- (3) inspect the neatness of the proposal which should be typed, collated, copied, and packaged correctly according to agency instructions and packaged to ensure uniformity from cover to cover and even compliance with binding requirements; and
- (4) make sure that a cover letter accompanies the proposal and there is enough time for the proposals to reach their destinations.

## **5.3.10 Application**

### **5.3.10.1 State budget**

#### **a. Request**

Government entities must submit to the OGP reasonable estimates of anticipated receipts from Federal block, formula or continued grants, request the amount that should be appropriated to comply with any cash matching requirements, and report any modification to the levels of appropriated funds. There's no cap on competitive grants that an agency might apply to and incorporate into their annual budget. Nevertheless, government entities should refrain from soliciting and/or accepting grants if the Commonwealth would be required to absorb the cost of services or keep a level or maintenance of effort,



in the event the assistance is terminated or reduced, and such contingent cost is not authorized by OGP; or when a grant requires an entity to create additional positions, employment levels, office space, or incur any other costs beyond those provided for in the Appropriation Act. **Annex VII** details the process for requesting and appropriating cash matching funds.

**b. State Rule**

State agencies should be familiar with the following Circular Letters (CC) issued by the Treasury Department:

- 1) **CC1300-42-14 Budget Allocations.**

**5.3.10.2 Intergovernmental Review**

In addition, the agencies of the Commonwealth of Puerto Rico and the public corporations must comply, whenever required, with the provisions of Executive Order 12372, and state implementing Executive Order 1986-4763A, that direct to register the proposals with the Puerto Rico's Single Point of Contact (SPOC) office before submission. This requirement depends on program regulations. Proposal submission requirements vary based on project type (construction, etc.). Construction projects must submit the full proposal and require additional endorsements. Please see related workflow on **Annex II**.

**5.3.10.3 Submission**

In **Grants.gov**, the application package can be checked for errors by using the "Check Package for Errors" button. The "Save and Submit" button on the application package cover page will only become active after the applicant has completed all required forms, attached all required documents, saved your application package, and the package been checked as being free from errors. After Clicking the "Save and Submit" button and the completed application is ready to be sent to **Grants.gov**, the "Sign and Submit Application" command will automatically upload the application to **Grants.gov**. A confirmation screen will appear once the upload is complete and a **Grants.gov** tracking number will be provided at the bottom of the screen, as well as the submission's date and time stamp. The number might be referenced to if needed to contact assistance.

**5.3.10.4 Tracking**

Once an application has been submitted, the applicant is able to check its status. Please refer to the "Track My Application" section on **Grants.gov** for details.

**5.3.10.5 Outsourcing**

It might be unethical for certain grantwriters to accept compensation that is a percentage (commission) of the grant funds. It might also be unethical for certain grantwriters to make compensation contingent upon receipt of grant funds. Please, validate the credentials and affiliations of grantwriters before contracting and



confirm any constraints imposed by professional rule of conducts or ethics. Outsourcing should be reserved for large and/or complex grants. When contracting external outsourced grantwriters, the entity should require certification credentials similar to the Grant Professional Association Certification, AGWA (Certified Grant Writer) or comparable academic studies and/or experience in grantwriting. Under no circumstance, a government entity should confide the preparation of a grant proposal to an inexperienced or uncertified contractor.

#### **5.3.10.6 Costs**

If costs are incurred prior to the grant start date, please be aware that under section 200.458 of the Uniform Guidance, these costs are allowed as long as such cost would have been allowable if incurred after the date of the Federal award and only with written approval of the Federal awarding agencies, and pass-through agencies, if applicable.

### **5.3.11 Evaluation**

#### **5.3.11.1 Merit Risk Review**

According to section 200.204 of the Uniform Guidance, for competitive grants or cooperative agreements, unless prohibited by Federal statute, the Federal awarding agency will execute a merit review process which must had to be described or incorporated by reference in the applicable funding opportunity. Sections 200.205 through 200.207, establish the criteria for the review of the risks posed by an applicant before they receive Federal funds, which could include: financial stability; quality of the financial management systems and ability to meet applicable management standards; history of performance and review of the entity's record in managing Federal awards; reports and findings from Audits; review of debarment and suspension lists; qualification of applicants; technical expertise and experience; qualifications of staff; cost reasonableness and viability; realistic time line; performance measures and milestones; facilities and resources adequateness; if the applicant has a history of non-compliance on expected performance goals, or failed to comply with the terms and conditions of a Federal award or any additional specific award conditions that must be notified by the Federal or pass-through entity.

#### **5.3.11.2 Debarment**

As stated in section 200.205 of the Uniform Guidance, prior to making a Federal award, the awarding agency is required to review information available through any OMB-designated repositories of government-wide eligibility qualification or financial integrity information system, such as the Federal Awardee Performance and Integrity Information System (FAPIIS), Dun and Bradstreet, and "Do Not Pay", and is directed to comply with the guidelines on government-wide suspension and debarment contained in 2 CFR Part 180. This is a continuous endeavor. Government entities must monitor subgrantees and contractors to ascertain this requirement is met throughout the period of performance or the period of compliance of Federal assistance.



### **5.3.11.3 Special Conditions**

In addition to any conditions imposed under the merit risk review, the Federal agency or pass-through entity might impose any additional special conditions, which must be promptly removed once the conditions that led to their imposition have been corrected. Failure to comply with any special conditions will result in a withholding of funds, and might even result in termination of the award. The conditions might include additional requirements covering programmatic and financial reporting areas, prohibited use of Federal funds, consultant rates, changes in key personnel, and proper disposition of program income. Also, might include items such as the following:

- (1) requiring payments as reimbursements rather than advance payments;
- (2) withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
- (3) requiring additional, more detailed financial reports;
- (4) requiring additional project monitoring;
- (5) requiring the non-Federal entity to obtain technical or management assistance;  
or
- (6) establishing additional prior approvals.

### **5.3.11.4 Certifications**

Unless prohibited by Federal statutes or regulations, each Federal awarding agency or pass-through entity is authorized to demand the non-Federal entity to submit any certifications and representations required by Federal statutes, or regulations on an annual basis. Submission might be required more frequently if the non-Federal entity fails to meet a requirement of a Federal award.

## **5.4 Award**

### **5.4.1 Description**

The Award Phase encompasses the awarding event.

### **5.4.2 Notification contents**

As instructed under section 200.210 of the Uniform Guidance, a Federal award notification must include the following information:

- (1) general Federal Award Information;
- (2) general terms and conditions;
- (3) Federal awarding agency and program;
- (4) specific terms and conditions;
- (5) performance goals, and
- (6) any other information required by the Federal awarding agency.



The general award information should include the recipient's name (which must match registered name registered in DUNS); recipient's DUNS number; the Unique Federal Award Identification Number (FAIN), that will also be used in the account creation process (see **Annex IV**); award date; period of performance with start and end date; amount of Federal funds obligated by the action; total amount of Federal funds obligated; total amount of the Federal award; budget approved by the Federal awarding agency; total approved cost sharing or matching, where applicable; Federal award project description (to comply with statutory requirements (e.g., FFATA)); name of the Federal awarding agency and contact information for awarding official; CFDA number and name; identification of whether the award is R&D; and indirect cost rate for the Federal award.

The "Terms and Conditions" should include or make reference to administrative requirements implemented by the Federal awarding agency and national policy requirements, be it enacted by way of statute, Executive Order, other Presidential directive, or regulatory requirements that apply by specific reference and are not program-specific. Regarding performance goals, the Federal awarding agency must include in the Federal award an indication of the timing and scope of the expected performance by the non-Federal entity as it relates to the outcomes intended to be achieved by the program. In some instances (e.g., discretionary research awards), this might be limited to the requirement to submit technical performance reports (to be evaluated in accordance with Federal awarding agency policy). Where appropriate, the Federal award might include specific performance goals, indicators, milestones, or expected outcomes (such as outputs, or services performed or public impacts of any of these) with an expected timeline for accomplishment. Reporting requirements must be clearly articulated such that, where appropriate, performance during the execution of the Federal award has a standard against which non-Federal entity performance can be measured. The Federal awarding agency might include program-specific requirements, as applicable, which should be aligned with agency strategic goals, strategic objectives or performance goals that are relevant to the program.

The grant number means:

Application Type Code	Activity/Program Code	Organization Code	Unique Serial Number	Grant Year of Support
X	H80	CS	XXXXX-XX	-XX

## 5.5 Post-award

### 5.5.1 Description

The Post-award Phase encompasses the events after the award notice and up to grant closeout.

### 5.5.2 Financial management

Once awarded, pass-through entities and grantees must observe that section 200.302 of the Uniform Guidance requires each state to expend and account for the Federal award in



accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

As specified by section 200.302 of the Uniform Guidance, the financial management system non-Federal entities must provide for the following:

- (1) identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received, including the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any;
- (2) accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with financial and performance reporting requirements;
- (3) records that identify adequately the source and application of funds for Federally-funded activities, containing information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and that are supported by source documentation;
- (4) effective control over, and accountability for, all funds, property, and other assets, ensuring that they are used solely for authorized purposes;
- (5) comparison of expenditures with budget amounts for each Federal award;
- (6) written procedures to implement the requirements of section 200.305, "Payment"; and
- (7) written procedures for determining the allowability of costs in accordance with cost principles, and the terms and conditions of the Federal award.

#### 5.5.2.1 State rule

Financial officers of the agencies should be familiar with the provisions governing the Commonwealth's accounting procedures contained in **3 LPRA 282 through 283i**.

#### 5.5.2.2. CMIA

Section 200.305 of the Uniform Guidance establishes the requirements related to "Payments" under awards. It states that for states, payments are governed by the **Treasury-State Cash Management Improvement Act** agreements and default procedures codified at **31 CFR Part 205, "Rules and Procedures for Efficient Federal-State Funds Transfers"** (Part A for the rules governing the largest Federal programs and Part B for all other programs). The CMIA can be researched at [www.fms.treas.gov](http://www.fms.treas.gov).

Pass-through agencies to non-governmental entities must take into account that for non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks,



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warrants, or payment by other means. Under CMIA, there are two major categories of payment systems:

- (1) entities might be funded on a reimbursement basis, by which program costs must be paid for by the entity before requesting reimbursement from the Federal Government, and
- (2) entities might be funded on an advance basis and recipients must establish procedures to minimize the time elapsing between the transfer of funds from the United States Treasury and disbursement.

Sub-recipients and pass-through entities should implement similar procedures. Depending on funding technique and the terms of a Treasury-State Agreement (TSA) that must be accorded between the Federal and State governments, interest liabilities might be incurred, and interest calculations might be required, by "Part (Type) A" programs.

Federal programs that are not included in the TSA are subject to "Part (Type) B" of the CMIA regulations, which advise that the timing and amount of Federal cash advances should be as close as administratively feasible to actual cash outlay by the State. Interest liabilities are not incurred, and interest calculations are not required by "Type B" programs. It is important to notice that the Federal awarding agency and pass-through entity must not require separate depository accounts for funds provided to a non-Federal entity or establishes any eligibility requirements for depositories for funds provided to the non-Federal entity. However, the non-Federal entity must be able to account for the receipt, obligation and expenditure of funds.

**a. State Rule**

The Commonwealth's Treasury Department is responsible for ensuring compliance with the **Cash Management Improvement Act of 1990**. Treasury maintains a technical understanding of intergovernmental cash management issues and requirements. The provisions under 3 LPRA 282, further authorize the Secretary of the Treasury Department to advance and place at the disposal of the departments and dependencies of the Commonwealth of Puerto Rico, from any available funds in the Commonwealth's Treasury not otherwise appropriated, the necessary sums of money to facilitate the carrying out of the programs which are financed with federal contributions. The departments and dependencies of the Commonwealth shall furnish to the Secretary of the Treasury Department with each request for funds the necessary evidence showing that the advances to be requested under this section are secured by existing federal appropriations so that the corresponding reimbursements shall be deposited, as soon as possible, in the Commonwealth's Treasury. Financial officers of the agencies should be familiar with the provisions of the circular letters issued by the Treasury Department, especially those related to the following processes:

- (1) [CC 1300-03-08](#) - CMIA Provisions
- (2) [CC 1300-06-04](#) - Controls in PRIFAS for CMIA Type B



## **b. Treasury-State Agreement**

All advance payments made in accordance with the provisions of this section shall be reimbursed to the General Fund of the Treasury of Puerto Rico as soon as the corresponding federal funds are received. For such purposes the departments and dependencies shall, without delay, file the necessary documents required by the federal government

The TSA will contain indications concerning:

- (1) programs "covered" since defined as "major programs" exceeding the threshold amount set to be a certain percentage of the total assistance received by the State ("Type A") programs);
- (2) programs that although exceeding the threshold amount are excluded from being treated as a major program;
- (3) programs that although not meeting the threshold amount are included as major programs;
- (4) funding techniques;
- (5) clearance patterns; and
- (6) other CMIA requirements.

### **i. Funding Techniques**

CMIA regulations prescribe five primary Federal funding techniques for the drawdown of Federal funds, as follows:

- (1) zero balance accounting by which a Federal agency transfers the actual amount of Federal funds to a State that are paid out by the State each day;
- (2) projected clearance, by which a Federal Program Agency transfers to a State the projected amount of funds that the State pays out each day, as determined by applying a clearance pattern to the total amount the State will disburse;
- (3) average clearance means that a Federal Program Agency, on the dollar-weighted average day of clearance of a disbursement, transfers to a State a lump sum equal to the actual amount of funds that the State is paying out, dollar-weighted average day of clearance being the day when, on a cumulative basis, 50 percent of the funds have been paid out;
- (4) cash advance (pre-issuance or post-issuance) funding, transferring the actual amount of Federal funds to a State that will be paid out by the State not more than three business days prior to the day the State issues checks or initiates electronic payments, so the state can draw down and deposit Federal funds prior to the time that the related state expenditures clear the bank;
- (5) reimbursable funding, by which a Federal Program agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes, and where costs are to be billed to the Federal grantor agency as often as feasible, at least monthly, unless otherwise prohibited by the grantor, or on an alternative drawdown procedures permitting billings more frequently than monthly. The specific funding techniques that must be applied to covered CMIA programs are indicated in the Commonwealth's TSA.



## ii. Interest Liability Calculation

As required by CMIA, grantee agencies and institutions that receive Federal funds and subsequently transfer or “pass through” Federal funds to other agencies or institutions, or other sub-grantees, shall minimize the time between the receipt of the Federal monies and their transfer to the receiving agencies or institutions, or other sub-grantees. Guidelines for payments to subrecipients should conform to standards for payments made by Federal agencies to primary grantees. The timing of either advances or reimbursements to subrecipients should be as close as is administratively feasible to the actual disbursements by the recipient. The Treasury Department determines the amount of interest that might be owed by the government entities to the Federal government under the CMIA requirements and provides for the payment of this liability.

## iii. State Rule

As mentioned, CMIA rules and procedures are documented in the TSA, agreed to on an annual basis between the State and Federal governments. The Commonwealth's most current TSA can be downloaded from <http://ofm.wa.gov/tsa/default.asp>. The Commonwealth's CMIA processes for adopting the TSA, identifying the Federal assistance programs governed by the agreement and computing the interest liabilities involved are described in detail in **Annex III**.

### 5.5.2.3. Program Income

Program income is gross income received that is directly generated by the federally funded project during the grant period. As directed under section 200.307 of the Uniform Guidance:

- (1) non-Federal entities are encouraged to earn income to defray program costs where appropriate;
- (2) if authorized by Federal regulations or the Federal award, costs incidental to the generation of program income might be deducted from gross income to determine program income, provided these costs have not been charged to the Federal award;
- (3) taxes, special assessments, levies, fines, and other such revenues raised by a non-Federal entity are not program income unless the revenues are specifically identified in the Federal award or Federal awarding agency regulations as program income;
- (4) proceeds from the sale of real property or equipment are not program income;
- (5) if the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, ordinarily, program income must be deducted from total allowable costs to determine the net allowable costs, must be used for current costs unless the Federal awarding agency authorizes otherwise and, if not anticipated by the non-Federal entity must be used to reduce the Federal award



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- and non-Federal entity contributions rather than to increase the funds committed to the project;
- (6) with prior approval of the Federal awarding agency, program income might be added to the Federal award by the Federal agency and the non-Federal entity provided it is used for the purposes and under the conditions of the Federal award;
  - (7) with prior approval of the Federal awarding agency, program income might be used to meet the cost sharing or matching requirement of the Federal award while the amount of the Federal award remains the same;
  - (8) there are no Federal requirements governing the disposition of income earned after the end of the period of performance for the Federal award, unless the Federal awarding agency regulations or the terms and conditions of the Federal award provide otherwise and if so, the Federal awarding agency might negotiate agreements with recipients regarding appropriate uses of income earned after the period of performance as part of the grant closeout process; and
  - (9) unless the Federal statute, regulations, or terms and conditions for the Federal award provide otherwise, the non-Federal entity has no obligation to the Federal awarding agency with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made by nonprofit organizations and small business firms under government awards, contracts and cooperative agreements, as applicable under 37 CFR 401.

**5.5.2.4 Cost Sharing**

The specific requirements for matching, level of effort, and earmarking are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements of the program. Generally, matching contributions must be from a non-Federal source and should not involve Federal funding or be used for another federally assisted program. For matching contributions, section 200.306 of the Uniform Guidance provides detailed criteria to be met:

- (1) are verifiable from the non-Federal entity's records;
- (2) are not included as contributions for any other Federal award;
- (3) are necessary and reasonable for accomplishment of project or program objectives;
- (4) are allowable under Cost Principles;
- (5) are not paid by the Federal government under another Federal award, unless excepted;
- (6) are provided for in the approved budget when required by the Federal awarding agency; and
- (7) conform to other provisions, as might be required.

Also, according to section 200.306 of the Uniform Guidance, shared costs or matching funds and all contributions, besides cash, might be in the following forms:

- (1) unrecovered indirect costs, with the prior approval of the Federal awarding agency, meaning the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award



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- under the non-Federal entity's approved negotiated indirect cost rate; values for non-Federal entity contributions of services and property established in accordance with the cost principles;
- (2) unless excepted, the lesser of the value of the remaining life of the property recorded in the non-Federal entity's accounting records at the time of donation or the current fair market value if a donation of buildings or land for construction/facilities acquisition projects or long-term use is authorized;
  - (3) volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor, if the service is an integral and necessary part of an approved project or program, rates (including paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable) that are consistent with those paid for similar work by the non-Federal entity, and if not found in the non-Federal entity, consistent with those paid for similar work in the labor market in which the non-Federal entity competes for the kind of services involved;
  - (4) services of an employee furnished by a third-party organization and valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect costs, provided these services employ the same skill(s) for which the employee is normally paid;
  - (5) donated property from third parties such as equipment, office supplies, laboratory supplies, or workshop and classroom supplies valued at not to exceed the fair market value of the property at the time of the donation and determined in accordance with the usual accounting policies of the non-Federal entity, as specified;
  - (6) buildings and land for which title passes to the non-Federal entity valued as applicable; and/or
  - (7) third-party in-kind contributions, valued at the fair market value of goods and services documented and to the extent feasible supported by the same methods used internally by the non-Federal entity.

**a. State Rule**

The process of budgeting of cash-contributions for cost sharing is contained in [Annex VII](#). If an agency has a matching requirement for a Federal fund, it must include such request in the State budget development process. Matching funds are valid through the Federal fiscal year or grant performance period. Fund allocations from Fund 111 are limited to the expenses of one fiscal year and will be used exclusively for the payment of expenses legitimately incurred during the respective year, but special allocations from Fund 111 are valid for up to 3 years. Financial officers of the agencies should be familiar with the circular letters issued by the Treasury Department and OGP, especially those related to the following process:

- (1) [CC 1300-11-06](#) - Control and Accounting of Grants in PRIFAS
- (2) [CC 1300-42-14](#) - Budget Allocations
- (3) [CC 93-11](#) - Budget Management



### 5.5.2.5 Award budget

#### a. Revisions:

##### i. Non-Construction

As provided for by section 200.308 of the Uniform Guidance, the approved award budget summarizes the financial aspects of the project or program and must be related to performance for program evaluation purposes, whenever appropriate. Thus, recipients are required to report deviations from budget or project scope or objective, and request prior approvals from Federal awarding agencies for budget and program plan revisions whenever one or more of the following program or budget-related reasons arise:

- (1) change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval);
- (2) change in a key person specified in the application or the Federal award;
- (3) disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator;
- (4) inclusion, unless waived by the Federal awarding agency, of costs that require prior approval;
- (5) the transfer of funds budgeted for participant support costs to other categories of expense;
- (6) subawarding, transferring or contracting out of any work not related to the acquisition of supplies, material, equipment or general support services, and if not previously approved;
- (7) changes in the approved cost-sharing or matching provided by the non-Federal entity, or
- (8) if the need arises for additional Federal funds to complete the project.

Such approvals might be waived in the following cases:

- (1) to incur project costs 90 calendar days before the Federal awarding agency makes the Federal award;
- (2) provided the terms and conditions of the Federal award does not prohibit an extension to the period of performance, the extension does not require additional Federal funds or involve any change in the approved objectives or scope of the project, to initiate a one-time extension of the period of performance, not merely for the purpose of using unobligated balances, by up to 12 months after written notice to the Federal awarding agency with the supporting reasons and revised period of performance at least 10 calendar days before the end of the period of performance specified in the Federal award; and
- (3) carry forward unobligated balances to subsequent periods of performance. All other changes to non-construction budgets, except for the changes described in paragraph (c) of this section, do not require prior approval.

#### (1) Transferring



The Federal awarding agency might restrict the transfer of funds among direct cost categories or programs, functions and activities for Federal awards. The Federal awarding agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation. When a Federal awarding agency makes a Federal award that provides support for both construction and non-construction work, the Federal awarding agency might require the recipient to obtain prior approval from the Federal awarding agency before making any fund or budget transfers between the two types of work supported.

**ii. Construction**

As provided for by section 200.308 of the Uniform Guidance, for budget revisions to construction Federal awards, the recipient must request prior written approval promptly from the Federal awarding agency whenever:

- (1) the revision results from changes in the scope or the objective of the project or program;
- (2) the need arises for additional Federal funds to complete the project;
- (3) a revision is desired which involves specific costs for which prior written approval requirements might be imposed consistent with applicable OMB cost principles; and
- (4) a deviation has been approved by OMB.

**iii. Format**

When requesting approval for budget revisions, government entities must use the same format for budget information that was used in the application, unless the Federal awarding agency indicates a letter of request suffices. No later than 30 calendar days from the date of receipt of the request for budget revisions, the Federal awarding agency must review the request and notify the recipient whether the budget revisions have been approved.

**5.5.2.6 Accounting**

**a. Account creation**

**i. State rule**

To comply with Federal regulations, most central government entities use the "Puerto Rico Integrated Financial Accounting System" (PRIFAS). All central government agencies, included those authorized to maintain accounting systems other than PRIFAS, must be familiar with the circular letters issued by the Treasury Department, especially those related to the Federal award Account Creation Process contained in **Annex IV**, which makes reference, among others, to Treasury's Circular Letter **CC-1300-11-06**. This document assists State Agencies in creating the Federal accounts in the PRIFAS system and/or their authorized accounting systems. Additionally,



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sections 1.2 and 1.2.2 of **OGP's Circular Letter CC-93-11** provides additional guidance on account creation procedures and delegated actions to State Agencies. Specifically, central government agencies should be familiar with the following Circular Letters (CC) issued by the Treasury Department:

- (1) CC 1300-02-08 - Control and Accounting of Indirect Costs
- (2) CC 1300-04-07 - Payroll Corrections
- (3) CC 1300-04-09 - Agencies on PRIFAS 8.4\_8.9
- (4) CC 1300-08-01 - Control and Accounting of Indirect Costs in PRIFAS
- (5) CC 1300-09-12 - Restriction on Direct Payments in PRIFAS
- (6) CC 1300-10-12 - Electronic Payments to Vendors
- (7) CC 1300-11-06 - Control and Accounting of Grants in PRIFAS
- (8) CC 1300-11-13 - ANEJO 19 (Form SC749)
- (9) CC 1300-11-13 - ANEJO 20 (Form SC751)
- (10) CC 1300-11-13 - ANEJO 21 (Form SC751.2)
- (11) CC 1300-11-13 - ANEJO 4 (Form SC714A)
- (12) CC 1300-42-14 - Budget Allocations

**b. Obligations**

An obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for (see 34 CFR 76.707), as follows:

<b>IF AN OBLIGATION IS FOR</b>	<b>THE OBLIGATION IS MADE</b>
Acquisition of real or personal property	On the date on which the State or subgrantee makes a binding written commitment to acquire the property
Personal services by an employee of the State or subgrantee	When the services are performed
Personal services by a contractor who is not an employee of the State or subgrantee	On the date on which the State or subgrantee makes a binding written commitment to obtain the services
Performance of work other than personal services	On the date on which the State or subgrantee makes a binding written commitment to obtain the work
Public utility services	When the State or subgrantee receives the services
Travel	When the travel is taken
Rental of real or personal property	When the State or subgrantee uses the property
A pre-agreement cost that was properly approved by the State	On the first day of the subgrant period



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under the applicable cost principles

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**c. Disbursements and Reimbursements**

**i. Certifications**

As required under section 200.415 of the Uniform Guidance, to ensure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, the vouchers requesting payment under the agreements must include a certification, signed by an official who is authorized to legally bind the non-Federal entity, which reads as follows:

*“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, might subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).”*

**ii. State Rule**

The Governmental Development Bank (GDB) is the bank, fiscal agent and financial advisor for the Commonwealth of Puerto Rico, and its instrumentalities. GDB is responsible of processing deposits and disbursements of most of the State Agencies. Under a Federal reimbursement program, the Commonwealth is required to advance local funds for program costs, and be reimbursed with Federal funds at a later date. If the Federal program is funded on a reimbursement basis, costs are to be billed to the Federal grantor agency as often as feasible, at least monthly, unless otherwise prohibited by the grantor.

Government entities dependent of the General Fund are responsible for working with the Treasury Department to ensure that Federal funds are received in a timely fashion and in compliance with all Federal and state regulations. Government entities must inform the Secretary of Treasury of impending changes in processes or in codes that might affect future requests for Federal funds. GDB processes are further described in **Annex VI**, including those for disbursement and reimbursement of Federal "Type A" and "Type B" programs remittance, reconciliation and related accounting processes, including the following:

- (1) Remittances through the SAIR system
- (2) Remittances through the manual process
- (3) Cash Flow Analysis and Reconciliation process (reconciles the total amount of Federal grant transfers received by the Commonwealth)



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- (4) Accounting for Federal grants disbursements and reimbursement to subgrantees when subrecipient has its accounting in Treasury for Type A funds.
- (5) Accounting for Federal grants disbursements and reimbursement to subgrantees when subrecipient has its accounting in Treasury for Type B funds.
- (6) Accounting for Federal grants disbursements and reimbursement to subgrantees when subrecipient does not has its accounting in Treasury.
- (7) Reimbursement and accounting process for indirect costs for grants registered in Fund 272
- (8) Reimbursement and accounting process for indirect costs for grants registered in Fund 222"

State agencies should also be familiar with the following Circular Letters (CC) issued by the PRTD:

- (1) [CC 1300-03-08](#) - CMIA Provisions
- (2) [CC 1300-06-04](#) - Controls in PRIFAS for CMIA Type B
- (3) [CC 1300-09-12](#) - Restriction on Direct Payments in PRIFAS
- (4) [CC 1300-10-12](#) - Electronic Payments to Vendors
- (5) [CC 1300-11-06](#) - Control and Accounting of Grants in PRIFAS

### 5.5.3 Program Management

#### 5.5.3.1 Bonding and insurance

As required under section 200.304 of the Uniform Guidance, the Federal awarding agency might include a provision requiring adequate fidelity bond coverage where the non-Federal entity lacks sufficient coverage to protect the Federal government's interest, to be obtained from companies holding certificates of authority as acceptable sureties, as per in 31 CFR Part 223.

#### 5.5.3.2 Period of performance

As prescribed under section 200.309 of the Uniform Guidance, a non-Federal entity might charge to the Federal award only allowable costs incurred during the period of performance (except as described in section 200.461, "Publication and printing costs") and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity. Federal awards might specify a time period during which the non-Federal entity might use the Federal funds. Also, only if authorized by the Federal program, unobligated balances might be carried over and charged for obligations of a subsequent funding period. Non-Federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency might extend this deadline upon request (see section 200.343(b)).



### 5.5.3.3 Property standards

#### a. Insurance Coverage

As required under section 200.310 of the Uniform Guidance, the non-Federal entity must, at a minimum, provide the equivalent insurance coverage for real property and equipment acquired or improved with Federal funds as provided to property owned by the non-Federal entity. Federally-owned property need not be insured unless required by the terms and conditions of the Federal award.

#### b. Real Property

As specified by section 200.311 of the Uniform Guidance, title to real property acquired or improved under a Federal award will vest upon acquisition in the non-Federal entity. Except as otherwise provided by Federal statutes or by the Federal awarding agency, real property will be used for the originally authorized purpose as long as needed for that purpose, during which time the non-Federal entity must not dispose of or encumber its title or other interests. When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from the Federal awarding agency or pass-through entity. The instructions must provide for one of the following alternatives:

- (1) retain title after compensating the Federal awarding agency;
- (2) sell the property and compensate the Federal awarding agency; or
- (3) transfer title to the Federal awarding agency or to a third party designated/approved by the Federal awarding agency.

#### i. URA

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended, provides for uniform and equitable treatment of persons displaced by Federally-assisted programs from their homes, businesses, or farms. Property acquired must be appraised by qualified independent appraisers. All appraisals must be examined by a review appraiser to ensure acceptability. After acceptance, the review appraiser certifies the recommended or approved value of the property for establishment of the offer of just compensation to the owner. Federal requirements govern the determination of payments for replacement housing assistance, rental assistance, and down payment assistance for individuals displaced by Federally funded projects. The regulations also cover the payment of moving-related expenses and reestablishment expenses incurred by displaced businesses and farm operations.

#### c. Federal Real Property

As established under section 200.312 of the Uniform Guidance, title to Federally-owned property remains vested in the Federal government. The non-Federal entity must submit annually an inventory listing of Federally-owned property in its custody to the Federal awarding agency. Upon completion of the Federal award or when the property is no longer needed, the non-Federal entity must report the property to the Federal awarding agency for further Federal agency utilization unless it declares the property excess and report it for



disposal in which case the Federal awarding agency must issue appropriate instructions to the non-Federal entity.

**d. Equipment**

Section 200.313 of the Uniform Guidance, establishes that title to equipment acquired under a Federal award will vest upon acquisition in the non-Federal entity. It further establishes that a state must use, manage and dispose of equipment acquired under a Federal award in accordance with state laws and procedures. The non-Federal entity must use the equipment for the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award, and the non-Federal entity must not encumber the property without prior approval of the Federal awarding agency.

When no longer needed for the original program or project, the equipment might be used in other activities supported by the Federal awarding agency, following the established priority order. During the time that equipment is used on the project or program for which it was acquired, the non-Federal entity must also make the equipment available for use on other projects or programs currently or previously supported by the Federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. Use for non-Federally funded programs or projects is also permissible, in which case user fees should be considered if appropriate.

Non-state subgrantees must be bound by the laws and procedures applicable to state pass-through entities. If excepted, subgrantees must maintain procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place. As a minimum, the procedures must meet the prescribed requirements for property recording, inventory, prevention of loss, damage or theft, upkeep and maintenance, sale and disposition.

The disposition of the equipment must be made in accordance with the Federal awarding agency disposition instructions. See also, section 200.439 of the Uniform Guidance, "Equipment and other capital expenditures".

**e. Supplies**

As established under section 200.314 of the Uniform Guidance, title to supplies will vest in the non-Federal entity upon acquisition. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, the non-Federal entity must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal government for its share. As long as the Federal government retains an interest in the supplies, the non-Federal entity must not use supplies acquired under a Federal award to provide services to other organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute. See also, section



200.453 of the Uniform Guidance, "Materials and supplies costs", including costs of computing devices.

**f. Intangible Property**

Title to intangible property acquired under a Federal award vests upon acquisition in the non-Federal entity. The non-Federal entity must use that property for the originally authorized purpose, and must not encumber the property without approval of the Federal awarding agency. When no longer needed for the originally authorized purpose, disposition of the intangible property must occur in accordance with the provisions applicable to equipment. The non-Federal entity might copyright any work developed, or for which ownership was acquired, under a Federal award. The non-Federal entity is subject to applicable regulations governing patents and inventions. The Federal government has the right to:

- (1) obtain, reproduce, publish, or otherwise use the data produced under a Federal award; and
- (2) authorize others to receive, reproduce, publish, or otherwise use such data for Federal purposes. See also, section 200.59 of the Uniform Guidance, "Intangible property".

**g. Trust Relationship**

Real property, equipment, and intangible property that are acquired or improved with a Federal award must be held in trust by the non-Federal entity as trustee for the beneficiaries of the project or program under which the property was acquired or improved. The Federal awarding agency might require the non-Federal entity to record liens or other appropriate notices of record to indicate that personal or real property has been acquired or improved with a Federal award and that use and disposition conditions apply to the property.

**h. State Entities**

When procuring property and services under a Federal award, a state entity must follow the same policies and procedures it uses for procurements from its non-Federal funds. The state entity will comply with section 200.322 of the uniform Guidance, "Procurement of recovered materials", and ensure that every purchase order or other contract includes any clauses required by section 200.326 of the Uniform Guidance, "Contract provisions".

**i. Subrecipients of state entities**

All other non-Federal entities, including subrecipients of a state:

- (1) must use its own documented procurement procedures which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards;
- (2) must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders;



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- (3) must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts;
- (4) might set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value which provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity;
- (5) use procedures that must avoid acquisition of unnecessary or duplicative items and that give consideration to consolidating or breaking out procurements to obtain a more economical purchase, and where appropriate, provide for an analysis to be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach;
- (6) are encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services;
- (7) are encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs;
- (8) are encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions;
- (9) must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement, considering contractor integrity, compliance with public policy, record of past performance, and financial and technical resources;
- (10) must maintain records sufficient to detail the history of procurement, including but not limited to the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price;
- (11) might use time and material type contracts only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk; and
- (12) must be responsible for the settlement of all contractual and administrative issues arising out of procurements, including but not limited to, source evaluation, protests, disputes, and claims.

These standards do not relieve the non-Federal entity of any contractual responsibilities under its contracts. Violations of law must be referred to the local, state, or Federal authority having proper jurisdiction.

**j. Competition**

Section 200.319 of the Uniform Guidance, "Competition", establishes that all procurement transactions must be conducted in a manner providing full and open competition. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such



procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

- (1) placing unreasonable requirements on firms in order for them to qualify to do business;
- (2) requiring unnecessary experience and excessive bonding;
- (3) noncompetitive pricing practices between firms or between affiliated companies;
- (4) noncompetitive contracts to consultants that are on retainer contracts;
- (5) organizational conflicts of interest;
- (6) specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and
- (7) any arbitrary action in the procurement process.

The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering (A/E) services, geographic location might be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured that must not, in competitive procurements, contain features, which unduly restrict competition. The description might include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent” description might be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand, which must be met by offers, must be clearly stated.

These procedures must also ensure that all solicitations identify all requirements, which the offerors must fulfill and all other factors to be used in evaluating bids or proposals. The non-Federal entity must ensure that all prequalified lists of persons, firms, or products, which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the non-Federal entity must not preclude potential bidders from qualifying during the solicitation period.



**k. Methods of procurement to be followed**

Section 200.320 of the Uniform Guidance, "Methods of procurement to be followed", directs that non-Federal entity must use one of the following methods of procurement:

- (1) procurement by micro-purchases which is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3,000;
- (2) procurement by small purchase procedures which are relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold;
- (3) procurement by sealed bids (formal advertising), which is the preferred method for procuring construction;
- (4) procurement by competitive proposals, normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded, generally used when conditions are not appropriate for the use of sealed bids; and
- (5) procurement by noncompetitive proposals through solicitation of a proposal from only one source which might be used only when the item is available only from a single source, the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation, it is expressly authorized in response to a written request from the non-Federal entity, or after solicitation of a number of sources, competition is determined inadequate.

**l. Contracting WBE/MBE and labor surplus**

Section 200.321 of the Uniform Guidance, establishes that non-Federal entities must take all necessary affirmative steps to ensure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible. Affirmative steps must include:

- (1) placing qualified small and minority businesses and women's business enterprises on solicitation lists;
- (2) ensuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
- (3) dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
- (4) establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises; and
- (5) using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps previously listed.

**m. Recovered materials**



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Section 200.322 of the Uniform Guidance requires that a non-Federal entity that is a state agency or agency of a political subdivision of a state and its contractors must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include:

- (1) procuring only items designated in guidelines of the Environmental Protection Agency (EPA) codified in **40 CFR 247** that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired by the preceding fiscal year exceeded \$10,000;
- (2) procuring solid waste management services in a manner that maximizes energy and resource recovery; and
- (3) establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

**n. Contract Cost and Price**

Section 200.323 of the Uniform Guidance, "Contract cost and price", requires that a non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. As a starting point, the non-Federal entity must:

- (1) make independent estimates before receiving bids or proposals;
- (2) negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed;
- (3) give consideration to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work;
- (4) allow costs or prices based on estimated costs for contracts under the Federal award only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the non-Federal entity under the Uniform Guidance "Cost Principles"; and
- (5) not use cost plus a percentage of cost and percentage of construction cost methods of contracting.

**o. Pass-through entity review**

Section 200.324 of the Uniform Guidance requires that a non-Federal entity must make available, upon request of the Federal awarding agency or pass-through entity, technical specifications on proposed procurements where the Federal awarding agency or pass-through entity believes such review is needed to ensure that the item or service specified is the one being proposed for acquisition. This review generally will take place prior to the time the specification is incorporated into a solicitation document. However, if the non-Federal entity desires to have the review accomplished after a solicitation has



been developed, the Federal awarding agency or pass-through entity might still review the specifications, with such review usually limited to the technical aspects of the proposed purchase.

Unless exempted from the pre-procurement review after the Federal awarding agency or pass-through entity determines that its procurement systems comply with the applicable procurement standards, the non-Federal entity must make available upon request, for the Federal awarding agency or pass-through entity pre-procurement review procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when:

- (1) its procurement procedures or operation fails to comply with the procurement standards;
- (2) procurement is expected to exceed the Simplified Acquisition Threshold and is to be awarded without competition or only one bid or offer is received in response to a solicitation, or specifies a “brand name” product;
- (3) proposed contract is more than the Simplified Acquisition Threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or
- (4) a proposed contract modification changes the scope of a contract or increases the contract amount by more than the Simplified Acquisition Threshold.

The non-Federal entity might self-certify its procurement system. Such self-certification must not limit the Federal awarding agency's right to survey the system. Under a self-certification procedure, the Federal awarding agency might rely on written assurances from the non-Federal entity that it is complying with these standards. The non-Federal entity must cite specific policies, procedures, regulations, or standards as being in compliance with these requirements and have its system available for review.

**p. Bonding Requirements**

Section 200.325 of the Uniform Guidance directs that for construction or facility improvement contracts or subcontracts exceeding the Simplified Acquisition Threshold, the Federal awarding agency or pass-through entity might accept the bonding policy and requirements of the non-Federal entity provided that the Federal awarding agency or pass-through entity has made a determination that the Federal interest is adequately protected. If such a determination has not been made, the minimum requirements must be as follows:

- (1) bid guarantee from each bidder equivalent to 5 percent of the bid price and must consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as might be required within the time specified;
- (2) a performance bond executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract on the part of the contractor for 100 percent of the contract price; and



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- (3) a payment bond executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract on the part of the contractor for 100 percent of the contract price.

**q. Contract Provisions**

The non-Federal entity's contracts must contain the following provisions (see Appendix II to the Uniform Guidance, "Contract Provisions for non-Federal Entity Contracts Under Federal Awards"), as applicable:

- (1) contracts in excess of the simplified acquisition threshold must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate;
- (2) all contracts in excess of \$10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be effected and the basis for settlement;
- (3) except as otherwise provided under 41 CFR 60, all contracts that meet the definition of "Federally assisted construction contract" in 41 CFR 60-1.3 must include the Equal Employment Opportunity clause provided under 41 CFR 60-1.4(b);
- (4) when required by Federal program legislation, all prime construction contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works, awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by the Department of Labor regulations (29 CFR 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction");
- (5) in accordance with the statute, decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination whereby contractors are required to pay wages to workers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor, and pay wages not less than once a week;
- (6) provision for compliance with the Copeland "Anti-Kickback" Act (40 U.S.C. 3145), as supplemented by Department of Labor regulations (29 CFR 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States"), which provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled;
- (7) all contracts awarded by the non-Federal entity in excess of \$100,000 that involve the employment of mechanics or laborers must include a provision for compliance with 40 U.S.C. 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR 5), whereby each contractor is required to compute the wages of every mechanic and laborer on the basis



- of a standard work week of 40 hours and work in excess of the standard work week is permitted provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of 40 hours in the work week.
- (8) in construction work no laborer or mechanic must be required to work in surroundings or under working conditions, which are unsanitary, hazardous or dangerous;
  - (9) If the Federal award meets the definition of "funding agreement" under 37 CFR 401.2(a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that "funding agreement," compliance with the requirements of 37 CFR 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency;
  - (10) contracts and subgrants of amounts in excess of \$150,000 must contain a provision that requires the non-Federal award to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401-7671q) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251-1387);
  - (11) mandatory standards and policies relating to energy efficiency, which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (42 U.S.C. 6201);
  - (12) a contract award (see 2 CFR 180.220) must not be made to parties listed on the government-wide **Excluded Parties List System** in the SAM, which contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.
  - (13) contractors that apply or bid for an award of \$100,000 or more must file the required certification under the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352) whereby each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352, and also that each discloses any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award; and/or
  - (14) compliance with section 200.322 of the Uniform Guidance, "Procurement of recovered materials".

#### 5.5.3.4 Subrecipient Monitoring

##### a. Determination of contractor or subrecipient

The non-Federal entity might concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-



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through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. Section 200.330 of the Uniform Guidance sets forth the criteria to differentiate both. Regarding subrecipients, a subaward is made for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient (see section 200.92 of the Uniform Guidance, "Subaward").

Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

- (1) determines who is eligible to receive what Federal assistance;
- (2) has its performance measured in relation to whether objectives of a Federal program were met;
- (3) has responsibility for programmatic decision making;
- (4) is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
- (5) in accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Regarding contractors, a contract is made for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor (see section 200.22 of the Uniform Guidance, "Contract"). Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the non-Federal entity receiving the Federal funds:

- (1) provides the goods and services within normal business operations;
- (2) provides similar goods or services to many different purchasers;
- (3) normally operates in a competitive environment;
- (4) provides goods or services that are ancillary to the operation of the Federal program; and
- (5) is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements might apply for other reasons.

In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above might not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.

**b. Requirements for pass-through entities**

Section 200.331 of the Uniform Guidance sets forth the requirements applicable to all pass-through entities. Accordingly, all must:



- (1) ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the Federal award identification, subrecipient name (which must match registered name in DUNS), subrecipient's DUNS number, FAIN, award Date, subaward period of performance start and end dates, amount of Federal funds obligated by the action, total amount of Federal funds obligated to the subrecipient, total amount of the Federal award, Federal award project description responsive to the **Transparency Act**, name of Federal awarding agency, pass-through entity, and contact information for awarding official, CFDA number and name, dollar amount made available under each Federal award and the CFDA number at time of disbursement, identification of whether the award is R&D, and Indirect cost rate for the Federal award (including if the de minimus rate is charged), all requirements and additional requirements imposed by the pass-through entity on the subrecipient including identification of any required financial and performance reports, an approved Federally recognized indirect cost rate negotiated between the subrecipient and the Federal government (or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient), a requirement that the subrecipient acquiesce to the pass-through entity and auditors to have access to the subrecipient's records and financial statements, and any appropriate terms and conditions concerning closeout of the subaward;
- (2) evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring, which might include consideration of such factors as the subrecipient's prior experience with the same or similar subawards, the results of previous audits, and the extent to which the same or similar subaward has been audited as a major program, whether the subrecipient has new personnel or new or substantially changed systems, and the extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency);
- (3) consider imposing specific subaward conditions;
- (4) monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that its performance goals are achieved, including the review of financial and programmatic reports, following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means, and issuing a management decision for audit findings;
- (5) use any monitoring tools to ensure proper accountability and compliance with program requirements and achievement of performance goals, including providing subrecipients with training and technical assistance on program-related matters, performing reviews of the subrecipient's program operations and/or arranging for the implementation of agreed-upon-procedures engagements as described in section 200.425 of the Uniform Guidance, "Audit services";
- (6) verify that every subrecipient is audited as required;



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- (7) consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records; and
- (8) consider taking enforcement action against noncompliant subrecipients as described in section 200.338 of the Uniform Guidance, "Remedies for noncompliance" and in program regulations

**i. Monitoring procedures**

Monitoring procedures are intended to assist organizations to ensure that their subrecipients of funds are in compliance with regulations, laws and terms and conditions of the contract or document granting funds. Both the recipient and the subrecipient are responsible for the movement of Federal funds and total use of funds for which they were granted. Language in the contract must incorporate provisions to ensure subrecipient compliance with the requirements of the Uniform Guidance. Staff from the entity's finance area or any other area related to programmatic compliance might be included in the site inspections, take actions to ensure execution and compliance with the activities of the award, review Compliance with all Federal regulations, review document retention and control, check written procedures for the expenditure of funds, review performance reports, and review allowability and reasonability of expenditures.

A monitoring procedure should:

- (1) establish frequency, at least annually;
- (2) gather forms, regulations, contract, award, among other relevant information;
- (3) notify monitoring activity and results;
- (4) if required, elaborate a Corrective Action Plan and/or follow-up on its execution; and
- (5) if a significant number of subrecipients are involved, develop a "Risk Assessment Policy".

**ii. Risk Assessment Tools**

State entities are encouraged to use the risk assessment tools published by the Association of Government Accountants (AGA) when assessing subrecipient performance or compliance. The tools are available at [www.grants.gov](http://www.grants.gov).

**5.5.3.5 Reporting**

**a. Certification**

As required under section 200.415 of the Uniform Guidance, to ensure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, the annual and final fiscal reports under the agreements must include a certification, signed by an official who is authorized to legally bind the non-Federal entity, which reads as follows: "By signing this report, I certify to the best of my knowledge and belief that the



report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, might subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).”

#### 5.5.3.6 Financial Reporting

As required by section 200.327 of the Uniform Guidance, unless otherwise approved by OMB, government entities should be aware that the Federal awarding agency might solicit only the standard, OMB-approved government-wide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as might be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

Recipients should use the standard financial reporting forms or such other forms as might be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Electronic versions of the existing and new standard forms are located on OMB’s Internet home page ([www.whitehouse.gov/omb/grants\\_forms](http://www.whitehouse.gov/omb/grants_forms)).

Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient’s accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but might develop such accrual information through analysis of available documentation. The Federal awarding agency might accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs instead of the prescribed formats.

##### a. Formats

The financial reporting requirements for subrecipients are as specified by the pass-through entity. In many cases, these will be the same as or similar to the following requirements for recipients. The standard financial reporting forms are as follows:

- (1) Request for Advance or Reimbursement (**SF-270 (OMB No. 0348-0004)**). Recipients are required to use the SF-270 to request reimbursement payments under non-construction programs, and might be required to use it to request advance payments.



- (2) Outlay Report and Request for Reimbursement for Construction Programs **(SF-271 (OMB No. 0348-0002))**. Recipients use the SF-271 to request funds for construction projects unless advances or the SF-270 are used.
- (3) Federal Financial Report (FFR) **(SF-425/SF-425A (OMB No. 0348-0061))**. Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report.

#### 5.5.3.7 Performance Reporting

The Federal awarding agency must require the recipient to use OMB-approved government-wide standard information collections when providing performance information. As appropriate and in accordance with above mentioned information collections, the Federal awarding agency must require the recipient to relate financial data to performance accomplishments of the Federal award. The recipient's performance should be measured in a way that will help the Federal awarding agency and other non-Federal entities to improve program outcomes, share lessons learned, and spread the adoption of promising practices. The Federal awarding agency should provide recipients with clear performance goals, indicators, and milestones as described in section 200.210 of the Uniform Guidance, "Information contained in a Federal award".

Performance reporting frequency and content should be established to not only allow the Federal awarding agency to understand the recipient progress but also to facilitate identification of promising practices among recipients and build the evidence upon which the Federal awarding agency's program and performance decisions are made.

##### a. Scope

Section 200.328 of the Uniform Guidance, "Monitoring by the non-Federal entity", directs that a non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to ensure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity through construction or non-construction performance reports.

##### b. Due Date

Annual reports must be due 90 calendar days after the reporting period, and quarterly or semiannual reports must be due 30 calendar days after the reporting period. Alternatively, the Federal awarding agency or pass-through entity might require annual reports before the anniversary dates of multiple year Federal awards. The final performance report will be due 90 calendar days after the period of performance end date.



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If a justified request is submitted by a non-Federal entity, the Federal agency might extend the due date for any performance report. Events might occur between the scheduled performance reporting dates that have significant impact upon the supported activity. In such cases, the non-Federal entity must inform the Federal awarding agency or pass-through entity as soon as the following problems, delays, or adverse conditions, which will materially impair the ability to meet the objective of the Federal award are known. This disclosure must include a statement of the action taken, or contemplated, and any assistance needed to resolve the situation. Also, the entity must report if there's any favorable developments which enable meeting time schedules and objectives sooner or at less cost than anticipated or producing more or different beneficial results than originally planned.

**c. Non-Construction**

The non-Federal entity must submit non-construction performance reports containing, for each Federal award, brief information on the following, unless other collections are approved by OMB:

- (1) a comparison of actual accomplishments to the objectives of the Federal award established for the period;
- (2) where performance trend data and analysis would be informative and useful, and where the accomplishments of the Federal award can be quantified, a computation of the cost (for example, related to units of accomplishment) might be required;
- (3) the reasons why established goals were not met, as applicable; and
- (4) additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

**d. Construction**

As specified by the Uniform Guidance, construction performance reports, for the most part, will be completed through onsite technical inspections and certified percentage of completion data which are relied on heavily by Federal awarding agencies and pass-through entities to monitor progress under Federal awards and subawards for construction. The Federal awarding agency might require additional performance reports only when considered necessary, make site visits as warranted by program needs, and waive any performance report required if not needed.

**e. Formats**

The **Performance Progress Report (PPR)** is the standard, government-wide performance progress reporting format used by Federal agencies to collect performance information from recipients of Federal funds awarded under all Federal programs that exceed \$100,000 or more per project/grant period, excluding those that support research.



#### 5.5.3.8 Real Property Reporting

As required by section 200.329 of the Uniform Guidance, the Federal awarding agency or pass-through entity must require a non-Federal entity to submit reports, at least annually, on the status of real property in which the Federal government retains an interest, unless the Federal interest in the real property extends 15 years or longer. In those instances where the Federal interest attached is for a period of 15 years or more, the Federal awarding agency or pass-through entity, at its option, might require the non-Federal entity to report at various multi-year frequencies (e.g., every two years or every three years, not to exceed a five-year reporting period; or a Federal awarding agency or pass-through entity might require annual reporting for the first three years of a Federal award and thereafter require reporting every five years).

#### 5.5.3.9 Reporting

##### a. State Rule

Government entities are responsible for filing timely financial, performance, and other reports required by the Federal grantor agency as a condition of the grant. Final reports must be filed by required due dates established by their respective Federal grantor to avoid jeopardizing future grants or delaying the receipt of final reimbursement of Federal funds. As required by **CC 123-15**, copies of the financial, performance or audit reports must be made available to the FFMA at least quarterly, or as required.

PRIFAS personnel and all public corporations or government entities that manage their own financial systems, shall submit monthly status reports on active grants not later than the tenth day (10) of the month. Government entities must also comply with the provisions of the **Transparency Act**, and any guidance adopted for its implementation, directing no contract or subaward to be approved unless the correspondent contract or award agreement requires contractor or recipient to comply with any applicable reporting requirements.

#### 5.5.3.10 Record Retention

Section 200.333 of the Uniform Guidance directs that financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three (3) years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient, unless a longer term is required under applicable exceptions.

Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities; nevertheless, the Commonwealth's document retention policies are governed by Act 5-1955, as amended, and implementing regulation enacted by the Treasury Department, **Regulation 23**, applicable to fiscal documentation. As a general rule, record retention period for fiscal documents is six (6) years or until the Comptroller audits



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the information. Thus, the most restrictive term will be required to comply with government-wide record retention policies, including those applicable to Federal assistance.

As specified by section 200.334 of the Uniform Guidance, the Federal awarding agency must request transfer of certain records to its custody from the non-Federal entity when it determines that the records possess long-term retention value. However, in order to avoid duplicate recordkeeping, the Federal awarding agency might make arrangements for the non-Federal entity to retain any records that are continuously needed for joint use.

The Federal project records should at least contain the following documents:

- (1) copy of the proposal and its application guide;
- (2) submission receipt of the proposal;
- (3) contract awarding of funds (grant award) with the terms and conditions;
- (4) amendments to the grant award, if any; programmatic reports with evidence of delivery and receipt by the Federal agency;
- (5) financial reporting, handling evidence and receipt by the Federal agency;
- (6) monitoring reports and audit reports; and
- (7) official correspondence with the Federal agency.

**a. Methods of collection, Transmission and storage of information**

Section 200.335 of the Uniform Guidance directs both the Federal awarding agency and the non-Federal entity to, whenever practicable, collect, transmit, and store Federal award-related information in open and machine readable formats rather than in closed formats or on paper. The Federal awarding agency or pass-through entity must always provide or accept paper versions of Federal award-related information to and from the non-Federal entity upon request. If paper copies are submitted, the Federal awarding agency or pass-through entity must not require more than an original and two copies. When original records are paper, electronic versions might be substituted through the use of duplication or other forms of electronic media provided that they are subject to periodic quality control reviews, provide reasonable safeguards against alteration, and remain readable.

**5.5.3.11 Access to records**

**a. Federal entities**

Section 200.336 of the Uniform Guidance mandates that the Federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entities, or any of their authorized representatives, must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the non-Federal entity's personnel for the purpose of interview and discussion related to such documents. When access to the true name of victims of a crime is necessary, appropriate steps to protect this



sensitive information must be taken by both the non-Federal entity and the Federal awarding agency.

The rights of access in this section are not limited to the required retention period but last as long as the records are retained. Federal awarding agencies and pass-through entities must not impose any other access requirements upon non-Federal entities.

**b. Public**

No Federal awarding agency might place restrictions on the non-Federal entity that limit public access to the records of the non-Federal entity pertinent to a Federal award, except for protected personally identifiable information (PII) or when the Federal awarding agency can demonstrate that such records will be kept confidential and would have been exempted from disclosure pursuant to the Freedom of Information Act (FOIA), 5 U.S.C. 552, which does not apply to those records that remain under a non-Federal entity's control except as required under section 200.315, "Intangible property". Unless required by Federal, state, or local statute, non-Federal entities are not required to permit public access to their records. The non-Federal entity's records provided to a Federal agency generally will be subject to Freedom of Information Act (FOIA) and applicable exemptions.

**5.5.3.12 Internal Controls**

Section 200.303 of the Uniform Guidance requires that non-Federal entities must:

- (1) establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.
- (2) establish and maintain internal controls that should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- (3) comply with Federal statutes, regulations, and the terms and conditions of the Federal awards;
- (4) evaluate and monitor the non-Federal entity's compliance with statute, regulations and the terms and conditions of Federal awards;
- (5) take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; and
- (6) take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.



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For each type of compliance requirement, the objectives of internal control, and certain characteristics of internal control, when present and operating effectively, might ensure compliance with program requirements. Entities will need to exercise judgment in determining the most appropriate and cost effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with Federal program requirements. The following objectives of internal control pertain to the compliance requirements for Federal programs:

- (1) transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and Federal reports, maintain accountability over assets, and demonstrate compliance with laws, regulations, and other compliance requirements;
- (2) transactions are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program, and any other laws and regulations that are identified in the compliance supplements; and
- (3) funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

As mentioned, the characteristics of internal control are presented in the context of the components derived from the Control-Integrated Framework, published by COSO. It provides a framework for organizations to design, implement, and evaluate controls that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements. COSO also has published *Guidance on Monitoring Internal Control Systems* (January 2009), which is available at [www.coso.org/GuidanceonMonitoring.htm](http://www.coso.org/GuidanceonMonitoring.htm).

A description of the components of internal control and examples of characteristics common to 13 of the 14 (excepting "Special Tests and Provisions" since are unique for each program) categories identified by the OGP to be the most pervasive categories of compliance associated with findings of the Single Audit reports of the government entities.

To assist in the process of identifying compliance requirements for a program and develop appropriate controls, government entities should refer to the most current version of the Compliance Supplement of OMB's Circular A-133 ([www.whitehouse.gov/omb/circulars/a133\\_compliance\\_supplement\\_2014](http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2014)). It guides auditors in performing the required single or program-specific audits of Federal awards. As structured, there are five components of internal entity-level controls that should reasonably ensure compliance with the requirements of Federal laws, regulations, and program compliance requirements: control environment, risk assessment, information and communication, and monitoring.

**a. Components**

**i. Control Environment**

"Control Environment" sets the tone of an organization influencing the control consciousness of its personnel and stakeholders. It is the foundation



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for all other components of internal control, providing discipline and structure. It comprises the following practices:

- (1) sense of conducting operations ethically, as evidenced by a code of conduct or other verbal or written directive;
- (2) if there is a governing Board, the Board has established an Audit Committee or equivalent that is responsible for engaging the auditor, receiving all reports and communications from the auditor, and ensuring that audit findings and recommendations are adequately addressed;
- (3) management's positive responsiveness to prior questioned costs and control recommendation;
- (4) management's respect for and adherence to program compliance requirements;
- (5) key managers' responsibilities clearly defined;
- (6) key managers have adequate knowledge and experience to discharge their responsibilities;
- (7) staff knowledgeable about compliance requirements and being given responsibility to communicate all instances of noncompliance to management;
- (8) management's commitment to competence ensures that staff receive adequate training to perform their duties; and
- (9) management's support of adequate information and reporting system.

**ii. Risk Assessment**

"Risk Assessment" is the entity's identification and analysis of the risks relevant to achieving its objectives, forming a basis for determining how the risks should be managed. It comprises the following practices::

- (1) program managers and staff understand and have identified key compliance objectives;
- (2) organizational structure provides identification of risks of noncompliance since key managers have been given responsibility to identify and communicate changes, employees who require close supervision (e.g. inexperienced) are identified, management has identified and assessed complex operations or projects, and management is aware of results of monitoring, audits, and reviews and considers related risk of noncompliance; and
- (3) process established to implement changes in program objectives and procedures.

**iii. Control Activities**

"Control Activities" are the policies and procedures that help ensure that management's directives are carried out. It comprises the following practices:

- (1) operating policies and procedures clearly written and communicated;
- (2) procedures in place to implement changes in laws, regulations, guidance, and funding agreements affecting Federal awards;



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- (3) management prohibition against intervention or overriding established controls;
- (4) adequate segregation of duties provided between performance, review, and recordkeeping of a task;
- (5) computer and program controls include data entry controls (e.g., edit checks, exception reporting, access controls, reviews of input and output data), computer general controls and security controls, supervision of employees commensurate with their level of competence, personnel with adequate knowledge and experience to discharge responsibilities;
- (6) equipment, inventories, cash, and other assets secured physically and periodically counted and compared to recorded amounts; and
- (7) if there is a governing Board, the Board conducts regular meetings where financial information is reviewed and the results of program activities and accomplishments are discussed, and written documentation is maintained of the matters addressed at such meetings.

**iv. Information and Communication**

"Information and Communication" are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities. It comprises the following practices:

- (1) accounting system provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both;
- (2) adequate source documentation exists to support amounts and items reported;
- (3) recordkeeping system is established to ensure that accounting records and documentation retained for the time period required by applicable requirements and the provisions of laws, regulations, contracts or grant agreements applicable to the program;
- (4) reports provided timely to managers for review and appropriate action;
- (5) accurate information is accessible to those who need it;
- (6) reconciliations and reviews ensure accuracy of reports;
- (7) established internal and external communication channels: staff meetings, bulletin boards, memos, circulation files, e-mail, surveys, suggestions box;
- (8) employees' duties and control responsibilities effectively communicated;
- (9) channels of communication for people to report suspected improprieties established;
- (10) actions taken as a result of communications received; and
- (11) established channels of communication between the pass-through entity and subrecipients.

**v. Monitoring**



Monitoring is a process that assesses the quality of internal control performance over time. It comprises the following practices:

- (1) ongoing monitoring built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports;
- (2) periodic site visits performed at decentralized locations (including subrecipients) and checks performed to determine whether procedures are being followed as intended;
- (3) follow up on irregularities and deficiencies to determine the cause;
- (4) internal quality control reviews performed;
- (5) management meets with program monitors, auditors, and reviewers to evaluate the condition of the program and controls;
- (6) internal audit routinely tests for compliance with Federal requirements; and
- (7) if there is a governing Board, the Board reviews the results of all monitoring or audit reports and periodically assesses the adequacy of corrective action.

**vi. OGP targeted compliance category 1: Activities allowed and un-allowed**

**1. Requirement**

The specific requirements for activities allowed and un-allowed are unique to each Federal program and those are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. This type of compliance requirement specifies the activities that can and cannot be funded under a specific program.

There are two fundamental types of requirements that pertain to federal grants, programmatic requirements and federal grants management requirements (sometimes referred to as “administrative” requirements).

The programmatic requirements are established by the statute, regulations, and guidance that pertain to that program, regulations (promulgated by US Federal Agencies), and program guidance (developed by the different US Federal Agencies).

Federal grants management requirements are more general in nature and apply to all federal programs.

Generally, when analyzing whether a particular proposed cost is permissible, it is useful to perform a four-step analysis. This four-step analysis involves the following questions:

**Step One:** Is this cost forbidden under federal grants management requirements? *If the answer is yes, then the remaining questions do*



*not need to be considered as the cost cannot be supported with federal funds.*

**Step Two:** Does the proposed cost meet the programmatic requirements of the proposed federal program(s) from where it would be funded?

**Step Three:** Does the proposed cost meet all federal grants management requirements – including the necessary, reasonable, and allocable requirements of OMB Circular? (Additional federal grants management requirements **must** also be considered).

**Step Four:** Does the cost comply with the supplement, not supplant requirement of the particular federal program in question, when applicable?

## **2. Control Objectives**

To provide reasonable assurance that:

- (1) Federal awards are expended only for allowable activities; and
- (2) the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles.

## **3. Control Environment**

- (1) Management sets reasonable budgets for Federal and non-Federal programs so that no incentive exists to miscode expenditures.
- (2) Management enforces appropriate penalties for misappropriation or misuse of funds.
- (3) Organization-wide cognizance of need for separate identification of allowable Federal costs.
- (4) Management provides personnel approving and pre-auditing expenditures with a list of allowable and unallowable expenditures.

## **4. Risk Assessment**

- (1) Process for assessing risks resulting from changes to cost accounting systems.
- (2) Key manager has a sufficient understanding of staff, processes, and controls to identify where unallowable activities or costs could be charged to a Federal program and not be detected.

## **5. Control Activities**

- (1) Accountability provided for charges and costs between Federal and non-Federal activities.
- (2) Process in place for timely updating of procedures for changes in activities allowed and cost principles.
- (3) Computations checked for accuracy.



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- (4) Supporting documentation compared to list of allowable and unallowable expenditures.
- (5) Adjustments to unallowable costs made where appropriate and follow-up action taken to determine the cause.
- (6) Adequate segregation of duties in review and authorization of costs.
- (7) Accountability for authorization is fixed in an individual who is knowledgeable of the requirements for determining activities allowed and allowable costs.

**6. Information and communication**

- (1) Reports, such as a comparison of budget to actual provided to appropriate management for review on a timely basis.
- (2) Establishment of internal and external communication channels on activities and costs allowed.
- (3) Training programs, both formal and informal, provide knowledge and skills necessary to determine activities and costs allowed.
- (4) Interaction between management and staff regarding questionable costs.
- (5) Grant agreements (including referenced program laws, regulations, handbooks, etc.) and cost principles circulars available to staff responsible for determining activities allowed and allowable costs under Federal awards.

**7. Monitoring**

- (1) Management reviews supporting documentation of allowable cost information.
- (2) Flow of information from Federal agency to appropriate management personnel.
- (3) Comparisons made with budget and expectations of allowable costs.
- (4) Analytic reviews (e.g., comparison of budget to actual or prior year to current year) and audits performed.

**b. OGP targeted compliance category 2: Cash management**

**i. Control Objectives**

To provide reasonable assurance that:

- (1) drawdown of Federal cash is only for immediate needs;
- (2) reimbursement is requested only after costs have been incurred;
- (3) States comply with applicable Treasury agreements, and
- (4) recipients limit payments to subrecipients to immediate cash needs (see [Annex III](#) - Process Table CMIA & Interest Calculation).

**ii. Control Environment**



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- (1) Appropriate assignment of responsibility for approval of cash drawdowns, requests for reimbursement, and payments to subrecipients.
- (2) Budgets for drawdowns are consistent with realistic cash needs.
- (3) Reimbursement is requested only have costs have been incurred.

**iii. Risk Assessment**

- (1) Mechanisms exist to anticipate, identify, and react to routine events that affect cash needs.
- (2) Routine assessment of adequacy of subrecipient cash needs.
- (3) Management has identified programs that receive cash advances and/or reimbursements and is aware of cash management requirements.

**iv. Control Activities**

- (1) Cash flow statements by program are prepared to determine essential cash flow needs.
- (2) Accounting system is capable of scheduling payments for accounts payable and requests for funds from Treasury to avoid time lapse between draw down of funds and actual disbursements of funds.
- (3) Appropriate level of supervisory review of cash management activities.
- (4) Written policy that provides procedures for requesting cash advances as close as is administratively possible to actual cash outlays and reimbursement only after costs have been incurred; monitoring of cash management activities; and repayment of excess interest earnings where required.
- (5) A written policy exists which includes programs covered by the Treasury-State agreement, methods of funding to be used, method used to calculate interest, and procedures for determining check-clearing patterns (if applicable for the funding method).

**v. Information and communication**

- (1) Variance reporting of expected versus actual cash disbursements of Federal awards and drawdowns of Federal funds.
- (2) Established channel of communication between pass-through entity and subrecipients regarding cash needs.

**vi. Monitoring**

- (1) Periodic independent evaluation (e.g. by internal audit, top management) of entity cash management, budget and actual results, repayment of excess interest earnings, and Federal drawdown activities.
- (2) Subrecipients' requests for Federal funds are evaluated.
- (3) Review of compliance with Treasury-State agreements.

**c. OGP targeted compliance category 3: Davis Bacon**

**i. Requirement**

The Davis-Bacon and Related Acts (DBRA) are administered by the Wage and Hour Division. These Acts apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for



the construction, alteration, or repair (including painting and decorating) of public buildings or public works.

The Davis-Bacon Act requires that all contractors and subcontractors performing on federal contracts (and contractors or subcontractors performing on federally assisted contracts under the related Acts) in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract's Davis-Bacon wage determination for corresponding classes of laborers and mechanics employed on similar projects in the area. Davis-Bacon labor standards clauses must be included in covered contracts.

Apprentices may be employed at less than predetermined rates if they are in an apprenticeship program registered with the Department of Labor or with a state apprenticeship agency recognized by the Department. Trainees may be employed at less than predetermined rates if they are in a training program certified by the Department.

Contractors and subcontractors on prime contracts in excess of \$100,000 are required, pursuant to the Contract Work Hours and Safety Standards Act, to pay employees one and one-half times their basic rates of pay for all hours over 40 worked on covered contract work in a workweek. Covered contractors and subcontractors are also required to pay employees weekly and to submit weekly certified payroll records to the contracting agency.

Every employer performing work covered by the labor standards of the DBRA must post the WH-1321 "Employee Rights under the Davis-Bacon Act" poster at the site of the work in a prominent and accessible place where it may be easily seen by employees. There is no particular size requirement. The wage determination must be similarly posted.

Under the DBRA, covered contractors must maintain payroll and basic records for all laborers and mechanics during the course of the work and for a period of three years thereafter. Records to be maintained include:

- (1) Name, address, and Social Security number of each employee
- (2) Each employee's work classifications
- (3) Hourly rates of pay, including rates of contributions or costs anticipated for fringe benefits or their cash equivalents
- (4) Daily and weekly numbers of hours worked
- (5) Deductions made
- (6) Actual wages paid
- (7) If applicable, detailed information regarding various fringe benefit plans and programs, including records that show that the plan or program has been communicated in writing to the laborers and mechanics affected
- (8) If applicable, detailed information regarding approved apprenticeship or trainee programs



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Each covered contractor and subcontractor must, on a weekly basis, provide the federal agency a copy of all payrolls providing the information listed above under “Recordkeeping” for the preceding weekly payroll period. Each payroll submitted must be accompanied by a “Statement of Compliance.” The contractor, subcontractor or the authorized officer or employee of the contractor or subcontractor who supervises the payment of wages must sign the weekly statement. Statements of Compliance are to be made on the form WH-347 "Payroll (For Contractors Optional Use)" or on any form with identical wording. This must be completed within seven days after the regular pay date for the pay period.

Contractors may also be asked to submit, via survey, wage data that may be used by the Wage and Hour Division to determine the locally prevailing wage rates that will apply to workers on Davis-Bacon and DBRA-covered projects. The submission of wage data is encouraged, but voluntary. Contractors and others may use the WD-10 Form, Report of Construction Contractor’s Wage Rates.

**ii. Control Objectives**

To provide reasonable assurance that:

- (1) contractors and subcontractors were properly notified of the Davis-Bacon Act requirements; and
- (2) required certified payrolls were submitted to the non-Federal entity.

**iii. Control Environment**

- (1) Management understands and communicates to staff, contractors, and subcontractors the requirements to pay wages in accordance with the Davis-Bacon Act.
- (2) Management understands its responsibility for monitoring compliance.

**iv. Risk Assessment**

- (1) Mechanisms in place to identify contractors and subcontractors most at risk of noncompliance.
- (2) Management identified how compliance will be monitored and the related risks of failure to monitor for compliance with Davis-Bacon Act.

**v. Control Activities**

- (1) Contractors informed in the procurement documents of the requirements for prevailing wage rates.
- (2) Contractors and subcontractors are required by contract to submit certifications and copies of payrolls.
- (3) Contractors’ and subcontractors’ payrolls monitored to ensure certified payrolls are submitted.

**vi. Information and Communication**

- (1) Prevailing wage rates requirements are appropriately communicated.



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- (2) Reports provide sufficient information to determine if requirements are being met.
- (3) Channels are established for staff to report non-compliance.

**vii. Monitoring**

- (1) Management reviews to ensure that contractors and subcontractors are properly notified of the Davis-Bacon Act requirements.
- (2) Management reviews to ensure that certified payrolls are properly received.

**d. OGP targeted compliance category 4: Eligibility**

**i. Requirement**

Requirements of eligibility are unique to each program. These requirements can be obtained from laws, regulations and the provisions of the contract or grant agreements pertaining to the program.

The entity receiving Federal funds must establish adequate and strong controls to ensure that participants receiving the benefits are eligible. Also, it should perform periodical monitoring to ensure that participants are still eligible under the program's regulations.

**ii. Control Objectives**

To provide reasonable assurance that:

- (1) only eligible individuals and organizations receive assistance under Federal award programs;
- (2) subawards are made only to eligible subrecipients; and
- (3) amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements.

**iii. Control Environment**

- (1) Staff size and competence provides for proper making of eligibility determinations.
- (2) Realistic caseload/performance targets established for eligibility determinations.
- (3) Lines of authority clear for determining eligibility.
- (4) Adequate knowledge of and access to computer system and/or database used for eligibility assessment and recording.

**iv. Risk Assessment**

- (1) Identification of risk that eligibility information prepared internally or received from external sources could be incorrect.
- (2) Conflict-of-interest statements are maintained for individuals who determine and review eligibility.
- (3) Process for assessing risks resulting from changes to eligibility determination systems.



**v. Control Activities**

- (1) Written policies provide direction for making and documenting eligibility determinations.
- (2) Procedures to calculate eligibility amounts consistent with program requirements.
- (3) Eligibility objectives and procedures clearly communicated to employees.
- (4) Authorized signatures (manual or electronic) on eligibility documents periodically reviewed.
- (5) Adequate safeguards in place to ensure access to eligibility records (manual or electronic) limited to appropriate persons.
- (6) Manual criteria checklists or automated process used in making eligibility determinations.
- (7) Process for periodic eligibility re-determinations in accordance with program requirements.
- (8) Verification of accuracy of information used in eligibility determinations.
- (9) Procedures to ensure the accuracy and completeness of data used to determine eligibility requirements.
- (10) Process in place to ensure benefits were discontinued when eligibility requirements no longer met or period of eligibility expired.

**vi. Information and Communication**

- (1) Information system meets needs of eligibility decision-makers and program management.
- (2) Processing of eligibility information subject to edit checks and balancing procedures.
- (3) Training programs inform employees of eligibility requirements.
- (4) Channels of communication exist for people to report suspected eligibility improprieties.
- (5) Management receptive to suggestions to strengthen eligibility determination process.
- (6) Documentation of eligibility determinations in accordance with program requirements.

**vii. Monitoring**

- (1) Periodic analytical reviews of eligibility determinations performed by management.
- (2) Monitoring by reviewers of changes in eligibility determinations to ensure that overrides in determination process are appropriate.
- (3) Program quality control procedures performed for eligibility determination process.
- (4) Periodic audits of detailed transactions.

**e. OGP targeted compliance category 5: Equipment and Real Property Management**

**i. Requirement**



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Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than a year and an acquisition cost of \$5,000 or more per unit. In some cases, lower limits can be established.

**ii. Control Objectives**

To provide reasonable assurance that:

- (1) proper records are maintained for equipment acquired with Federal awards,
- (2) equipment is adequately safeguarded and maintained,
- (3) disposition or encumbrance of any equipment or real property is in accordance with Federal requirements, and
- (4) Federal and pass-through awarding agencies are appropriately compensated for their share of any property sold or converted to non-Federal use.

**iii. Control Environment**

- (1) Management committed to providing proper stewardship for property acquired with Federal awards.
- (2) No incentives exist to under-value assets at time of disposition.
- (3) Sufficient accountability exists to discourage temptation of misuse of Federal assets.

**iv. Risk Assessment**

- (1) Procedures to identify risk of misappropriation or improper disposition of property acquired with Federal awards.
- (2) Management understands requirements and operations sufficiently to identify potential areas of noncompliance (e.g., decentralized locations, departments with budget constraints, and transfers of assets between departments).

**v. Control Activities**

- (1) Accurate records maintained on all acquisitions and dispositions of property acquired with Federal awards.
- (2) Property tags are placed on equipment.
- (3) A physical inventory of equipment is periodically taken and compared to property records.
- (4) Property records contain description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and disposition data.
- (5) Procedures established to ensure that the Federal and pass-through awarding agencies is appropriately reimbursed for dispositions of property acquired with Federal awards.
- (6) Policies and procedures in place for responsibilities of recordkeeping and authorities for disposition.



**vi. Information and Communication**

- (1) Accounting system provides for separate identification of property acquired entirely or partly with Federal funds and with non-Federal funds.
- (2) A channel of communication exists for people to report suspected improprieties in the use or disposition of equipment.
- (3) Program managers are provided with applicable requirements and guidelines.

**vii. Monitoring**

- (1) Management reviews the results of periodic inventories and follows up on inventory discrepancies.
- (2) Management reviews dispositions of property to ensure appropriate valuation and reimbursement to Federal and pass-through awarding agencies.

**f. OGP targeted compliance category 6: Matching, Level of Effort, Earmarking**

**i. Requirement**

The specific requirements for matching, level of effort, and earmarking are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

The following is a list of the basic criteria for acceptable matching:

1. Are verifiable from the non-Federal entity's records.
2. Are not included as contributions for any other federally assisted project or program, unless specifically allowed by Federal program laws and regulations.
3. Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. Are allowed under the applicable cost principles.
5. Are not paid by the Federal Government under another award, except where authorized by Federal statute to be allowable for cost sharing or matching.
6. Are provided for in the approved budget when required by the Federal awarding agency.
7. Conform to other applicable provisions of the A-102 Common Rule and OMB Circular A-110 and the laws, regulations, and provisions of contract or grant agreements applicable to the program.
8. Matching, level of effort, and earmarking are defined as follows:

*Matching* or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).

*Level of effort* includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from



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non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services.

*Earmarking* includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered

**ii. Control Objectives**

To provide reasonable assurance that:

- (1) matching, level of effort, or earmarking requirements are met using only allowable funds or costs which are properly calculated and valued.

**iii. Control Environment**

- (1) Commitment from management to meet matching, level of effort, and earmarking requirements (e.g., adequate budget resources to meet a specified matching requirement or maintain a required level of effort).
- (2) Budgeting process addresses/provides adequate resources to meet matching, level of effort, or earmarking goals.
- (3) Official written policy exists outlining: responsibilities for determining required amounts or limits for matching, level of effort, or earmarking; methods of valuing matching requirements, e.g., "in-kind" contributions of property and services, calculations of levels of effort; allowable costs that might be claimed for matching, level of effort, or earmarking; and methods of accounting for and documenting amounts used to calculate amounts claimed for matching, level of effort, or earmarking.

**iv. Risk Assessment**

- (1) Identification of areas where estimated values will be used for matching, level of effort, or earmarking.
- (2) Management has sufficient understanding of the accounting system to identify potential recording problems.

**v. Control Activities**

- (1) Evidence obtained such as a certification from the donor, or other procedures performed to identify whether matching contributions: Are from non-Federal sources; involve Federal funding, directly or indirectly; and were used for another Federally-assisted program.
- (2) Adequate review of monthly cost reports and adjusting entries.

**vi. Information and Communication**

- (1) Accounting system capable of separately accounting for data used to support matching, level of effort, or earmarking amounts or limits or calculations;



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- (2) Accounting system ensuring that expenditures or expenses, refunds, and cash receipts or revenues are properly classified and recorded only once as to their effect on matching, level of effort, or earmarking;
- (3) Accounting system documenting the value of “in-kind” contributions of property or services, including basis for local labor market rates for valuing volunteer services, payroll records or confirmation from other organizations for services provided by their employees, and quotes, published prices, or independent appraisals used as the basis for donated equipment, supplies, land, buildings, or use of space.

**vii. Monitoring**

- (1) Supervisory review of matching, level of effort, or earmarking activities performed to assess the accuracy and allowability of transactions and determinations (e.g., at the time reports on Federal awards are prepared).

**g. OGP targeted compliance category 7: Period of Performance**

**i. Requirement.**

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period.

Non-Federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request.

**ii. Control Objectives**

To provide reasonable assurance that:

- (1) Federal funds are used only during the authorized period of availability.

**iii. Control Environment**

- (1) Management understands and is committed to complying with period of availability requirements.
- (2) Entity’s operations are such that it is unlikely there will be Federal funds remaining at the end of the period of availability.

**iv. Risk Assessment**



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- (1) The budgetary process considers period of performance as to both obligation and disbursement.
- (2) Identification and communication of period of availability cut-off requirements as to both obligation and disbursement.

**v. Control Activities**

- (1) Accounting system prevents obligation or expenditure of Federal funds outside of the period of availability.
- (2) Review of disbursements by person knowledgeable of period of availability of funds.
- (3) End of grant period cut-offs are met by such mechanisms as advising program managers of impending cut-off dates and review of expenditures just before and after cut-off date.
- (4) Cancellation of unliquidated commitments at the end of the period of availability.

**vi. Information and Communication**

- (1) Timely communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditure, including automated notifications of pending deadlines.
- (2) Periodic reporting of unliquidated balances to appropriate levels of management and follow up.

**vii. Monitoring**

- (1) Periodic review of expenditures before and after cut-off date to ensure compliance with period of availability requirements.
- (2) Review by management of reports showing budget and actual for period.

**h. OGP targeted compliance category 8: Procurement and suspension and debarment**

**i. Requirement**

States, and governmental sub-recipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

Local governments which are not sub-recipients of States will use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in the Common Rule.

Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular.



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All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the Common Rule and OMB Circular.

**ii. Control Objectives**

To provide reasonable assurance that:

- (1) procurement of goods and services are made in compliance with the provisions of the Uniform Guidance; and
- (2) covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party.

**iii. Control Environment**

- (1) Existence and implementation of codes of conduct and other policies regarding acceptable practice, conflicts-of-interest, or expected standards of ethical and moral behavior for making procurements.
- (2) Procurement manual that incorporated Federal requirements.
- (3) Absence of pressure to meet unrealistic procurement performance targets.
- (4) Management's prohibition against intervention or overriding established procurement controls.
- (5) Board or governing body oversight required for high dollar, lengthy, or other sensitive procurement contracts.
- (6) Adequate knowledge and experience of key procurement managers in light of responsibilities for procurements for Federal awards.
- (7) Clear assignment of authority for issuing purchasing orders and contracting for goods and services.

**iv. Risk Assessment**

- (1) Procedures to identify risks arising from vendor inadequacy (e.g., quality of goods and services, delivery schedules, warranty assurances, user support).
- (2) Procedures established to identify risks arising from conflicts-of-interest (e.g., kickbacks, related party transactions, bribery).
- (3) Management understands the requirements for procurement and suspension and debarment, and, given the organization's staff, departments, and processes, has identified where noncompliance could likely occur.
- (4) Conflict-of-interest statements are maintained for individuals with responsibility for procurement of goods or services.

**v. Control Activities**

- (1) Job descriptions or other means of defining tasks that comprise particular procurement jobs.
- (2) Contractor's performance with the terms, conditions, and specifications of the contract is monitored and documented.
- (3) Establish segregation of duties between employees responsible for contracting and accounts payable and cash disbursing.



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- (4) Procurement actions appropriately documented in the procurement files.
- (5) Supervisors review procurement and contracting decisions for compliance with Federal procurement policies.
- (6) Procedures established to verify that vendors providing goods and services under the award have not been suspended or debarred by the Federal Government.
- (7) Official written policy for procurement and contracts establishing contract files that document significant procurement history (methods of procurement authorized including selection of contract type, contractor selection or rejection and the basis of contract price) verification that procurements provide full and open competition, requirements for cost or price analysis, including for contract modifications, obtaining and reacting to suspension and debarment certifications or equivalent documentation, and other applicable requirements for procurements under Federal awards are followed.
- (8) Official written policy for suspension and debarment that contains or references the Federal requirements, requires staff to determine that entities receiving subawards of any value and procurement contracts equal to or exceeding \$25,000 are not suspended or debarred, specifies the means that will be used to make that determination (i.e., checking the exclusions list in **SAM**, obtaining a certification, or inserting a clause in the agreement), and prohibits the award of a subaward, covered contract, or any other covered agreement for program administration, goods, services, or any other program purpose with any suspended or debarred party.

**vi. Information and Communication**

- (1) A system in place to assure that procurement documentation is retained for the time period required by the Uniform Guidance, award agreements, contracts, and program regulations, including the basis for contractor selection, justification for lack of competition when competitive bids or offers are not obtained and the basis for award cost or price.
- (2) Employees' procurement duties and control responsibilities are effectively communicated.
- (3) Procurement staff has on-line access to **SAM**.
- (4) Channels of communication are provided for people to report suspected procurement and contracting improprieties.

**vii. Monitoring**

- (1) Management periodically conducts independent reviews of procurements and contracting activities to determine whether policies and procedures are being followed as intended.

**i. OGP targeted compliance category 9: Program income**

**i. Requirement**



Program income is gross income received that is directly generated by the federally funded project during the grant period. If authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds. Except as otherwise provided in the Federal awarding agency regulations or terms and conditions of the award, program income does not include interest on grant funds (covered under “Cash Management”), rebates, credits, discounts, refunds, etc. (covered under “Allowable Costs/Cost Principles”), or interest earned on any of them (covered under “Cash Management”). Program income does not include the proceeds from the sale of equipment or real property (covered under “Equipment and Real Property Management”).

Program income is gross income received that is directly generated by the federally funded project during the grant period. If authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds. Except as otherwise provided in the Federal awarding agency regulations or terms and conditions of the award, program income does not include interest on grant funds (covered under “Cash Management”), rebates, credits, discounts, refunds, etc. (covered under “Allowable Costs/Cost Principles”), or interest earned on any of them (covered under “Cash Management”). Program income does not include the proceeds from the sale of equipment or real property (covered under “Equipment and Real Property Management”).

**ii. Control Objectives**

To provide reasonable assurance that:

- (1) Program income is correctly earned, recorded and used in accordance with the program requirements.

**iii. Control Environment**

- (1) Management recognizes its responsibilities for program income.
- (2) Management’s prohibition against intervention or overriding controls over program income.
- (3) Realistic performance targets for the generation of program income.

**iv. Risk Assessment**



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- (1) Mechanisms in place to identify the risk of unrecorded or miscoded program income.
- (2) Variances between expected and actual income analyzed.

**v. Control Activities**

- (1) Pricing and collection policies procedures clearly communicated to personnel responsible for program income.
- (2) Mechanism in place to ensure that program income is properly recorded as earned and deposited in the bank as collected.
- (3) Policies and procedures provide for correct use of program income in accordance with Federal program requirements.

**vi. Information and Communication**

- (1) Information systems identify program income collections and usage.
- (2) A channel of communication for people to report suspected improprieties in the collection or use of program income.

**vii. Monitoring**

- (1) Internal audit of program income.
- (2) Management compares program income to budget and investigates significant differences.

**j. OGP targeted compliance category 10: Real property acquisition and relocation assistance**

**i. Requirement**

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (URA) provides for uniform and equitable treatment of persons displaced by federally assisted programs from their homes, businesses, or farms. Property acquired must be appraised by qualified independent appraisers. All appraisals must be examined by a review appraiser to ensure acceptability. After acceptance, the review appraiser certifies the recommended or approved value of the property for establishment of the offer of just compensation to the owner.

Federal requirements govern the determination of payments for replacement housing assistance, rental assistance, and down payment assistance for individuals displaced by federally funded projects. The regulations also cover the payment of moving-related expenses and reestablishment expenses incurred by displaced businesses and farm operations.

**ii. Control Objectives**

To provide reasonable assurance that:



- (1) Requirements for real property acquisition, appraisal, negotiation, and relocation are complied with.

**iii. Control Environment**

- (1) Management committed to ensuring compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA).
- (2) Written policies exist for handling relocation assistance and real property acquisition.

**iv. Risk Assessment**

- (1) Identification of risk that relocation will not be conducted in accordance with the URA (e.g., improper payments will be made to individuals or businesses that relocate).

**v. Control Activities**

- (1) Employees handling relocation assistance and real property acquisition have been trained in the requirements of the URA.
- (2) Review of expenditures pertaining to real property acquisition and relocation assistance by employees knowledgeable in the URA.

**vi. Information and Communication**

- (1) A system is in place to adequately document relocation assistance and real property acquisition.

**vii. Monitoring**

- (1) Management monitors relocation assistance and real property acquisition for compliance with the URA.

**k. OGP targeted compliance category 11: Reporting**

**i. Requirement**

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.



The financial reporting requirements for subrecipients are as specified by the pass-through entity. In many cases, these will be the same as or similar to the following requirements for recipients.

The standard financial reporting forms are as follows:

- (1) *Financial Status Report (FSR) (SF-269 (OMB No. 0348-0039) or SF-269A (OMB No. 0348-0038))*. In general, these forms, which have been used by recipients of (1) non-construction awards to report expenditures, unobligated balances, and other information on the status of funds and (2) construction awards when the FSR was required in lieu of the SF-271, have been replaced by the SF-425, *Federal Financial Report (OMB No. 0348-0061)*. The FSR still is being shown as a standard report and, as appropriate, "Applicable," given that (1) some entities may have submitted reports during this audit period using this form or (2) some agencies or programs may be converting to use of the new form later than October 1, 2009. See below for information concerning the transition to the Federal Financial Report (SF-425/425A), which superseded the SF-269.
- (2) *Request for Advance or Reimbursement (SF-270 (OMB No. 0348-0004))*. Recipients are required to use the SF-270 to request reimbursement payments under non-construction programs, and may be required to use it to request advance payments.
- (3) *Outlay Report and Request for Reimbursement for Construction Programs (SF-271 (OMB No. 0348-0002))*. Recipients use the SF-271 to request funds for construction projects unless advances or the SF-270 are used.
- (4) *Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061))*. Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10.c). References to this report include its applicability as both an expenditure and a cash status report. As indicated above, the Supplement will continue to show the SF-269 as an expenditure report in the list of standard financial reports, in addition to the SF-425, until the transition is complete for all Federal agencies.

For those agencies that have not fully transitioned to the use of the SF-425 as of the date of issuance of the 2011 Supplement, the award terms and conditions will specify if use of the SF-425 as an expenditure report is required. Electronic versions of the existing and new standard forms are located on OMB's Internet home page ([http://www.whitehouse.gov/omb/grants\\_forms](http://www.whitehouse.gov/omb/grants_forms)).

#### *Performance Reporting*

Recipients may be required to submit performance reports at least annually but not more frequently than quarterly. Performance reports generally contain, for each award, brief information of the following types:

- (1) A comparison of actual accomplishments with the goals and objectives established for the period.



- (2) Reasons why established goals were not met, if appropriate.
- (3) Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

#### *Special Reporting*

Non-Federal entities may be required to submit other reporting which may be used by the Federal agency for such purposes as allocating program funding.

Compliance testing of performance and special reporting are only required for data that are quantifiable and meet the following criteria:

- (1) Have a direct and material effect on the program.
- (2) Are capable of evaluation against objective criteria stated in the laws, regulations, contract or grant agreements pertaining to the program.

#### **ii. Control Objectives**

To provide reasonable assurance that reports of Federal awards submitted to the Federal and pass-through awarding agencies or pass-through entity:

- (1) include all activity of the reporting period;
- (2) are supported by underlying accounting or performance records; and
- (3) are fairly presented in accordance with program requirements.

#### **iii. Control Environment**

- (1) Persons preparing, reviewing, and approving the reports possess the required knowledge, skills, and abilities.
- (2) Management's attitude toward reporting promotes accurate and fair presentation.
- (3) Appropriate assignment of responsibility and delegation of authority for reporting decisions.

#### **iv. Risk Assessment**

- (1) Mechanisms exist to identify risks of faulty reporting caused by such items as lack of current knowledge of, inconsistent application of, or carelessness or disregard for standards and reporting requirements of Federal awards.
- (2) Identification of underlying source data or analysis for performance or special reporting that might not be reliable.

#### **v. Control Activities**

- (1) Written policy exists that establishes responsibility and provides the procedures for periodic monitoring, verification, and reporting of program progress and accomplishments.
- (2) Tracking system, which reminds staff when reports are due.
- (3) The general ledger or other reliable records are the basis for the reports.
- (4) Supervisory review of reports performed to assure accuracy and completeness of data and information included in the reports.
- (5) The required accounting method is used (e.g., cash or accrual).



**vi. Information and Communication**

- (1) An accounting or information system that provides for the reliable processing of financial and performance information for Federal awards.

**vii. Monitoring**

- (1) Communications from external parties corroborate information included in the reports for Federal awards.
- (2) Periodic comparison of reports to supporting records.

**I. OGP targeted compliance category 12: Subrecipient Monitoring**

**i. Requirement**

A subrecipient (subcontractor or subawardee) is a third-party organization that receives funding from another agency to collaborate in carrying out an externally funded program. The agency is responsible for monitoring the programmatic, financial, and conflict of interest (COI) status of its sponsored award subrecipients.

OMB Circular requires that entities receiving federal awards:

- (1) have internal controls which provide reasonable assurance that the use of resources is consistent with laws, regulations, and award terms
- (2) safeguard resources against waste, loss, and misuse
- (3) obtain, maintain, and fairly disclose reliable data in reports

Any recipient of federal awards providing federal funds to a subrecipient must determine:

- (1) whether the subrecipient meets the audit requirements of the circular; and
- (2) whether the subrecipient has spent the federal funds in accordance with applicable laws and regulations.

**ii. Control Objectives**

To provide reasonable assurance that:

- (1) Federal award information and compliance requirements are identified to subrecipients;
- (2) subrecipient activities are monitored;
- (3) subrecipient audit findings are resolved;
- (4) the impact of any subrecipient noncompliance on the pass-through entity is evaluated; and
- (5) procedures exist to provide reasonable assurance that the subrecipient obtained required audits and takes appropriate corrective action on audit findings.

**iii. Control Environment**

- (1) Establishment of “tone at the top” of management’s commitment to monitoring subrecipients.



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- (2) Management's intolerance of overriding established procedures to monitor subrecipients.
- (3) Entity's organizational structure and its ability to provide the necessary information flow to monitor subrecipients are adequate.
- (4) Sufficient resources dedicated to subrecipient monitoring.
- (5) Knowledge, skills, and abilities needed to accomplish subrecipient monitoring tasks defined.
- (6) Individuals performing subrecipient monitoring possess knowledge, skills, and abilities required.
- (7) Subrecipients demonstrate that they are willing and able to comply with the requirements of the award, have accounting systems, including the use of applicable cost principles, and internal control systems adequate to administer the award.
- (8) Appropriate sanctions taken for subrecipient noncompliance.

**iv. Risk Assessment**

- (1) Key managers understand the subrecipient's environment, systems, and controls sufficient to identify the level and methods of monitoring required.
- (2) Mechanisms exist to identify risks arising from external sources affecting subrecipients, such as risks related to economic conditions, political conditions, regulatory changes or unreliable information.
- (3) Mechanisms exist to identify and react to changes in subrecipients, such as financial problems that could lead to diversion of grant funds, loss of essential personnel, loss of license or accreditation to operate program, rapid growth, new activities, products, or services, and/or organizational restructuring.

**v. Control Activities**

- (1) Federal award information (e.g., CFDA title and number, award name, name of Federal agency, amount of award) and applicable compliance requirements are properly identified to subrecipients.
- (2) Agreements with subrecipients include the requirement to comply with the compliance rules applicable to the Federal program, including the audit requirements.
- (3) Subrecipients' compliance with audit requirements monitored using techniques such as determining by inquiry and discussions whether subrecipient met thresholds requiring an audit, ensuring that the subrecipient submits the report, report package or the documents required by OMB circulars and/or recipient's requirements, following up with the subrecipient until the audit is completed, and taking appropriate actions in case of non-compliance, such as withholding further funding, until the subrecipient meets the audit requirements.
- (4) Subrecipient's compliance with Federal program requirements monitored by issuing timely management decisions for audit and monitoring findings to inform the subrecipient whether the corrective action planned is acceptable, maintaining a system to track and follow-up on reported deficiencies related to programs funded by the recipient



and ensure that timely corrective action is taken, establishing regular contacts with subrecipients and appropriate inquiries concerning the Federal program, reviewing subrecipient reports and following-up on areas of concern, monitoring subrecipient budgets, performing site visits to subrecipients to review financial and programmatic records and observe operations, and offering subrecipients technical assistance where needed.

- (5) Official written policies and procedures exist containing the requirements of communication of Federal award, responsibilities for monitoring subrecipients, process and procedures for monitoring, methodology for resolving findings of subrecipient noncompliance or weaknesses in internal control, and requirements for and processing of subrecipient audits, including appropriate adjustment of pass-through entity's accounts.

**vi. Information and Communication**

- (1) Standard award documents used by the non-Federal entity contain a list of Federal requirements that the subrecipient must follow be it specifically listed in the award document, attached as an exhibit to the document, or incorporated by reference to specific criteria, including the description and program number for each program as stated in the CFDA and a statement signed by an official of the subrecipient, stating that the subrecipient was informed of, understands, and agrees to comply with the applicable compliance requirements.
- (2) A recordkeeping system is in place to assure that documentation is retained for the time period required by the recipient
- (3) Procedures are in place to provide channels for subrecipients to communicate concerns to the pass-through entity.

**vii. Monitoring**

- (1) Establish a tracking system to assure timely submission of required reporting, such as financial reports, performance reports, audit reports, on site monitoring reviews of subrecipients, and timely resolution of audit findings.
- (2) Supervisory reviews performed to determine the adequacy of subrecipient monitoring.

**m. OGP targeted compliance category 13: Special tests and provisions**

**i. Requirement**

The specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

**5.5.3.13 Remedies for non-compliance**

As directed by section 200.338 of the Uniform Guidance, if a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity might impose additional



conditions. If the Federal awarding agency or pass-through entity determines that non-compliance cannot be remedied by imposing additional conditions, the Federal awarding agency or pass-through entity might take one or more of the following actions, as appropriate in the circumstances:

- (1) temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity;
- (2) disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance;
- (3) wholly or partly suspend or terminate the Federal award;
- (4) initiate suspension or debarment proceedings (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency);
- (5) withhold further Federal awards for the project or program; or
- (6) take other remedies that might be legally available.

**a. Termination**

As directed by section 200.339 of the Uniform Guidance, the Federal award might be terminated in whole or in part:

- (1) by the Federal awarding agency or pass-through entity, providing the non-Federal entity a notice of termination, if a non-Federal entity fails to comply with the terms and conditions of a Federal award;
- (2) by the Federal awarding agency or pass-through entity, for cause;
- (3) by the Federal awarding agency or pass-through entity with the consent of the non-Federal entity, in which case the two parties must agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated; or
- (4) by the non-Federal entity upon sending to the Federal awarding agency or pass-through entity 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 or pass-through entity determines in the case of partial termination that the reduced or modified portion of the Federal award or subaward will not accomplish the purposes for which the Federal award was made, the Federal awarding agency or pass-through entity might terminate the Federal award in its entirety. When a Federal award is terminated or partially terminated, both the Federal awarding agency or pass-through entity and the non-Federal entity remain responsible for compliance with the requirements detailed in section 200.343 of the Uniform Guidance, "Closeout" and 200.344, "Post-closeout adjustments and continuing responsibilities".

As provided for by section 200.341 of the Uniform Guidance, non-Federal entities must have an opportunity to object and provide information and documentation challenging the suspension or termination action, in accordance



with written processes and procedures published by the Federal awarding agency. The Federal awarding agency or pass-through entity must comply with any requirements for hearings, appeals or other administrative proceedings, which the non-Federal entity is entitled under any statute or regulation applicable to the action involved.

**b. Effects of suspension and termination**

According to section 200.342 of the Uniform Guidance, costs to the non-Federal entity resulting from obligations incurred by the non-Federal entity during a suspension or after termination of a Federal award or subaward are not allowable unless the Federal awarding agency or pass-through entity expressly authorizes them in the notice of suspension or termination or subsequently. However, costs during suspension or after termination are allowable if the costs result from obligations which were properly incurred by the non-Federal entity before the effective date of suspension or termination, are not in anticipation of it; and the costs would be allowable if the Federal award was not suspended or expired normally at the end of the period of performance in which the termination takes effect.

**c. Mandatory Disclosures**

As required by section 200.113 of the Uniform Guidance, the non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Failure to make required disclosures can result in any of the remedies described in section 200.338, "Remedies for noncompliance" including suspension or debarment.

## **5.6 Closeout**

### **5.6.1 Description**

The Closeout phase begins once the awarding agency determines that all required work of the Federal award has been completed by the entity, and concludes when all required applicable administrative actions are executed.

### **5.6.2 Actions to be completed**

As specified by section 200.343 of the Uniform Guidance, at the end of the period of performance and within a year after receipt and acceptance of all required final reports:

- (1) the non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by or the terms and conditions of the Federal award, provided no extensions are approved;
- (2) must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award, provided no extensions are approved;



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- (3) the Federal awarding agency or pass-through entity must make prompt payments to the non-Federal entity for allowable reimbursable costs under the Federal award being closed out;
- (4) the non-Federal entity must promptly refund any balances of unobligated cash that the Federal awarding agency or pass-through entity paid in advance or paid and that is not authorized to be retained by the non-Federal entity for use in other projects;
- (5) consistent with the terms and conditions of the Federal award, the Federal awarding agency or pass-through entity must make a settlement for any upward or downward adjustments to the Federal share of costs after closeout reports are received; and
- (6) the non-Federal entity must account for any real and personal property acquired with Federal funds or received from the Federal government.

### 5.6.3 Adjustments and Continuing Responsibilities

According to section 200.344 of the Uniform Guidance, the closeout of a Federal award does not affect:

- (1) the right of the Federal awarding agency or pass-through entity to disallow costs and recover funds on the basis of a later audit or other review within the record retention period;
- (2) the obligation of the non-Federal entity to return any funds due as a result of later refunds, corrections, or other transactions including final indirect cost rate adjustments;
- (3) Audit requirements;
- (4) property management and disposition requirements; and
- (5) records retention responsibilities.

After closeout of the Federal award, a relationship created under the Federal award might be modified in whole or in part with the consent of the Federal awarding agency or pass-through entity, and the non-Federal entity, provided the responsibilities of the non-Federal entity are considered and provisions made for its continuing responsibilities, as appropriate.

### 5.6.4 Collection of Amounts Due

Any funds paid to the non-Federal entity in excess of the amount to which is finally determined to be entitled under the terms of the Federal award constitute a debt to the Federal government. If not paid within 90 calendar days after demand, the Federal awarding agency might reduce the debt by: (1) making an administrative offset against other requests for reimbursements; (2) withholding advance payments otherwise due to the non-Federal entity; or (3) other action permitted by Federal statute.

#### 5.6.4.1 Debt Collection Improvement Act

Regarding the collection of debt by a Federal agency, the Secretary of the Treasury Department serves as the liaison between the Commonwealth and the United States' Treasury Department for all matters related to the implementation of the provisions of **Debt Collection Improvement Act of 1996** (DCIA), as amended. All government entities shall promptly notify the Secretary of Treasury any notice of debt collection from a Federal creditor agency that states its intention to collect the





## 6. Cost Principles

### 6.1 Allowed and Unallowed Costs

Sections 200.420 through 200.475 of the Uniform Guidance provide principles to be applied in establishing the allowability of certain items involved in determining costs, or whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. Entities must remain aware that the following costs are usually unallowable:

- (1) advertising (except for recruitment of personnel, procurement of goods or services or the disposal of property, scrap or surplus);
- (2) public relations (unless required by award, communication with press for re-awards, or keeping public inform);
- (3) bad debts;
- (4) contingencies (except self-insurance or pension funds);
- (5) donations;
- (6) entertainment;
- (7) organized fundraising costs;
- (8) investment counsel and staff costs (except covering pensions and self- insurance and physical security and control of monies);
- (9) attorney's litigation fees (certain fees for failure to comply with Federal, State, local or foreign statute or regulations might be allowable);
- (10) meetings and conferences (except to disseminate technical information);
- (11) subscriptions to professional periodicals; and
- (12) memberships in country, social or dining clubs.

### 6.2 Policy Guidelines

Section 200.400 of the Uniform Guidance sets forth the premises upon which cost principles are based. The principles must be used in determining the allowable costs of work performed by the non-Federal entity under Federal awards and as a guide in the pricing of fixed-price contracts and subcontracts where costs are used in determining the appropriate price. Non-Federal entities:

- (1) are responsible for the efficient and effective administration of the Federal award through the application of sound management practices;
- (2) assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award;
- (3) have the primary responsibility for employing whatever form of sound organization and management techniques might be necessary in order to assure proper and efficient administration of the Federal award;
- (4) maintain accounting practices that are consistent with these cost principles and support the accumulation of costs as required by the principles, and provide for adequate documentation to support costs charged to the Federal award;
- (5) are applying the cost accounting principles on a consistent basis during their review and negotiation of indirect cost proposals; and



- (6) do not earn or keep any profit resulting from Federal financial assistance, unless expressly authorized by the terms and conditions of the Federal award.

### **6.3 Composition of costs: Total Cost**

The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

### **6.4 Cost allowability criteria**

Except where otherwise authorized by statute, costs must meet the following general criteria set forth in section 200.403 of the Uniform Guidance, in order to be allowable under Federal awards:

- (1) be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles;
- (2) conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items;
- (3) be consistent with policies and procedures that apply uniformly to both Federally-financed and other activities of the non-Federal entity;
- (4) be accorded consistent treatment (a cost might not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost);
- (5) be determined in accordance with GAAP, except as otherwise provided for;
- (6) not be included as a cost or used to meet cost sharing or matching requirements of any other Federally-financed program in either the current or a prior period (see also section 200.306(b) of the Uniform Guidance, "Cost sharing or matching"); and
- (7) be adequately documented.

If determined allowable, costs must also meet the criteria for allocability to a Federal award. According to section 200.405 of the uniform Guidance, the following criteria govern to the allocation of costs to Federal awards:

- (1) 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;
- (2) the standard is met if the cost is incurred specifically for the Federal award, benefits both the Federal award and other work of the non-Federal entity, can be distributed in proportions that might be approximated using reasonable methods, is necessary to the overall operation of the non-Federal entity, and is assignable in part to the Federal award in accordance with the cost principles;
- (3) all activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs;
- (4) any cost allocable to a particular Federal award under the cost principles might not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or



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for other reasons, except for shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards;

- (5) if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit and, conversely, if a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, the costs might be allocated or transferred to benefitted projects on any reasonable documented basis; and
- (6) where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that might be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.

**6.4.1 Reasonableness**

According to section 200.404 of the Uniform Guidance, 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. The question of reasonableness is particularly important when the non-Federal entity is predominantly Federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- (1) whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award;
- (2) the restraints or requirements imposed by such factors as sound business practices, arm's-length bargaining, Federal, state and other laws and regulations, and terms and conditions of the Federal award;
- (3) market prices for comparable goods or services for the geographic area;
- (4) whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government; and
- (5) whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which might unjustifiably increase the Federal award's cost.

**6.5 Applicable credits**

As directed by section 200.406 of the uniform Guidance, receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs such as purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges, to the extent that such credits accruing to or received by the non-Federal entity relate to allowable costs, must be credited to the Federal award either as a cost reduction or cash refund, as appropriate. In some instances, the amounts received from the Federal government to finance activities or service operations of the non-Federal entity should be treated as



applicable credits. Specifically, the concept of netting such credit items (including any amounts used to meet cost sharing or matching requirements) should be recognized in determining the rates or amounts to be charged to the Federal award. (See, for instance, sections 200.436, "Depreciation", and 200.468, "Specialized service facilities", for areas of potential application in the matter of Federal financing of activities.)

## **6.6 Reasonableness and Allocability determinations**

### **6.6.1 Prior approval**

Under any given Federal award, the reasonableness and allocability of certain items of costs might be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, section 200.407 of the Uniform Guidance allows for a non-Federal entity to seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability.

### **6.7 Limitation on Allowance of costs**

The Federal award might be subject to statutory requirements that limit the allowability of costs. As directed by section 200.407 of the Uniform Guidance, when the maximum amount allowable under a limitation is less than the total amount determined in accordance with the cost principles, the amount not recoverable under the Federal award might not be charged to the Federal award.

### **6.8 Collection and adjustments due to unallowable costs**

Section 200.408 of the Uniform Guidance further establishes that payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. According to section 200.409, a negotiated indirect (F&A) cost rates based on a proposal later found to have included costs that are unallowable as specified by Federal statutes, regulations or the terms and conditions of a Federal award, or are unallowable because they are not allocable to the Federal award(s), must be adjusted, or a refund must be made, in accordance with the requirements of this section. The adjustments or refunds will be made regardless of the type of rate negotiated (predetermined, final, fixed, or provisional) and pursuant to the rules applicable to the specific period covered by the rates.

### **6.9 Classification direct and indirect costs**



There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost might be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards.

### **6.9.1 Guidelines**

Although there is no applicable universal rule for classification of costs as direct or indirect, section 200.413 of the Uniform Guidance advances the following guidelines:

- (1) direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy;
- (2) identification with the Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards;
- (3) typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award;
- (4) if directly related to a specific award, certain costs that otherwise would be treated as indirect costs might also include extraordinary utility consumption, the cost of materials supplied from stock or services rendered by specialized facilities or other institutional service operations;
- (5) the salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs;
- (6) direct charging of administrative and clerical staff might be appropriate only if the services are integral to a project or activity, individuals involved can be specifically identified with the project or activity, costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency, and the costs are not also recovered as indirect costs;
- (7) any direct cost of minor amount might be treated as an indirect (F&A) cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all Federal and non-Federal cost objectives; and
- (8) the costs of certain activities are not allowable as charges to Federal awards but nonetheless must be treated as direct costs for purposes of determining indirect (F&A) cost rates and be allocated their equitable share of the non-Federal entity's indirect costs if they represent activities which include the salaries of personnel, occupy space, and benefit from the non-Federal entity's indirect (F&A) costs.

### **6.10 Indirect cost rates**

As specified by Appendix VII to the Uniform Guidance, indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and



cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. Indirect costs are normally charged to Federal awards by the use of an indirect cost rate (i.e., as a percentage of direct costs). A separate indirect cost rate is usually necessary for each governmental entity. After direct costs have been determined and assigned directly to Federal awards and other activities as appropriate, indirect costs are those remaining to be allocated to benefitted cost objectives. A cost might not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

As directed by section 200.414 of the Uniform Guidance, to facilitate equitable distribution of indirect expenses to the cost objectives served, with the exception of any admissible deviation, once negotiated, indirect cost rates must be accepted by all Federal awarding agencies. Indirect costs include both the indirect costs originating in each entity and the costs of central governmental services (i.e., those provided by OGP, Treasury Department, GDB, Office of the Comptroller, and similar central indirect services from entities ("top-tier" entities) intervening with grants management and auditing processes) distributed through the central service cost allocation plan (as described in Appendix V to the Uniform Guidance) and not otherwise treated as direct costs.

#### **6.10.1 Unallowable Costs**

Claims developed under approved cost allocation plans will be based on allowable costs. Where unallowable costs have been claimed and reimbursed, they will be refunded to the program that reimbursed the unallowable cost using one of the following methods: (a) a cash refund, (b) offset to a subsequent claim, or (c) credits to the amounts charged to individual Federal awards. Cash refunds, offsets, and credits might include at the option of the cognizant agency for indirect cost, earned or imputed interest from the date of expenditure and delinquent debt interest, if applicable, chargeable in accordance with applicable cognizant agency for indirect cost claims collection regulations.

#### **6.10.2 Interagency Services**

As specified by section 200.417 of the Uniform Guidance, the cost of services provided by one agency to another might include allowable direct costs of the service plus a pro-rated share of indirect costs. A standard indirect cost allowance equal to ten percent of the direct salary and wage cost of providing the service (excluding overtime, shift premiums, and fringe benefits) might be used in lieu of determining the actual indirect costs of the service. These services do not include centralized services included in central service cost allocation plans as described in Appendix V to the Uniform Guidance.

#### **6.10.3 Submission of proposals**

As directed under OGP's [CC-123-15](#), all departments or agencies must prepare an indirect cost rate proposal and related documentation to support those costs specified under section 200.416 of the uniform Guidance, individual operating state agencies (governmental department or agency), normally charge Federal awards for indirect costs through an indirect cost rate. An indirect cost rate(s) proposal must include both the indirect costs originating in each department or agency of the governmental unit carrying out Federal awards, and the costs of central governmental services distributed through the central



service cost allocation plan and not otherwise treated as direct costs. The proposal and related documentation must be retained for audit in accordance with applicable records retention requirements.

A governmental department or agency unit that receives more than \$35 million in direct Federal funding must submit its indirect cost rate proposal to its cognizant agency for indirect costs. Other governmental department or agency must develop an indirect cost proposal and maintain the proposal and related supporting documentation for audit. These governmental departments or agencies are not required to submit their proposals unless they are specifically requested to do so by the cognizant agency for indirect costs. Where a non-Federal entity only receives funds as a subrecipient, the pass-through entity will be responsible for negotiating and/or monitoring the subrecipient's indirect costs. Indirect cost proposals must be developed (and, when required, submitted) within six months after the close of the governmental unit's fiscal year, unless an exception is approved by the cognizant agency for indirect costs. Any non-Federal entity that has a Federally negotiated indirect cost rate might apply for a one-time extension of a current negotiated indirect cost rates for a period of up to four years. If an extension is granted the non-Federal entity might not request a rate review until the extension period ends. At the end of the 4-year extension, the non-Federal entity must re-apply to negotiate a rate.

#### **6.10.3.1 Contents**

Content details pertaining indirect cost rate proposals are further explained in Appendix VII of the Uniform Guidance (States and Local Government and Indian Tribe Indirect Cost Proposal) to the Uniform Guidance. All proposals should include:

- (1) the rates proposed, including subsidiary work sheets and other relevant data, cross referenced and reconciled to the financial data;
- (2) copy of the financial data (financial statements, comprehensive annual financial report, executive budgets, accounting reports, etc.) upon which the rate is based;
- (3) the approximate amount of direct base costs incurred under Federal awards, broken out between salaries and wages and other direct costs; and
- (4) a chart showing the organizational structure of the agency during the period for which the proposal applies, along with a functional statement(s) noting the duties and/or responsibilities of all units that comprise the agency

#### **6.10.3.2 Documentation**

##### **a. Allocation and computation methods**

Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are as follows:

- (1) "Simplified Method", to be used where a non-Federal entity's major functions benefit from its indirect costs to approximately the same degree, and the allocation of indirect costs is to be accomplished by classifying the non-Federal entity's total costs (excluding capital expenditures and unallowable costs), and dividing the total allowable indirect costs (net of



- applicable credits) by an equitable distribution base, resulting in an indirect cost rate which is used to distribute indirect costs to individual Federal awards, expressed as the percentage which the total amount of allowable indirect costs bears to the base selected;
- (2) "Multiple Allocation Base Method", to be adhere to when a non-Federal entity's indirect costs benefit its major functions in varying degrees, and such costs must be accumulated into separate cost groupings, each grouping allocated individually to benefitted functions by means of a base which best measures the relative benefits, and each should constitute a pool of expenses that are of like character in terms of the functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function;
  - (3) "Special Indirect Cost Rates" to be used in instances where a single indirect cost rate for all activities of a non-Federal entity or for each major function of the agency might not be appropriate since it might not take into account different factors which might substantially affect the indirect costs applicable to a particular program or group of programs, like physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the organizational arrangements used, or any combination thereof, and thus the award is carried out in an environment which appears to generate a significantly different level of indirect costs; and
  - (4) "Restricted Rate" to be used where Federal statutes restrict the reimbursement of certain indirect costs and to be developed using the same procedure for developing a non-restricted rate except for the additional step of the elimination from the indirect cost pool those costs for which the law prohibits reimbursement.

#### 6.10.3.3 Unilateral adoption

The Federal government might either disallow all indirect (F&A) costs or unilaterally establish such a plan or rate when the non-Federal entity fails to submit a certified proposal for establishing such a plan or rate in accordance with the requirements. Such a plan or rate might be based upon audited historical data or such other data that have been furnished to the cognizant agency for indirect costs and for which it can be demonstrated that all unallowable costs have been excluded. When a cost allocation plan or indirect cost rate is unilaterally established by the Federal government because the non-Federal entity failed to submit a certified proposal, the plan or rate established will be set to ensure that potentially unallowable costs will not be reimbursed.

#### 6.10.3.4 State rule

As mentioned previously, OGP's [CC 123-15](#), directed each government entity receiving or anticipating receipt of Federal grant funding must prepare annually an Indirect Cost Rate Proposal (ICRP), Cost Allocation Plan (CAP) or Public Assistance Cost Allocation Plan (PACAP), as applicable, unless waived by the FFMA, to recover any incurred indirect cost pursuant to Federal guidance. Upon request, the Program will provide government entities technical assistance for developing the entity's



ICRP, CAP or PACAP. Unless prohibited by Federal rule, government entities shall withhold the reimbursements of indirect costs recovered from the Federal government attributed to their administrative efforts, pursuant to article 7(c) of the Government Accounting Act of 1974, as amended. Except as waived by the Program, for agencies whose budgets are defrayed, in whole or in part, chargeable to the general Fund, the Department of the Treasury shall withhold from said reimbursements or invoice the corporate entities any portion attributable to the centralized services rendered. Integral to the budget formulation process, government entities funded through appropriations from the general revenue fund must provide the FFMA a projected amount of recoverable indirect costs and projected expense distribution by category. Also, will notify any application pending, particularly, those that might require matching funds or maintenance of effort.

#### 6.10.4 Certifications

As required under section 200.415 of the Uniform Guidance, each cost allocation plan or indirect (F&A) cost rate proposal, whether submitted to a Federal cognizant agency for indirect costs or maintained on file by the non-Federal entity, must be certified by the non-Federal entity using the Certificate of Indirect Costs provided in Appendix VII to the Uniform Guidance. The certificate must be signed on behalf of the non-Federal entity by an individual at a level no lower than the Under Secretary, Deputy Executive Director, Vice President or chief financial officer of the non-Federal entity that submits the proposal.

#### 6.10.5 Public Assistance Cost Allocation Plans (PACAP)

State public assistance agencies are required to submit a PACAP to the cognizant agency (US Department of Health and Human Services) for review and approval, as well as to promptly submit any amendment thereof. Federally financed assistance programs administered by state public agencies are funded predominately by the Department of Health and Human Services (HHS). In support of its stewardship requirements, HHS has published requirements for the development, documentation, submission, negotiation, and approval of public assistance cost allocation plans in **45 CFR 95**.

The requirements for development and submission of cost allocation plans for public assistance programs are further explained in detail in Appendix VI (Public Assistance Cost Allocation Plans) to the Uniform Guidance. All administrative costs (direct and indirect) are normally charged to Federal awards by implementing the public assistance cost allocation plan. The Appendix extends these requirements to all Federal awarding agencies whose programs are administered by a state public assistance agency. Major Federally-financed programs typically administered by state public assistance agencies include: Temporary Aid to Needy Families (TANF), Medicaid, Food Stamps, Child Support Enforcement, Adoption Assistance and Foster Care, and Social Services Block Grant.

The plan will include all programs administered by the state public assistance agency. Affected Federal agencies will review all new plans and plan amendments and provide comments, as appropriate, to HHS. The effective date of the plan or plan amendment will be the first day of the calendar quarter following the event that required the amendment, unless another date is specifically approved by HHS.



### 6.10.6 Statewide Cost Allocation Plans (SWCAP)

Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, and similar, to operating agencies on a centralized basis. These central service costs must be identified and assigned to benefitted activities on a reasonable and consistent basis whereby costs and other data used to distribute the costs is supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards. As recognized by section 200.416 of the Uniform Guidance, and since Federal awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process.

The requirements for development and submission of cost allocation plans (for central service costs and public assistance programs) are explained in detail in Appendix V (State/Local Government-wide Central Service Cost Allocation Plans) to the Uniform Guidance.

The Department of Health and Human Services (HHS) acts as the Cognizant Agency. Guidelines and illustrations of a SWCAP are provided in a brochure published by the HHS entitled “**A Guide for State, Local and Indian Tribal Governments: Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government.**” A copy of this brochure might be obtained from the HHS Cost Allocation Services or at their Web site at [rates.psc.gov](http://rates.psc.gov). All proposed SWCAP will be reviewed, negotiated, and approved by the cognizant agency for indirect costs on a timely basis. The results of each negotiation must be formalized in a written agreement and will be subject to re-opening if the agreement is subsequently found to violate a statute or the information upon which the plan was negotiated is later found to be materially incomplete or inaccurate. The results of the negotiation are available to all Federal agencies for their use. If the proposed SWCAP for the same period has not been approved by the time any given entity's Indirect Cost Rate proposal is submitted, the indirect cost proposal might be prepared including an amount for central services that is based on the latest Federally-approved SWCAP. The difference between these central service amounts and the amounts ultimately approved will be compensated for by an adjustment in a subsequent period.

#### 6.10.6.1 Submission of proposals

The Commonwealth's Secretary of Treasury prepares, negotiates and submits the annual SWCAP for approval by the correspondent Federal cognizant agency. The Secretary will notify the approved SWCAP to all government entities receiving or anticipating receipt of Federal grant funding, which shall make certain that applicable costs for central government services allocated through the SWCAP are accounted for in their respective Indirect Cost Rate proposals to the extent allowable under their Federal grant program guidelines.

##### a. Documentation

Although the extent of documentation might be modified, expanded, or reduced by the cognizant agency for indirect costs on a case-by-case basis, in general, all proposed plans must be accompanied by the following:



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- (1) an organization chart sufficiently detailed to show operations including the central service activities of the state government and whether or not they are benefitting from central service functions;
- (2) a copy of the Comprehensive Annual Financial Report (or a copy of the Executive Budget if budgeted costs are being proposed) to support the allowable costs of each central service activity included in the plan;
- (3) a certification that the plan was prepared in accordance with applicable requirements, contains only allowable costs, and was prepared in a manner that treated similar costs consistently among the various Federal awards and between Federal and non-Federal awards/activities; and
- (4) for each allocation central service, a brief description of the service, an identification of the unit rendering the service and the operating agencies receiving the service, the items of expense included in the cost of the service, the method used to distribute the cost of the service to benefitted agencies, and a summary schedule showing the allocation of each service to the specific benefitted agencies.

**b. State rule**

The Commonwealth's SWCAP formulation process is contained in **Annex V**. The SWCAP lists the procedures that the State agency will use in identifying, measuring, and allocating of all State agency costs incurred in support of all programs administered or supervised by the State agency. The plan must be submitted by December 31st of each year.

State agencies should also be familiar with the following Circular Letters (CC) issued by the Treasury Department:

- (1) CC 1300-02-08 - Control and Accounting of Indirect Costs
- (2) CC 1300-04-12 - SWCAP Notification
- (3) CC 1300-08-01 - Control and Accounting of Indirect Costs in PRIFAS
- (4) CC 1300-11-07 - Admissible Cost of Rent Paid to PBA



## 7. Audit Requirements

As highlighted by section 200.500 of the Uniform Guidance, audits support essential Federal stewardship responsibilities. All agencies are responsible for efficient and effective use of Federal funds. Audit reports can be effective and valuable methods for monitoring a recipient's financial performance, particularly with regard to the adequacy of its internal controls and the extent of its compliance with Federal laws and regulations. The **Single Audit Act** established requirements for audits of States and local governments that administer Federal financial assistance programs. It sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards.

### 7.1 Audit Required

Recipients of Federal awards, regardless of amount or period of performance, are subject to a Federal audit during the award's period of performance and up to three (3) years after the award closeout. In addition, the Uniform Guidance requires recipients that expend \$750,000 or more in Federal awards during fiscal year to have either a single or program specific audit conducted by an independent auditor in accordance with section 200.514.

The auditee is responsible for and must procure and arrange for the audit required, and ensure proper submission of final report. At a minimum, the auditee must have available appropriate financial statements, including the schedule of expenditures of Federal awards (SEFA) and allow access for auditor to review personnel, accounts, books, records, supporting documentation requested. Once the auditor's opinion and reports have been prepared and submitted, the auditee is responsible for follow-up actions to correct any and all audit findings and prepare a corrective action plan.

The audit requirement is applicable to recipients, subrecipients and contractors. Subrecipients and contractors are considered applicable when payments received constitute a Federal award and not a payment for goods and services (such as the case for Medicaid and Medicare payments, or certain loans provided by the National Credit Union Administration).

#### 7.1.1 Award Expenditures Basis

As specified by section 200.502 of the Uniform Guidance, the determination of when a Federal award is expended should be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards.

#### 7.1.2 Exceptions

According to section 200.501 of the Uniform Guidance, a non-Federal entity that expends less than \$750,000 during the non-Federal entity's fiscal year in Federal awards is exempt from Federal audit requirements for that year, except as noted in section 200.503, "Relation



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to other audit requirements", but records must be available for review or audit by appropriate officials of the Federal agency, pass-through entity, and Government Accountability Office (GAO).

### 7.1.3 Reduced Coverage

As established under section 200.521 of the Uniform Guidance, an auditee that meets all of the following conditions for each of the preceding two audit periods must qualify as a low-risk auditee and be eligible for reduced audit coverage in accordance with section 200.518, pertaining "Major program determination":

- (1) single audits were performed on an annual basis, including submitting the data collection form and the reporting package to the FAC within the timeframe specified in section 200.512, "Report submission", provided a non-Federal entity that has biennial audits does not qualify as a low-risk auditee;
- (2) the auditor's opinion on whether the financial statements were prepared in accordance with GAAP, or a basis of accounting required by state law, and the auditor's in relation to opinion on the schedule of expenditures of Federal awards were unmodified;
- (3) there were no deficiencies in internal control which were identified as material weaknesses under the requirements of GAGAS;
- (4) the auditor did not report a substantial doubt about the auditee's ability to continue as a going concern; and
- (5) none of the Federal programs had audit findings from any of the following in either of the preceding two audit periods in which they were classified as Type A programs, nor internal control deficiencies that were identified as material weaknesses in the auditor's report on internal control for major programs as required under section 200.515(c), "Audit reporting", a modified opinion on a major program in the auditor's report on major programs, or known or likely questioned costs that exceeded five percent of the total Federal awards expended for a Type A program during the audit period.

### 7.1.4 Contractor and for-profit subrecipient compliance

According to section 200.501 of the Uniform Guidance, the auditee is responsible for ensuring compliance for procurement transactions, which are structured such that the contractor is responsible for program compliance or the contractor's records must be reviewed to determine program compliance. Also, when these procurement transactions relate to a major program, the scope of the audit must include determining whether these transactions are in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards. Also, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The agreement with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients might include pre-award audits, monitoring during the agreement, and post-award audits.

### 7.1.5 Other Audit Requirements

For the purposes of Federal assistance, single or program-specific audit must be in lieu of any financial audit of Federal awards which a non-Federal entity is required to undergo



under any other Federal statute or regulation. To the extent that such audit provides a Federal agency with the information it requires to carry out its responsibilities under Federal statute or regulation, a Federal agency must rely upon and use that information. Notwithstanding, a Federal agency, Inspectors General, or GAO might conduct or arrange for additional audits, whenever necessary to carry out its responsibilities under Federal statute or regulation.

No non-Federal entity is authorized to constrain, in any manner, such Federal agency from carrying out or arranging for such additional audits, except that the Federal agency must plan such audits to not be duplicative of other audits of Federal awards. Prior to commencing such an audit, the Federal agency or pass-through entity must review the FAC for recent audits submitted by the non-Federal entity, and to the extent such audits meet a Federal agency or pass-through entity's needs, the Federal agency or pass-through entity must rely upon and use such audits. Any additional audits must be planned and performed in such a way as to build upon work performed, including the audit documentation, sampling, and testing already performed, by other auditors.

#### **7.1.6 Frequency**

Section 200.504 of the Uniform Guidance establishes that, if not excepted, audits must be performed annually. If allowed to be biennial, the audit must cover both years within the biennial period. The FAC requires every report to be filed no later than 9 months of the end of their audit period, which closes in June 30th of each year.

#### **7.1.7 Sanctions**

As provided for by section 200.505 of the Uniform Guidance, in cases of continued inability or unwillingness to have an audit, Federal agencies and pass-through entities must take appropriate action as provided in section 200.338, "Remedies for noncompliance".

#### **7.1.8 Process**

As required by section 200.514 of the Uniform Guidance, a non-Federal entity expending more than \$50 million a year in Federal awards must have a cognizant agency for audit. The designated cognizant agency for audit must be the Federal awarding agency that provides the predominant amount of direct funding to a non-Federal entity unless OMB designates a specific cognizant agency for audit. The audit must be conducted in accordance with GAGAS.

The audit must cover the entire operations of the auditee, or, at the option of the auditee, such audit must include a series of audits that cover departments, agencies, and other organizational units that expended or otherwise administered Federal awards during such audit period, provided that each such audit must encompass the financial statements and schedule of expenditures of Federal awards for each such department, agency, and other organizational unit, which must be considered to be a non-Federal entity. The financial statements and schedule of expenditures of Federal awards must be for the same audit period. The auditor must determine whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles, and must also determine whether the schedule of expenditures of Federal awards is stated fairly in all material respects in relation to the auditee's financial statements



as a whole. In addition to the requirements of GAGAS, the auditor must perform procedures to obtain an understanding of internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs. Unless excepted, the auditor must plan the testing of internal control over compliance for major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and perform testing of internal control.

When internal control over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing are not required for those compliance requirements. However, the auditor must report a significant deficiency or material weakness in accordance with section 200.516 of the Uniform Guidance, "Audit findings", assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control.

In addition to the requirements of GAGAS, the auditor must determine whether the auditee has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that might have a direct and material effect on each of its major programs. The compliance testing must include tests of transactions and such other auditing procedures necessary to provide the auditor sufficient appropriate audit evidence to support an opinion on compliance. Also, the auditor must follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee in accordance with section 200.511(b) of the Uniform Guidance, "Audit findings", as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. The auditor must perform audit follow-up procedures regardless of whether a prior audit finding relates to a major program in the current year.

#### **7.1.8.1 Financial Statements**

The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same government entity and fiscal year of the audit. However, non-Federal entity-wide financial statements might also include departments, agencies, and other organizational units that have separate audits in accordance with section 200.514(a), "Scope of audit", and prepare separate financial statements.

#### **7.1.8.2 Schedule of Expenditures of Financial Awards (SEFA)**

The SEFA, which is prepared by the auditee and considered supplementary information, is a critical component of the reporting package. The auditor is required to determine and provide an opinion on whether SEFA is presented fairly in all material respects in relation to the auditee's financial statement as a whole. The information in the SEFA serves as the primary basis for the auditor's major program determination, which is also a key component of performing a single audit. The SEFA discloses Federal awards by agency, subrecipient, total Federal awards expended by program (it should contain the CFDA number and non-cash awards), reportable conditions, material weaknesses and risk based approach to major programs. The



SEFA must include the total Federal awards expended as determined in accordance with section 200.502 of the Uniform Guidance, "Basis for determining Federal awards expended".

While not required, the auditee might choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. At a minimum, the schedule must:

- (1) list individual Federal programs by Federal agency and, if including a cluster of programs, the cluster name, individual Federal programs within the cluster of programs, and applicable Federal agency name;
- (2) for Federal awards received as a subrecipient, the name of the pass-through entity with the number assigned by the pass-through entity;
- (3) provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available and, if including a cluster of programs, the total for the cluster;
- (4) include the total amount provided to subrecipients from each Federal program; and
- (5) include notes that describe that significant accounting policies used in preparing the schedule.

#### **7.1.8.3 Determination of Major Programs**

These are programs selected by the auditor in accordance with the Uniform Guidance. The auditors apply a risk-based approach designed to focus the audit on higher risk programs to determine major programs. As determined by section 200.519, the auditor must use a risk-based approach to determine which Federal programs are major programs. This risk-based approach must include consideration of current and prior audit experience, oversight by Federal agencies and pass-through entities, and the inherent risk of the Federal program. In case of a low-risk auditee, pursuant to section 200.520, the auditor's determination should be based on an overall evaluation of the risk of noncompliance occurring that could be material to the Federal program. The auditor must consider criteria to identify risk in Federal programs. Also, as part of the risk analysis, the auditor might wish to discuss a particular Federal program with auditee management and the Federal agency or pass-through entity. Determining major programs using the risk-based approach is a four-step process that involves the auditor:

- (1) determining type A and type B programs (not to be confused with CMIA section A and B programs);
- (2) identifying low-risk type A programs;
- (3) identifying high-risk type B programs; and
- (4) selecting the major programs.

As directed under section 200.503(e), a Federal awarding agency might request that an auditee have a particular Federal program audited as a major program in lieu of the Federal awarding agency conducting or arranging for the additional audits. To



allow for planning, such requests should be made at least 180 calendar days prior to the end of the fiscal year to be audited.

The auditee, after consultation with its auditor, should promptly respond to such a request by informing the Federal awarding agency whether the program would otherwise be audited as a major program using the risk-based audit approach described in section 200.518 of the Uniform Guidance, "Major program determination" and, if not, the estimated incremental cost. The Federal awarding agency must then promptly confirm to the auditee whether it wants the program audited as a major program. If the program is to be audited as a major program based upon this Federal awarding agency request, and the Federal awarding agency agrees to pay the full incremental costs, then the auditee must have the program audited as a major program. A pass-through entity might use the provisions of this paragraph for a subrecipient.

#### **7.1.8.4 Audit Findings**

For a single audit, an audit finding means deficiencies which the auditor is required to report in the schedule of findings and questioned costs. Audit findings result from a process that evaluates audit evidence and compares it against audit criteria. Audit evidence includes records, factual statements, and other verifiable information that is related to the audit criteria being used. The auditor shall report the following as audit findings in a schedule of findings and questioned costs:

- (1) significant deficiencies in internal control over major programs;
- (2) material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program;
- (3) known questioned costs which are greater than \$25,000 for any type of compliance requirement for a major program including information to provide proper perspective for judging the prevalence and consequences of the questioned costs;
- (4) known questioned costs which are greater than \$25,000 for a Federal program which is not audited as a major program;
- (5) the circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards;
- (6) known fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards; and
- (7) Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.

##### **a. Documentation**

As directed by section 200.516 of the Uniform Guidance, audit findings must be presented in sufficient detail and clarity for the auditee to prepare a corrective action plan and take corrective action, and for Federal agencies and pass-



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through entities to arrive at a management decision. The following specific information must be included, as applicable, in audit findings:

- (1) Federal program and specific Federal award identification including the CFDA title and number, Federal award identification number and year, name of Federal agency, and name of the applicable pass-through entity;
- (2) the criteria or specific requirement upon which the audit finding is based, including the Federal statutes, regulations, or the terms and conditions of the Federal awards;
- (3) the condition found, including facts that support the deficiency identified in the audit finding;
- (4) a statement of cause that identifies the reason or explanation for the condition or the factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which might also serve as a basis for recommendations for corrective action;
- (5) the possible asserted effect to provide sufficient information to the auditee and Federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action in the form of a statement of the effect or potential effect that should provide a clear, logical link to establish the impact or potential impact of the difference between the condition and the criteria;
- (6) identification of questioned costs and how they were computed. Known questioned costs must be identified by applicable CFDA number(s) and applicable Federal award identification number(s);
- (7) information to provide proper perspective for judging the prevalence and consequences of the audit
- (8) identification of whether the audit finding was a repeat of a finding in the immediately prior audit and if so any applicable prior year audit finding numbers;
- (9) recommendations to prevent future occurrences of the deficiency identified in the audit finding; and
- (10) views of responsible officials of the auditee.

### 7.1.9 Questioned Costs

These are costs that are questioned by the auditor because of an audit finding:

- (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds;
- (2) where the costs, at the time of the audit, are not supported by adequate documentation; or
- (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

### 7.1.10 Material Deficiency

A material weakness in internal control over compliance is a deficiency such that there is a reasonable possibility that material noncompliance with a type of compliance requirement



of a Federal program will not be prevented, or detected and corrected, on a timely basis. Many audit findings considered material weakness relative to the program might indicate a higher risk.

#### **7.1.11 Repeated Findings**

Repeated findings with the agency should be avoided at all costs. When repeated findings are present this represent a sign that correction actions has not been taken or the ones taken has not been effective on solving the problem. Grant Managers should enforce that the Corrective Action Plan is been followed.

#### **7.1.12 Corrective Action Plans**

As prescribed by section 200.511 of the Uniform Guidance, at the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in section 200.516 of the Uniform Guidance, "Audit findings", a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

##### **7.1.12.1 Implementation**

The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. The auditee must also prepare a corrective action plan for current year audit findings. The summary schedule of prior audit findings and the corrective action plan must include the reference numbers the auditor assigns to audit findings under section 200.516(c) of the Uniform Guidance, "Audit findings". Since the summary schedule might include audit findings from multiple years, it must include the fiscal year in which the finding initially occurred. The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS. The summary schedule of prior audit findings must also report the status of all audit findings included in the prior audit's schedule of findings and questioned costs. The summary schedule must also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected, or no longer valid or not warranting further action. When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken and, when not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation. When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position must be described in the



summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred.

## 7.2 Program-Specific Audit

According to section 200.501 of the Uniform Guidance, when an auditee expends Federal awards under only one Federal program (excluding R&D) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee, the auditee might elect to have a program-specific audit conducted in accordance with section 200.507. A program-specific audit might not be elected for R&D unless all of the Federal awards expended were received from the same Federal agency, or the same Federal agency and the same pass-through entity, and that Federal agency, or pass-through entity in the case of a subrecipient, approves in advance a program-specific audit.

### 7.2.1 Process

In many cases, a program-specific audit guide will be available to provide specific guidance to the auditor with respect to internal controls, compliance requirements, suggested audit procedures, and audit reporting requirements and can be found in the compliance supplement. When a current program-specific audit guide is available, the auditor must follow GAGAS and the guide when performing a program-specific audit. When a program-specific audit guide is not available, the auditee and auditor must have basically the same responsibilities for the Federal program as they would have for an audit of a major program in a single audit. The auditee must prepare the financial statement(s) for the Federal program that includes, at a minimum, a schedule of expenditures of Federal awards for the program and notes that describe the significant accounting policies used in preparing the schedule, a summary schedule of prior audit findings consistent with the requirements of section 200.511(b) of the Uniform Guidance, "Audit findings follow-up", and a corrective action plan consistent with the requirements of section 200.511(c), "Audit findings follow-up". The auditor must:

- (1) perform an audit of the financial statement(s) for the Federal program in accordance with GAGAS;
- (2) obtain an understanding of internal controls and perform tests of internal controls over the Federal program for a major program;
- (3) perform procedures to determine whether the auditee has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that could have a direct and material effect on the Federal program for a major program;
- (4) follow up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee in accordance with the requirements of section 200.511 and report, as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding; and
- (5) report any audit findings consistent with the requirements of section 200.516 of the uniform Guidance, "Audit findings".



### **7.2.2 Auditor's Report**

The independent auditor's report is a formal opinion or disclaimer of opinion issued by an independent auditor as a result of an external audit or evaluation. The auditor's report(s) might be in the form of either combined or separate reports and might be organized differently from the manner presented in this section. It must include:

- (1) an opinion (or disclaimer of opinion) as to whether the financial statement(s) of the Federal program is presented fairly in all material respects in accordance with the stated accounting policies,
- (2) a report on internal control related to the Federal program, which must describe the scope of testing of internal control and the results of the tests,
- (3) a report on compliance which includes an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, regulations, and the terms and conditions of Federal awards which could have a direct and material effect on the Federal program; and
- (4) a schedule of findings and questioned costs for the Federal program that includes a summary of the auditor's results relative to the Federal program in a format consistent with section 200.515(d)(1) of the Uniform Guidance, "Audit reporting", and findings and questioned costs consistent with the requirements of section 200.515(d)(3).

### **7.2.3 Submission**

As specified by section 200.507 of the Uniform Guidance, the audit must be completed and the reporting submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or 9 months after the end of the audit period, unless a different period is specified in a program-specific audit guide. Also, unless restricted by Federal law or regulation, the auditee must make report copies available for public inspection. Auditees and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information.

When a program-specific audit guide is available in the compliance supplement, the auditee must electronically submit to the FAC the data collection form prepared in accordance with section 200.512(b) of the Uniform Guidance, "Report submission", as applicable to a program-specific audit, and the reporting required by the program-specific audit guide. When a program-specific audit guide is not available, the reporting package for a program-specific audit must consist of the financial statement(s) of the Federal program, a summary schedule of prior audit findings, a corrective action plan, and the auditor's report(s) described in 200.512(b)(4) of the section. The data collection form prepared in accordance with section 200.512(b), as applicable to a program-specific audit, and one copy of this reporting package must be electronically submitted to the FAC.

## **7.3 Reporting**

As specified by section 200.512 of the Uniform Guidance, audit must be completed and the data collection form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or 9 months after the end of the audit period. Unless restricted by Federal statutes or regulations, the auditee must make copies available for public



inspection. Auditees and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information.

### 7.3.1 Data Collection

As mandated by section 200.512 of the Uniform Guidance, the FAC is the repository of record, where reporting packages and the data collection form must be filed. All Federal agencies, pass-through entities and others interested in a reporting package and data collection form must obtain it by accessing the FAC. The auditee must submit required data elements described in Appendix X to the Uniform Guidance (**Form SF-SAC**). A senior level representative of the auditee must sign a statement to be included as part of the data collection that affirms that the auditee complied with the requirements; the data were prepared in accordance with the requirements of the Uniform Guidance (and the instructions accompanying the form); the reporting package does not include protected personally identifiable information; the information included in its entirety is accurate and complete; and that the FAC is authorized to make the reporting package and the form publicly available on a Website.

Using the information included in the reporting package, the auditor must complete the applicable data elements of the data collection form. The auditor must sign a statement to be included as part of the data collection form that indicates, at a minimum, the source of the information included in the form, the auditor's responsibility for the information, that the form is not a substitute for the reporting package, and that the content of the form is limited to the collection of information prescribed by OMB. The auditee must electronically submit to the FAC the data collection form and the reporting package. Also, in response to requests by a Federal agency or pass-through entity, auditees must submit a copy of any management letters issued by the auditor.

The "Data Collection Form" (**Form SF-SAC**) is an electronic form that contains the most relevant and important information presented in the Single Audit. This form should be filed with the FAC, appointed by the U.S. Office of Management Budget to act as a central collection point and repository for audit reports prepared and submitted under provisions of the **Single Audit Act**. States, local governments, and nonprofit organizations that annually expend \$750,000 or more in Federal awards must perform a Single Audit and complete **Form SF-SAC** for every fiscal year they meet the reporting dollar threshold. The reporting system can be accessed at:

[https://harvester.census.gov/facides/\(S\(igilrtlyfcl4s0mjpllrt5o\)\)/account/login.aspx](https://harvester.census.gov/facides/(S(igilrtlyfcl4s0mjpllrt5o))/account/login.aspx).

#### 7.3.1.1 Credentials

Users gain access to the system with their unique e-mail and password combination, also known as their "sign-in credentials", established account.

#### 7.3.1.2 Submission

Reporters must:

- (1) complete **Form SF-SAC** online by selecting "Start" in the application;



- (2) check the form for errors and, if required, unlock the form to check it for errors, which will invalidate any auditee certification or auditor signatures completed to that point;
- (3) upload the Audit;
- (4) certify the Reporting Package; and
- (5) submit the Reporting Package.

A new report is required for each submission. Each report corresponds to one single audit submission for one fiscal period. At this time, FAC does not support submissions that span multiple fiscal periods. For each fiscal period in which a submission is required, you must enter a single audit submission and complete a new **Form SF-SAC**.

### **7.3.2.3 Reporting Package**

The reporting package must include the:

- (1) financial statements and schedule of expenditures of Federal awards;
- (2) summary schedule of prior audit findings;
- (3) auditor's report(s); and
- (4) corrective action plan.

#### **a. Auditor's Report**

As required under section 200.513 of the Uniform Guidance, the auditor's report(s) shall include:

- (1) a statement asserting the audit was conducted in accordance with the Uniform Guidance;
- (2) an opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles;
- (3) an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole;
- (4) a report on internal control related to the financial statements and major programs that shall describe the scope of testing of internal control and the results of the tests, and, where applicable, refer to the separate schedule of findings and questioned costs;
- (5) a report on compliance with laws, regulations, and the provisions of contracts or grant agreements, non-compliance with which could have a material effect on the financial statements;
- (6) an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program; and
- (7) a schedule of findings and questioned costs.

#### **i. Retention**



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As directed by section 200.518 of the Uniform Guidance, the auditor must retain audit documentation and reports for a minimum of 3 years after the date of issuance of the auditor's report(s) to the auditee, unless the auditor is notified in writing by the cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period. When the auditor is aware that the Federal agency, pass-through entity, or auditee is contesting an audit finding, the auditor must contact the parties contesting the audit finding for guidance prior to destruction of the audit documentation and reports. Audit documentation must be made available upon request to the cognizant or oversight agency for audit or its designee, cognizant agency for indirect cost, a Federal agency, or GAO at the completion of the audit, as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities consistent with the purposes of this Part. Access to audit documentation includes the right of Federal agencies to obtain copies of audit documentation, as is reasonable and necessary.

### 7.4 Management Decision

A management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given. Prior to issuing the management decision, the Federal agency or pass-through entity might request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the auditee. While not required, the Federal agency or pass-through entity might also issue a management decision on findings relating to the financial statements which are required to be reported in accordance with GAGAS.

As provided in section 200.513(a)(7) of the Uniform Guidance, "Responsibilities", the cognizant agency for audit must be responsible for coordinating a management decision for audit findings that affect the programs of more than one Federal agency, and a Federal awarding agency is responsible for issuing a management decision for findings that relate to Federal awards it makes to non-Federal entities. Similarly, as provided in section 200.331(d), "Requirements for pass-through entities", the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.

The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within 6 months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

### 7.5 State Rule

State agencies should also be familiar with the following Circular Letters (CC) issued by Treasury:



(1) CC 1300-23-07 - Information on Single Audit Act and Contracting of External Auditors

### 7.5.1 Corrective Action Plans

The Comptroller of Puerto Rico (CPR) has the ministerial task of examining all accounts, revenues, and disbursements of the State, its agencies, and municipalities to determine whether they are kept according to the law. This authority was conferred by the Constitution of the Commonwealth of Puerto Rico, in Article III, Section 22, and Act No. 9 of July 24, 1952, as amended. Accordingly, State agencies should be familiar with the Single Audit Report Process established by the CPR as outlined in [Annex VIII](#) and with OGP's [CC 93-11](#). Also, [CPR's Regulation No. 26 for the "Administration of the Corrective Action Plan \(CAP\)"](#) establishes guidelines for entities audited by the CPR to prepare and develop corrective actions plans and the related supplementary reports and to effectively follow-up the recommendations contained in such reports. Also, the guidance establishes the requirements to follow-up on corrective action plans, to provide for extension of time, and the coordination among entities.

### 7.5.2 Management Letters

Consonant with section 200.510 of the Uniform Guidance, the external auditors, within 60 days after submitting the final audit report must explain their findings and recommendations in detail. It shall be the obligation of the chief officer of the audited entity to remit a copy to the Office of the Comptroller within thirty (30) days of having received the management letters submitted by the external auditors during the audit and a copy of the final audit reports. He or she shall also remit the audited financial statements, compliance reports, if applicable, and those of internal control on compliance and the opinion on compliance, which shall be accompanied by a remittance slip duly completed and signed by the chief officer of the audited entity.

The external auditors shall keep, for a six (6) year period or an audit by the Comptroller, whichever occurs first, the work sheets and other attesting documents that will enable the auditors of the Office of the Comptroller to examine them as part of the audits performed by them of the government or private entities that receive government funds. In all cases in which a government entity is required by law, regulations, financing agreement or when deemed necessary, to contract external auditors to perform financial audits, the contract shall be executed 90 days before the close of the fiscal year to be audited.

## 7.6 Auditor selection

The auditee must procure or otherwise arrange for the audit required in accordance with section 200.509 of the Uniform Guidance, "Auditor selection", and ensure it is properly performed and submitted when due in accordance with section 200.512, "Report submission".

### 7.6.1 Procurement

In procuring audit services, the auditee must follow the procurement standards prescribed by the Procurement Standards in section 200.317 of the Uniform Guidance, "Procurement



by states", through 200.326, "Contract provisions". When procuring audit services, the objective is to obtain high-quality audits. In requesting proposals for audit services, the objectives and scope of the audit must be made clear and the non-Federal entity must request a copy of the audit organization's peer review report, which the auditor is required to provide under GAGAS.

Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price. Whenever possible, the auditee must make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises, in procuring audit services as stated in section 200.321 of the Uniform Guidance, "Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms".

An auditor who prepares the indirect cost proposal or cost allocation plan might not also be selected to perform the audit when the indirect costs recovered by the auditee during the prior year exceeded \$1 million. This restriction applies to the base year used in the preparation of the indirect cost proposal or cost allocation plan and any subsequent years in which the resulting indirect cost agreement or cost allocation plan is used to recover costs. Federal auditors might perform all or part of the work required.

#### 7.6.2 Other Considerations

Entities should examine the following:

- (1) there are no conflicts of interest;
- (2) the list of Suspension and Debarment does not include the audit firm;
- (3) the audit firm should have previous experience performing single audits demonstrated through a list of contracts with governmental agencies or other entities;
- (4) the audit firm provides a list of each one of the persons assigned to the single audit guaranteeing the personnel on the list will be working on the single audit, and containing full name, number of hours assigned for the project, position and role;
- (5) the personnel assigned to the single audit have the qualifications to perform the single audit demonstrated through current resumes showing relevant previous work experience, highest grade obtained, professional license and affiliations; and
- (6) previous samples of single audit reports performed by the audit firm demonstrate completeness and quality by meeting the requirements of contents of the Uniform Guidance (e.g., section 200.516, "Audit findings").

#### 7.6.3 State Rule

**Act 273 of September 10, 2003, Contractual Standards for External Auditors**, establishes the procedures for contracting external auditors. It states that every contract for advisory services, non-audit services or audit services conducted by external auditors executed by any government or private entity that receives public funds in excess of \$200,000 dollars a year shall include provisions establishing that:



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- (1) the auditor shall not perform managerial or decision-making functions pertaining to the management of the entity;
- (2) the auditors contracted as consultants or to perform non-audit services shall not provide audit services, management consulting functions, payroll processing, accounting or bookkeeping, valuation services and appraisals, actuarial services, activities deemed proper to the management or administrators of the entity, recruiting and human resources services, stockbroker services, and others of a similar nature;
- (3) the employees of the auditing firm or the external auditor who shall render the consulting service, shall not participate in the planning of the audit, perform the audit or the review of related work;
- (4) the contract shall not limit the scope and extent of the audit to a level inferior to that which would have been performed if another firm or external auditor would have rendered the consulting services;
- (5) the peer review system of the external auditors office for matters related to its independence, shall include standards and procedures to consider the effects of the consulting services or non-audit services in present and future auditing services; and
- (6) the external auditor shall have the obligation to report and deliver to the auditor who performs the peer review audit of his or her office this contract for advisory services or non-audit services or any other, and all the files corresponding to the audits made of the entity, if any.

Additionally, the contracts shall clearly establish the objectives, scope and final product of the advisory services or of the non-audit services and the responsibility of each of the parties in specific aspects. Among other things, management shall be responsible for:

- (1) designating the management level in charge of supervising the advisory services or non-audit services contracted;
- (2) supervising the performance of the services to ensure compliance with management's expectations;
- (3) making the decisions regarding the services contracted and accepting responsibility for said determinations; and
- (4) assessing the adequacy of the services performed and the results obtained.