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## Chapter 10 – Grants Management

Federal grants represent a large amount of the State’s annual revenue. At a minimum, Organizations must process transactions in accordance with State policies and procedures, but must also adhere to any additional federal requirements imposed by the specific grant. Organizations should contact their grants management personnel, the Office of Management and Budget (OMB), or the Department of Finance (DOF), as appropriate, if they have any questions.

The Federal government has identified areas to be included in proper grant management processes. They are as follows:

1. **Financial reporting** - accurate, current and complete disclosure of financial results
2. **Accounting records** - maintenance of records which identify the course and publications of funds
  - a. Grants Management for accounting records consists of two major components:
    - Grant Application and Proposal Process (Pre-Award Processing)
      - Proposal Maintenance – includes project assignment, federal reporting requirements (activities), and budgets that contain indirect costs, matching (cost share) and program income.
    - Grant-Related Transactions (Post-Award Processing)
      - Grant Award – includes contract and billing information, project transactions tracking and project budget modifications.
      - Transaction Tracking – includes the capturing of all Accounts Payable, eProcurement, Purchasing, Billing, Accounts Receivable, and General Ledger activities.
3. **Internal control** - maintain effective control and accountability for all grants and subawards
4. **Budget control** - comparison of actual expenditures or outlays to budgeted amounts for each grant or subaward
5. **Allowable costs** - grants expenditures determined by applying appropriate OMB cost principles, agency program regulations and the terms of grants and subaward agreements
6. **Source documentation** - documentation maintained to support accounting records
7. **Cash Management** - procedures to minimize the time elapsing between the transfer of funds from the federal government and the disbursement by the grantee or sub-grantee

## 10.1 General Information and Definitions

<b>Uniform Guidance Definitions</b>	
<b>Term</b>	<b>Definition</b>
Allowable Costs	<p>To be allowable under a grant program, costs must meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Be necessary and reasonable for proper and efficient performance and administration of Federal awards;</li> <li>• Be allocable to Federal awards;</li> <li>• Be authorized or not prohibited under State or Local laws or regulations;</li> <li>• Conform to any limitations or exclusions set forth in Federal guidelines;</li> <li>• Be consistent with policies, regulations, and procedures that apply uniformly to both Federally assisted and other activities of the government unit of which the grantee is a part;</li> <li>• Be accorded consistent treatment and determined to be in accordance with Generally Accepted Accounting Principles (GAAP);</li> <li>• Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation and;</li> <li>• Be net of all applicable credits and adequately documented.</li> </ul>
Cognizant Agency	The Cognizant Agency for cost allocation plans and indirect cost proposals for all governmental units or agencies not specifically identified by OMB will be determined based on the Federal Agency providing the largest amount of federal grant funds to the entity. Department of Health and Human Services (HHS) is the State's Cognizant Agency.
CMIA	The Cash Management Improvement Act of 1990 (CMIA) provides the general rules and procedures for the effective, efficient and equitable use of State and Federal funds on behalf of major Federal assistance programs in the annual Treasury-State Agreement (TSA). See 31 CFR 205 Part A of the Code of Federal Regulations for the rules governing the largest Federal programs, and Part B for all other programs.
Drawdown	A process whereby a state requests and receives federal funds.

<b>Uniform Guidance Definitions</b>	
<b>Term</b>	<b>Definition</b>
Federal Financial Assistance	Assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. Assistance includes awards received directly from Federal Agencies or indirectly from other State and Local government units.
Federal Award (Grant)	An award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by the Federal government to an eligible grantee. The term does not include technical assistance, which provides services instead of money, or other assistance in the form of revenue sharing, loans, loan guarantees, interest subsidies, insurance, or direct appropriations. Also, the term does not include assistance for which the grantee is not required to account.
Owner of the Grant/Grantee	The direct recipient of a grant that is accountable for the use of the funds received. The grantee is the entire legal entity even if only a particular component of the entity is designated in the grant award document (this may be a State Organization or Program).
Grantor	The Federal Agency that awards a grant to an eligible grantee. Also referred to as the Sponsor.
Questioned Costs	Costs that, in the opinion of the auditor, may not comply with or may not be consistent with the requirements set forth in contracts, statutes, or regulations governing the allocation, allow ability, or reasonableness of costs charged to awards and programs, and thus may not be reimbursable.  <i>Questioned cost</i> means a cost that is questioned by the auditor because of an audit finding:  <ul style="list-style-type: none"> <li>(a) 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;</li> <li>(b) Where the costs, at the time of the audit, are not supported by adequate documentation; or</li> <li>(c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.</li> </ul>
Statewide Indirect Costs	Indirect costs incurred by the State's central service agencies in support of other State Organizations and institutions. The Division of Accounting (DOA) notifies Organizations annually of their allocation of Statewide indirect costs.

<b>Uniform Guidance Definitions</b>	
<b>Term</b>	<b>Definition</b>
Data Universal Numbering System (DUNS) Number  Unique Entity ID (UEI)	Dun & Bradstreet (D&B) provides a DUNS number, which is a nine-digit identification number for each physical location of your business. This number is no longer needed for any federal grant application. It has been replaced by a unique Entity Id. Obtain a UEI online using the following website: <a href="https://sam.gov/content/duns-uei">https://sam.gov/content/duns-uei</a> .
Advance payment	A payment that a Federal awarding agency or pass-through entity makes by any appropriate payment mechanism, including a predetermined payment schedule, before the non-Federal entity disburses the funds for program purposes.
CFDA	The number assigned to a Federal program from the Catalog of Federal Domestic Assistance.  The CFDA number is found on the Catalog for Federal Domestic Assistance online database. The database contains all Federal programs available to State and Local governments, federally-recognized Native-American tribal governments, territories and possessions of the United States, domestic public, quasi-public, and private profit and nonprofit organizations and institutions, specialized groups, and individuals.  Additional information on the Catalog for Federal Domestic Assistance database may be found online using the following website: <a href="https://sam.gov">https://sam.gov</a> - then select the <u>Assistance Listing</u> link
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 this part 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.  A State Organization may receive funds from a Federal Agency, a cataloged federal program, or from another State Organization to supply a deliverable or perform a service under a contract or cooperative agreement. Organizations receiving these funds are bound by the specific contract terms when supplying a deliverable or performing a service under contract or cooperative agreement. These monies are not considered grant funds, and the use of these monies is not governed by this chapter.

<b>Uniform Guidance Definitions</b>	
<b>Term</b>	<b>Definition</b>
Federal financial assistance	<p>(a) For grants and cooperative agreements, <i>Federal financial assistance</i> means assistance that non-Federal entities receive or administer in the form of:</p> <ul style="list-style-type: none"> <li>(1) Grants;</li> <li>(2) Cooperative agreements;</li> <li>(3) Non-cash contributions or donations of property (including donated surplus property);</li> <li>(4) Direct appropriations;</li> <li>(5) Food commodities; and</li> <li>(6) Other financial assistance (except assistance listed in paragraph (b) of this section).</li> </ul> <p>(b) For Subpart F—Audit Requirements of this part, <i>Federal financial assistance</i> also includes assistance that non-Federal entities receive or administer in the form of:</p> <ul style="list-style-type: none"> <li>(1) Loans;</li> <li>(2) Loan Guarantees;</li> <li>(3) Interest subsidies; and</li> <li>(4) Insurance.</li> </ul>
Improper payment	<p>(a) 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</p> <p>(b) 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.</p>
Indirect (facilities & administrative (F&A)) costs	<p>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 may be necessary to establish a number of pools of indirect (F&amp;A) costs. Indirect (F&amp;A) cost pools must be distributed to benefitted cost objectives on basis that will produce an equitable result in consideration of relative benefits derived.</p>
Internal controls	<p>A process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:</p> <ul style="list-style-type: none"> <li>(a) Effectiveness and efficiency of operations;</li> <li>(b) Reliability of reporting for internal and external use; and</li> <li>(c) Compliance.</li> </ul>

<b>Uniform Guidance Definitions</b>	
<b>Term</b>	<b>Definition</b>
Loan	<p>A Federal loan or loan guarantee received or administered by a non-Federal entity, except as used in the definition of 2 CFR § 200.80 (Program income) of the Code of Federal Regulations.</p> <p>(a) The term “direct loan” means a disbursement of funds by the Federal Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by another lender and financing arrangements that defer payment for more than 90 days, including the sale of a Federal Government asset on credit terms. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default claims or the price support loans of the Commodity Credit Corporation.</p> <p>(b) The term “direct loan obligation” means a binding agreement by a Federal awarding agency to make a direct loan when specified conditions are fulfilled by the borrower.</p> <p>(c) The term “loan guarantee” means any Federal Government guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions.</p> <p>(d) The term “loan guarantee commitment” means a binding agreement by a Federal awarding agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.</p>
Subaward	<p>An award provided by a pass-through entity to a sub-recipient for the sub-recipient 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 may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.</p>
Sub-recipient	<p>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 sub-recipient may also be a recipient of other Federal awards directly from a Federal awarding agency.</p>

<b>Uniform Guidance Definitions</b>	
<b>Term</b>	<b>Definition</b>
Suspended and Debarred Vendors	<p>A suspension is an action taken by a suspending official that excludes or disqualifies a person or company from bidding on, receiving, or participating in Federally funded contracts or grants for a temporary period of time pending the completion of an investigation or legal or administrative proceedings. A suspension has government-wide effect applying to all Federal programs and procurement.</p> <p>A debarment is an action taken by a debarring official that excludes or disqualifies a person or company for a specific period of time, generally not longer than 3 years. A debarment has government-wide effect applying to all Federal programs and procurement.</p> <p>When an Organization is making payments using federal funds, they are required to review <a href="https://sam.gov/content/exclusions">https://sam.gov/content/exclusions</a> to ensure that the vendor(s) they are paying do not appear on the vendor exclusion list.</p>

<b>First State Financials (FSF) Definitions</b>	
<b>Term</b>	<b>Definition</b>
Sub-Grant/Pass-Through Grant	Federal funds or other grant monies passed through from one State Organization to another State Organization, at which time the sub-grantee becomes responsible for complying with the rules and regulations governing the program, audit issues, etc.



The following table lists common types of grants used in the State:

<b>Type of Grants</b>	<b>Explanation</b>
Direct Grant	Funds received by a State Organization directly from the federal government to run a specific program cataloged in the Catalog of Federal Domestic Assistance (CFDA).
Subaward (referred to as Indirect Grant in FSF)	Funds received by a State Organization from a cataloged Federal program for a private, nonprofit, Local government or higher education facility.
Advance Payment (referred to as Prepaid Grant in FSF)	Funds advanced at the beginning of the grant for the full amount of the grant; Organizations are required to account for the expenses associated with the grant. Prepaid grants are identified under Post-Award.
Reimbursable Grant	Funds received for programs to be operated on a reimbursable basis as mandated by Federal law. The State must cover payment of bills before reimbursement can be requested from the Federal Agency.
Non-federal Grant	Funds received by a State Organization from other than federal sources. Non-federal grants must be entered in the State's financial management and accounting system, FSF, by the Owner of the grant.
Block Grant	A consolidated grant of Federal funds, formerly allocated for specific programs, that a State or Local government may use at its discretion for such programs as education or urban development, and provides money for general areas of social welfare, rather than for specific programs.

## 10.2 State Process for Application of a Federal Grant

### 10.2.1 State Review Requirements (SPOC, DSCC)

Prior to submitting state or local plan(s) or application(s) to federal or non-federal authorities for the purpose of receiving funds, such plan(s) or application(s) shall be submitted to the Clearinghouse Administrator, Single Point of Contact (SPOC) for Delaware, for review and approval or disapproval by the Delaware State Clearinghouse Committee (DSCC).

**29 Del. C. §7603**

Housed at OMB, the State's SPOC coordinates the grant review process. The establishment of federal and non-federal grants and corresponding spending authority is the responsibility of OMB, through the State's SPOC.

#### Grant SPOC Information

When the grant is ready for formal OMB review, the grant application and SPOC form are electronically processed within FSF. The grant application and the SPOC form are approved internally by the Organization and electronically submitted to OMB for review and approval.

**NOTE:** The SPOC forms are system generated in FSF from the Pre-Award collected data and data components. The SPOC form and the instruction manual are located on OMB's website and are available via the following link:

<http://budget.delaware.gov/clearinghouse/forms.shtml>.

#### 10.2.1.1 SPOC Review and Fiscal and Policy Analyst Review

The grant application is reviewed by the Organization for completeness, accuracy and approval. The approved grant application is forwarded to OMB for review for appropriate uses of the requested funds. Both the Organization and the Fiscal and Policy Analysts must approve the grant applications, before the applications are scheduled for review by DSCC. If a grant application is not approved, it is returned to the requesting Organization with a written explanation of the disapproved status. Requested modifications to the grant application must be made and must be resubmitted for review within FSF.

#### **10.2.1.2 Delaware State Clearinghouse Committee (DSCC)**

Once a month, DSCC meets to review grant applications. The Committee consists of the following members (or designees): Chairperson and Vice Chairperson of the Joint Finance Committee, Controller General, Director of OMB, Director of the Division of Small Business, Secretary of Finance, and four members of the General Assembly. If a grant application is not approved, it is returned to the requesting Organization with a written explanation as to why the application was not approved. If modifications to the grant application have been requested, changes must be made to the application and resubmitted for review within FSF.

Additional information on DSCC's procedures is available via the following link:

<http://budget.delaware.gov/clearinghouse/index.shtml>.

### **10.3 Grant Application and Proposal Process in FSF (Pre-Award Requirements)**

To begin the process, an Organization prepares a grant application in FSF. Pre-Award requires the following:

#### **10.3.1 General Grant Requirements**

##### **10.3.1.1 The Owner of the Grant Concept**

The grant application must be completed by the Owner of the Grant. All sub-grant post-award activities are to be completed by the Owner of the Grant. Sub-Grant Organizations are responsible for communicating all requirements during Pre-Award set-up and Post-Award amendments. The establishment of the Owner of the Grant requires the following steps to be performed during the set-up:

1. Identify if pass-through or sub-grantee will be applied.
2. Identify the types of activities (federal reporting) required for reporting.
3. Identify if cost share (matching) will be applied and which Organization will be supplying the required match.
4. Identify required budget items within the spending plan for each project and activity (i.e., salaries, fringe, travel, contractual services, etc.).
5. Identify if indirect costs are applied and which rate agreement is to be utilized.

6. Identify if indirect cost distributions are required and which Organization(s) are associated with the receipt of indirect cost reimbursement. For those grants with indirect cost reimbursement a portion must be provided to the Office of Management and Budget.
7. Identify if program income or interest will be applied.

### 10.3.1.2 Proposal Requirements

1. The proposal must include grant description, grant title which is identified on the Federal grant notice and should include the State fiscal year, project manager (principal investigator), Federal sponsor, CFDA number, and spending period authority (start and end dates, should include 90/120-day close out period, if applicable).

The State Organizations are required to include the CFDA number on Federally funded grant applications and the Grant Pre-Award to comply with Federal and State audit requirements. If a CFDA number has not been assigned Organizations must utilize the Program Not Catalog to load the proposal.

**NOTE:** If a grant application does not request Federal funding, then a CFDA number is not required. If the required CFDA is not supported within FSF; the Organization must complete the required CFDA form and submit for approval and assignment. Each CFDA number is verified against the National CFDA website.

2. Establishment of a multiple year grant allotment:

If the grant has Multi-Year Grant Allotments, Organization(s) must submit the initial first year of the cluster, to OMB for the entire number of allotment years, the amount for Clearinghouse approval and reflect the proposal type as Continuation.

For the subsequent allotment years, Organizations will only be required to create a proposal for each additional year to establish a new contract (SAI) number for the new year of spending authority and reflect the proposal type as Resubmission.

Additional Clearinghouse approval will not be necessary unless the authorized amount exceeds 30% of the total allotment previously approved by the Clearinghouse.

### 10.3.1.3 Project Requirements

1. All Organizations receiving pass-through funds must be represented within the grant and supported as a separate project.
  - Sub-recipient can also be supported as a separate project or can be incorporated within the Owner of Grants primary project as a specific budget item (i.e., contractual service, etc.)
2. All grant applications must reflect specific activities or objectives (Federal reporting) of the grant as assigned by the Owner of the Grant.
3. Indirect costs are to be apportioned (F & A Distribution) by the Owner of the Grant along with the associated by percentage.

### 10.3.1.4 Indirect Costs

Indirect cost allocation is a cost accounting process in which administrative support costs are developed and distributed to the Organizations receiving the benefit. The amount each Organization receives is in proportion to the Organizations' relative use of the services provided.

Administrative support and/or the provision of centralized services exist at both the Statewide and Organization levels and may be comprised of activities, such as budgeting, accounting, auditing, facilities management, administration, personnel, and information technology services.

Indirect costs are developed and distributed through:

- An annually updated Statewide Indirect Cost Allocation Plan (SWCAP), and
- The development of individual departmental indirect cost rate proposals.  
(29 Del. C. §6102(k))

#### 1. Statewide Indirect Cost Allocation Plan (SWCAP)

Each fiscal year, OMB oversees the preparation, submission, and negotiation of a Statewide Indirect Cost Allocation Plan (SWCAP) with the designated Federal agency, designated as the State's cognizant agency, which is currently the Department of Health and Human Services. The indirect cost allocation plan is prepared on a budgetary basis, using a multiple rate methodology. The plan identifies both the category and amount of Statewide central service costs

traceable and attributable to State Organizations, which forms the basis for preparation of Organization indirect cost rate proposals.

## 2. Indirect Cost Rate Proposals

OMB oversees the preparation, submission, and negotiation with the designated Federal cognizant agencies, departmental indirect cost rate proposals for those State Organizations requiring significant Federal funds, by April 15 of each fiscal year. Departmental indirect cost rate proposals will be prepared on a budgetary basis, using a multiple rate methodology, which distinguishes between Statewide indirect costs and departmental indirect costs at the divisional or sectional levels of each Organization, as appropriate.

Each Organization is responsible for forwarding the Indirect Rate Agreement to OMB and to DOA so that FSF can be updated with the most current approved rates.

## 3. Indirect Cost Recoveries

### a. Statewide Indirect Cost Recoveries

The portion of indirect cost recoveries, identified from Statewide indirect costs that will be recovered from Federal grants and returned to OMB, utilizing the IV process.

### b. Departmental Indirect Cost Recoveries

The portion of indirect cost recoveries, identified from Organization indirect costs, that may be retained by the State Organization for the Organization's discretionary use or as authorized by the Annual Appropriations Act.

### c. Direct Bill Recoveries

Central service allocations identified by State Special Fund activities that are recovered from State Organizations, without exception, and turned over to the appropriate central service Organization. These Special Fund activities include:

- Audit activities of the State Auditor;
- Personnel activities of OMB;
- Information technology services provided by the Department of Technology and Information (DTI), and

- The services of Printing and Publishing arising from the current period.

d. Budget Submissions

Indirect costs must be provided for in all budgetary submissions where an indirect cost rate is applicable, accompanying Federal funding requests to DSCC.

Any exceptions to this policy will be made when the Federal program does not allow for indirect cost recovery. Such instances must be noted on the budgetary submissions.

Current indirect cost rates are retained by the OMB Chief of Financial Management Services for each specific Organization. The indirect cost rates on file must be budgeted and claimed in all Federal fund applications. OMB will review these indirect cost rates. Upon completion of the review, OMB forwards the indirect cost rates to DOA to be loaded into FSF.

e. Organizations Without Indirect Cost Rate Proposals

State Organizations may administer only limited federal programs, which do not warrant the development of formal indirect cost rate proposals. If State Organizations intend to recover any indirect costs, these Organizations are still required to identify and budget for the appropriate amount of both Statewide and Organization indirect costs in the grant submissions to OMB. If Organizations are unsure whether or not a limited Federal program requires an indirect cost rate recovery proposal, they should contact OMB.

When no formal indirect cost rate has been prepared for an Organization, OMB provides assistance in making a fair determination of the portion of Statewide indirect costs applicable to Federally funded activities. Federal programs that do not allow indirect cost recoveries must still budget with approved rates for audit services and personnel services, even if recoveries are not made. Organizations are responsible for applying the indirect cost rates within FSF.

f. Payments to OMB

Indirect costs recovered from federal programs must be transmitted to OMB on a quarterly schedule, at a minimum, utilizing an IV transaction.

g. Public Education

Public Education operations (Department of Education, local school districts, and charter schools) are exempt from participation in the Statewide portion of the Indirect Cost Program.

4. Waiver of Payment of Indirect Costs

All funds received under any Federal program, which allows indirect cost recovery, will be subject to the State's Indirect Cost Recovery Program. The only exception will be with the expressed written approval of the Director of OMB, Chief of Financial Management Services, and the involved Organization Head or Secretary.

Waiver requests must be made in writing to the Director of OMB, presenting the following information for review:

- a. Specific program identification;
- b. Program status, including:
  - Whether the program is capped, level funded, or cut;
  - The dollar amounts involved;
  - The impact of non-approval of the waiver request; and
  - The future year outlook and considerations.

An approved waiver is applicable only to a single fiscal year. Multi-year programs must be reviewed on an annual basis, and an updated waiver request must be processed, if a waiver is needed.

No waivers will be granted for direct cost recoveries. These costs are due from reimbursements received or from other Organization funds. Those Organizations, which are not utilizing these services, will not be assessed for these costs.

5. Sub-grants

Sub-grants are Federal funds or other grant monies received indirectly by a State Organization, usually through another State Organization.



a. Eligibility of sub-grantees

State Organizations, who sub-grant Federal funds to other State Organizations, shall pursue requests for recovery of indirect costs by the sub-grantee State Organization if:

- Indirect costs are recoverable from the sub-grant; and
- Indirect cost allocation to sub-grantee Federal programs is done in a manner consistent with federal cost principles.

b. Organizations With Formal Indirect Cost Rates

If the sub-grantee Organization has a formal indirect cost rate that is recognized by a cognizant Federal agency, then the grantor State Organization may approve indirect costs charged to sub-grants. The indirect costs charged must be based upon the submission of documentation, indicating these rates exist.

c. Organizations Without Formal Indirect Cost Rates

If the sub-grantee Organization does not have a formal indirect cost rate, the grantor State Organization is responsible for negotiating with the sub-grantee Organization for the application of indirect cost rates to the sub-grant. A multiple rate methodology is desirable in these situations, but a single rate is acceptable if, by its use, indirect cost allocations to sub-grants are not distorted or misrepresentative.

d. Recovery of Statewide Costs

In all cases of indirect cost recoveries from sub-grants to other State Organizations, the Statewide portion of indirect costs applicable to the sub-grantee State Organization is recoverable by OMB.

e. External Agencies

State Organizations that sub-grant federal funds or grant state funds to external private agencies or other governments are responsible for assuring that indirect costs claimed by such external agencies are fairly determined.

### 10.3.1.5 Grant Spending Plan (Budget)

For each grant, the Owner of the Grant must provide a spending plan (budget), which must address, if applicable:

1. A negotiated indirect cost rate agreement (if applicable);
2. OMB requests that all proposals support audit fees on the primary project.
3. A budget that identifies specific objects of expenditure, including:

- a. Contractual Services

Organizations completing a service for another State Organization are to be identified as contractual services.

- b. Personnel Requirements:

- OMB requires all personnel being paid with Federal funds from a grant to be identified on the Personnel Summary. Organizations must identify their Full Time Equivalent (FTE) employees associated with a grant on the external Personnel Summary form (<http://budget.delaware.gov/clearinghouse/forms.shtml>), as well as the position's authorized title, funding, salary and the portion of FTE that will be allocated towards the grant.
- Personnel costs must be separated within the following categories:
  - Federal Funds
  - General Funds
  - Appropriated Special Funds
  - Salary identified as a matching requirement:
    - 1) Create a listing of all employees associated with the grant. This listing should support the categories identified above, as well as Budget Position (BP) number, Position Title, Pay Grade and Salary.
    - 2) Identify the effort percentage for each employee.

- 3) Identify if the personnel cost must include the annual Other Employment Costs (OEC), as defined annually by OMB.
- 4) Identify and include if casual seasonal positions will be utilized.
4. Associate matching requirements, must also identify the Organization contributing to the match and the corresponding appropriation.
5. Other budget items should include, but not be limited to: Travel, Supplies, Capital, Contractual Services, Audit fees, Indirect Costs, etc.

#### **10.3.1.6 Cost Share (Matching)**

1. Identify those budget items that are match-related.
2. Identify the required matching percentage within the Cost Share link.
3. Identify the Organization(s) that will be providing the match, along with the total match percentage.
4. General information about summary cost sharing includes the following:
  - a. Cost shares (includes third-party cost shares where the appropriate institution information is identified), percentages, or fixed dollar amounts to be entered into FSF. Any shared cost or matching funds and all contributions, including cash and third party in-kind contributing, must be accepted as part of the non-Federal entity's cost sharing or matching with the following criteria:
    - Verifiable from the non-Federal entity's records,
    - Not included as contributions for any other Federal award,
    - Necessary and reasonable for accomplishment of project or program objectives
    - Allowable under Subpart E (Cost Principles),
    - Not paid by the Federal government under another Federal award,
    - Provided for in the approved budget, and
    - Confirm to other provisions.
  - b. Organization must be included for indirect cost distribution purposes, if cost sharing by institution.

### **10.3.1.7 Spending Plan Capping Requirements**

The spending plan of the grant is based on the total amount of the budget for the grant. When the application has been reviewed and approved by DSCC, but the formal grant award notice has not been received by the Organization, OMB will permit the Owner of the Grant temporary spending authority of a maximum of 15 percent of the total amount of the grant. This requirement does not apply to new grant requests.

### **10.3.1.8 Proposal Identification Number**

The State Proposal Identification Number is system generated by FSF and begins with SAI.

## **10.4 Grant Application Post-Award Requirements in FSF**

Post-Award requirements include the following items:

- Final detail budgets for expenses and revenues;
- Establishment of base transactional information;
- Contracts; and
- Projects.

### **10.4.1 Final Detail Budgets**

Organizations are responsible for creating the final budgets within FSF, following approvals from DSCC and OMB.

### **10.4.2 Establishment of Base Transactional Information**

Organizations must use FSF to create and establish profiles, documents, etc., that will facilitate transactions on behalf of the grant.

The completion of these elements must include the following components:

- Federal Award Reference Number and/or the Federal Award Identification Number (FAIN);
- Identify if the grant is an Indirect Grant;
- Capturing of DUNS number; and
- Capturing of Commercial And Government Entity (CAGE) number (if funds are from Department of Defense).

### **10.4.3 Contracts/Billing/Accounts Receivable**

A contract manages the posting of revenue to the general ledger through the use of revenue recognition plans. The method of revenue recognition is as incurred, unless the revenue is prepaid, then it is treated as deferred revenue.

Within FSF, every award requires the setup of a contract. All contracts must include the following components:

- The establishment of the Letter of Credit.
- The establishment of a Pre-Paid contract, if federal funds have been received in advance.
- The assignment of a proper Billing Plan.
- Customer (Federal sponsor)

Following DSCC, OMB, and federal approval, Organizations must place the contract in active status in FSF to activate the bill cycle so transactions can be processed (both expenditures and revenue) for reimbursement from the Federal sponsor. Transactions are processed based on Bill Cycle and post in FSF as Accounts Receivable (AR) Pending Items. The AR Pending Items represent grant reimbursable funds or prepaid funds that need to be collected in a timely manner per Federal and State approved guidelines.

### **10.4.4 Projects**

FSF utilizes several project-related functions to support grant-based financial transaction processing, including project (the purpose of the grant), activity (the objective to achieve the purpose of the grant), transaction inquiry, and budget. Within FSF, every award requires the setup of a minimum of one project, and each project requires a minimum of one activity. Awards may have multiple projects, and projects may have multiple activities.

## 10.5 Draw Requirements

OMB is responsible for defining specific requirements regarding all draws on grants, which are as follows:

- All draws are completed for the exact amount of the expenditure. Rounding on the draw is not permitted.
- Draws must be on a defined, routine schedule. All draws should be completed within 30 days of the expenditure.
- Once the deposit is received the Accounts Receivable Item must be posted in FSF within 30 days.

## 10.6 Cash Management Improvement Act

OMB is responsible for coordinating the activities necessary to comply with the Cash Management Improvement Act of 1990 (CMIA), as amended.

### 10.6.1 Overview of CMIA Process

The objectives of the CMIA are:

- **Efficiency** – To minimize the time between the transfer of funds to states and the payout for program purposes;
- **Effectiveness** – To ensure that Federal funds are available when requested; and
- **Equity** – To assess an interest liability to the Federal government and/or states to compensate for the lost value of funds.

The components, required by CMIA, are:

- Annual Treasury-State Agreement;
- Annual Report; and
- Annual Interest Exchange (if applicable).

### 10.6.2 Treasury-State Agreement

All states must enter into a Treasury-State Agreement (TSA) as required by CMIA. The TSA is an agreement between the Federal and State governments as to the method that Federal fund transfers will occur. All Federal funds transferred to the states are covered. However, only major assistance programs (large-dollar programs) are included in a state's TSA.

The TSA includes the following:

- The listing of programs covered by the agreement.
- The funding techniques to be applied to programs in the agreement, including guidelines for requests for supplemental funding.
- The methods and standards used to develop and maintain clearance patterns.
- The method the State will use to calculate and document interest liabilities.
- The types of interest calculation costs the State expects to incur.

### 10.6.3 Clearance Patterns

*Clearance patterns* refer to the number of days lapsed from the time a payment is made by a State Organization until the time the disbursement is redeemed by the program recipient. The clearance pattern is used as the basis for the timing of funding requests through the TSA.

Clearance patterns are developed from the Float Report, for the prior fiscal year. A clearance pattern extends, at a minimum, until 99% of the dollars in a disbursement for Federal program purposes have cleared. Organizations shall maintain adequate documentation for the clearance pattern reported to OMB, which is subject to audit.

The State must re-certify the accuracy of a clearance pattern at least every five years. The State of Delaware performs this process annually to examine clearance pattern effectiveness, while also making adjustments for programs that may be included or removed from the TSA per the Schedule of Federal Awards (SEFA).

OMB coordinates with Organizations to determine any changes in clearance patterns or funding techniques and provides notification to DOA. Changes are provided in writing within 30 days of the time the State (Organization) becomes aware of a change.

### 10.6.4 Funding Techniques

Funding techniques are the methods which the Federal government utilizes to transfer funds to State Organizations for the State's Federally sponsored programs. Funding techniques should be efficient and minimize the exchange of interest between the State and Federal agencies. The following sample funding techniques are discussed in the Code of Federal Regulations:

- **Zero balance accounting** - The amount of Federal funds transferred to a state, based on the actual amount of funds paid out by the state each day.
- **Projected clearance** – The transfer of Federal funds to State Organizations in accordance with a specified clearance pattern.
- **Average clearance** – The transfer of funds to a State Organization based on the dollar-weighted average day of clearance for the disbursement. The dollar-weighted average day is determined from a clearance pattern as the day when, on a cumulative basis, 50% of disbursed funds have cleared.
- **Cash advance funding** – The transfer of the actual amount of Federal funds to a State Organization, not more than three business days prior to the day the State makes payment. Funds permitted to be drawn early are not interest neutral and are subject to interest liability.
- **Reimbursable funding** – The transfer of Federal funds to a State Organization after the State has paid out its own funds for program purposes.
- **Other** –FSF and the State may negotiate the use of mutually agreed upon funding techniques to address funding issues, which are unique to the State of Delaware.

Organizations should review their funding techniques annually and report any changes to OMB. When selecting funding techniques, Organizations are encouraged to work with OMB and use those techniques, which are interest *neutral*. Organizations are responsible for using the funding techniques specified in the TSA for each applicable fiscal year.



### **10.6.5 CMIA Annual Report**

The CMIA annual report is submitted into FSF, which details interest liabilities for both the Federal and State governments. Federal funds drawn according to the TSA prevent the State from accruing an interest liability to the Federal government.

### **10.6.6 Annual Interest Exchange**

An interest liability is calculated by Organizations in accordance with methods specified in the TSA. When the calculated Federal liability is greater than \$5,000, FSF requires additional supporting documentation. State Organizations must provide detail, supporting any liabilities owed by the Federal government. This documentation is subject to audit and should be retained per records retention requirements. Payment of the difference between Federal interest and State interest liabilities must occur no later than March 31.

## **10.7 Reporting and Auditing**

For reporting the use of Federal Funds that the State has received, OMB has required that the State follow the OMB circulars and the quarterly financial reports. The grant award issued by the awarding Organization specifies the types of reporting, the timeline and the frequency of reporting on the grant.

As of December 2014, OMB incorporated OMB Circulars A-21, A-87, A-89, A-102, A-110, A-122 and A-133 into a single document. The new document, titled 2CFR, Uniform Administrative Requirement for Federal Award, is located in Title 2 of the Code of Federal Regulations at <http://www.gpo.gov/fdsys/pkg/CFR-2015-title2-vol1/pdf/CFR-2015-title2-vol1.pdf>.

The new guidance streamlines the previous circulars into one document. The guidance is divided into subpart for acronyms and definitions, general provisions, pre-federal award requirements and contents of federal awards, post federal award requirements, cost principles and audit requirements.

### **10.7.1 Federal Financial Reporting**

OMB requires State Organizations to express the financial condition of the grant project or program by using the standard Federal Financial Report (SF-425) and the SF425A, an attachment to the SF-425 to report financial data and to request payments. Other standard OMB approved forms include the Request of Advance or Reimbursement (SF-270) or the Outlay report and Reimbursement for Construction

Programs (SF-271). The SF-425 is used for reporting on a single Federal award and the SF-425A is used to report on multiple Federal awards. The SF-270 and SF-271 are used when non-Federal entities do not receive payments through a letter of credit or electronic funds transfer. Within FSF the new Federal Financial Report (FFR) is available for Organizations to assist with the completion of quarterly, semiannually, and the yearly Federal reporting.

### **10.7.2 Time and Effort Reporting**

The Federal government does not mandate a single recommended practice for non-Federal entities to monitor time and effort reporting and requires non-Federal entities to follow proper internal controls to document time spent on grants. However, please note, the grantor agency may have specific rules around time and effort that need to be followed.

Some basic steps to be included in the time and effort reporting process are as follows:

- Use a timesheet
- Perform a reconciliation of time charged on timesheet to payroll report or appropriation charged for payroll
- Have the employee and supervisors sign off on the timesheet
  - Credible endorsements of the hours worked is needed from persons knowledgeable about the activities performed.
  - It is recommended that this be done monthly. However, depending on the size of your grant you may need to change the frequency of the report verification.
- Submit timesheet and complete any adjustments, if needed, on a timely basis
  - Confirmation process or reconciliation takes place at some point after the charges occur. Then any adjustments found from that process will need to be made timely completion.

### **10.7.3 FFATA and DATA Act**

In 2006, the Federal Funding Accountability and Transparency Act (FFATA) was enacted to identify requirements, for each Federal award of \$25,000 or more, that OMB create a no-cost, publicly accessible website (<https://www.USASpending.gov>) that includes basic information about the recipient and the project being funded.

In 2008, FFATA was amended by the Government Funding Transparency Act of 2008 requiring recipients to report certain information about them and their first-tier sub-recipients for awards obligated as of October 1, 2010.

In April 2014, the Digital Accountability and Transparency Act (DATA) was signed into law requiring the establishment of government-wide data standards that are searchable and are used on USA Spending.gov. With this, the DATA Act will require the streamlining of reporting requirements for non-Federal entities receiving Federal funds and also to improve data quality and ensure that the data is complete and accurate when posted on Federal websites.

#### **10.7.4 Annual Single Audit**

The Single Audit is required for grant expenditures by CFDA for the fiscal year in aggregate exceeding \$750,000. The Single Audit is completed after the State's Annual Comprehensive Financial Report (ACFR) audit and uses the basic financial statements and any findings from there as the beginning of the Single Audit report. The Single Audit is performed by an independent audit firm.

Included in the Single Audit are the following:

- Report on the financial statements
- Report on the schedule of expenditures of Federal awards (SEFA) – this is prepared by DOA for expenditures by CFDA
- Report on internal controls related to the financial statements
- Tests of, and reporting on, internal control over compliance applicable to major federal award programs
- Test of, and reporting on, compliance with laws regulations contras and grant agreements that may have a material effect on the financial statement (The auditor also reports certain fraud and abuse)
- Test of, and reporting on compliance with laws regulations controls, and grant agreements noncompliance with which could have a direct and material effect on each major Federal award program
- Schedule of findings and questions costs

Once the Single Audit is completed, it is submitted to the Federal Government on or before March 31st each year. The Federal Agency will reach out to the State Organization to further clarify any corrective action plans based on the assessments of the Single Audit Report posted. DOA may request an assessment of the corrective action plan as well.