

# **FISCAL GUIDANCE AND PROCEDURAL MANUAL**

Office of Economic Opportunity  
1205 Pendleton Street, Suite 349  
Columbia, SC 29201



- 1) Purpose. The Fiscal Guidance and Procedural Manual (manual) serves to document fiscal requirements and provide guidance to Subgrantees of federal grants administered by the Office of Economic Opportunity (OEO). Every effort has been made to ensure the accuracy of the material in this manual; however, if any discrepancy exists between the language in this manual and in any applicable statute, regulation, or policy issuance, please contact OEO for clarification. This manual establishes general and uniform standards for budgeting, financial reporting, procurement, grant compliance, internal controls, disposal of property and fiscal monitoring. This manual in conjunction with each grant's state plan, grant agreement, work plan, budget and/or all relevant federal and state statutes and regulations will apply to all OEO administered grants. OEO administers the following grants:
    - Community Services Block Grant (CSBG) made available under public law 106-133;
    - Low Income Home Energy Assistance program (LIHEAP) made available under Public Law 105-78;
    - Weatherization Assistance Program (WAP) established under Title IV of the Energy Conservation and Production Act and amended by the National Energy Conservation Policy Act, the Energy Security Act, the Human Services Reauthorization Act of 1984, and the State Energy Efficiency Programs Improvement Act of 1990;
    - Emergency Solutions Grants Program (ESGP) authorized by Subtitle B of Title IV of the McKinney-Vento Homeless Assistance Act, 42 USC 11301 (1988); and
    - Project Share funds.
  - 2) Supersession. This manual supersedes all previous policy and procedural manuals distributed by OEO.
  - 3) Applicability and Inclusion of Documents. All Subgrantees are required to adhere to the guidance set forth in this manual in conjunction with all federal, state and local regulations as it relates to each grant and executed grant agreement. Subgrantees shall also refer to the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost and Audit Requirements for Federal Awards (Omni Circular), which is codified at 2 CFR Part 200 and made a part of this manual by reference.
  - 4) Contact Information. If you have any questions or concerns regarding this manual, please contact the Senior Manager for Fiscal Services of OEO at 1205 Pendleton Street, Columbia, SC 29201. Other contact information: phone number (803) 734-0662, web address <http://o eo.sc.gov/>.
  - 5) Effective Date. The guidance and procedures established in this manual will become effective from the date of issuance.
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## I. DEFINITIONS

- 1) Accrued expenditures are charges incurred by the Subgrantee during a given period requiring the provision of funds for: 1) goods and other tangible property received; 2) services performed by employees, contractors, Subgrantees, and other payees; and 3) other amounts becoming owed under programs for which no current services or performance is required.
- 2) Acquisition cost is the net invoice price plus any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable. Taxes, transit insurance, freight and installation may be included or excluded in accordance with the Subgrantee's capitalization policy. (Omni Circular §200.2)
- 3) Actual budget refers to the actual federal award for the current program year and any re-allocated prior program year unexpended funds.
- 4) Applicable credits are those receipts, or reduction of expenditures which operate to offset or reduce expense items that are allocable to awards as direct or indirect costs. Typical examples of such transactions are purchase discounts, rebates, or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing or received by the Subgrantee relate to allowable cost, they shall be credited to the federal government either as a cost reduction or cash refund, as appropriate. (Omni Circular §200.406)
- 5) Application budget is the projected funding based on the prior program year's actual federal award used to develop the Subgrantee's initial budget.
- 6) Award means financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money or property in lieu of money, by the federal government to an eligible recipient. The term does not include technical assistance, which provides services instead of money; other assistance in the form of loans, loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; or contracts which are required to be entered into and administered under procurement laws and regulations.
- 7) Budget means the financial plan for the project or program that either the federal awarding agency or pass-through entity approves during the award process or in subsequent amendments to the federal award. It may include federal and non-federal shares.
- 8) Budget package consists of all required budget forms as listed in the budget instructions found in DBA and all support documentation. A checklist is included in the budget instructions for Subgrantees to use to ensure completion of the budget package. Budget forms must be signed by the Subgrantee's Executive Director and Board Chair.
- 9) Capital expenditure is the acquisition cost of equipment or expenditures for capital improvements that materially increase the asset's value or useful life. (Omni Circular §200.13)
- 10) Carryover funds are unused funds, which are transferred to the budget for the following year.

- 11) Cash on hand are funds that are immediately available for spending. Closeout is the process by which a federal awarding agency determines that all applicable administrative actions and all required work of the award have been completed by the recipient and federal awarding agency.
- 12) Contract refers to a procurement contract under an award or sub award, and a procurement subcontract under a recipient's or subrecipient's contract. A contract is generally an agreement between the Subgrantee and a vendor.
- 13) Continuing resolution is an agreement by both houses of Congress to allow the federal government to continue operating at current funding levels, generally through a fiscal year.
- 14) DBA FACSPRO™ is the proprietary non-profit audit software developed by DBA Technologies, LLC used by OEO for Subgrantee reporting.
- 15) Depreciation is a cost allocation that represents the physical deterioration of property due to age, wear or market conditions.
- 16) Direct costs are those costs that can be specifically traced to a final cost objective, i.e., a particular award, project, service, or other direct activity of a Subgrantee. Some examples include:
  - a) Maintenance of membership rolls, subscriptions, publications, and related functions.
  - b) Providing services and information to members, legislative or administrative bodies, or the public.
  - c) Promotion, lobbying, and other forms of public relations.
  - d) Meetings and conferences except those held to conduct the general administration of the Subgrantee.
  - e) Maintenance, protection, and investment of special funds not used in operation of the Subgrantee.
  - f) Administration of group benefits on behalf of members or clients, including life and hospital insurance, annuity or retirement plans, financial aid, etc.
- 17) Disallowed costs are charges to an award that the federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable state and federal cost principles or other terms and conditions contained in the award or grant agreement.
- 18) Equipment means tangible nonexpendable personal property including exempt property charged directly to the award having a useful life of more than one year and an acquisition cost of \$2,500 or more per unit. However, consistent with the Subgrantee's policy, lower limits may be established.
- 19) Excess property means property under the control of any federal awarding agency that, as determined by the head thereof, is no longer required for its needs or the discharge of its responsibilities.

- 20) Financial Status Report (FSR) is the monthly revenue and expenditure report documenting the Subgrantee's use of grant funds.
- 21) Fixed asset may be a tangible or intangible nonexpendable property having a useful life of more than one year such as equipment, machinery, vehicles, furniture, and real property. (Omni Circular §200.12) For OEO purposes, a fixed asset has an acquisition cost equal to or greater than the lesser of \$2,500 or the Subgrantee's capitalization policy threshold.
- 22) General purpose equipment is equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.
- 23) High Risk status refers to a Subgrantee experiencing financial instability, inadequate financial management systems, and/or is programmatically performing poorly.
- 24) Indirect costs are those costs that are incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Indirect costs shall be classified as "Facilities" or "Administration." Facilities is defined as depreciation and use allowances on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. Administration is defined as general administration and general expenses such as the director's office, accounting, personnel, library expenses and all other types of expenditures not listed specifically under one of the subcategories of Facilities (including cross allocations from other pools, where applicable).
- 25) Management decision is the assessment of the audit findings and corrective action plan by the pass-through entity or federal awarding agency. The 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.
- 26) Merit/Cola/FB/IDC refers to particular categories within a Subgrantee's budget (merit increase/adjustment, cost of living allowance, fringe benefits, and indirect costs).
- 27) Modified Total Direct Costs (MTDC) means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards 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 in excess of \$25,000. Other items may 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.
- 28) Non-federal entity is a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit Subgrantee that carries out a federal award as a recipient/grantee or Subrecipient/Subgrantee. The Department of Energy also considers a for-profit Subgrantee as a non-federal entity, unless otherwise noted at 2 CFR §910.
- 29) OMB refers to the Office of Management and Budget, which has the authority to issue guidelines for federal awards.

- 30) Obligations means the amount of orders placed, contracts and grants awarded, services received and similar transactions during a given period that requires payment by the Subgrantee during the same or a future period.
- 31) Prior approval refers to the requirement of obtaining written permission before the Subgrantee may undertake certain activities (whether performance of a new or modification of a previously approved activity), expend funds for specific direct costs, or exceed a certain aggregate dollar level.
- 32) Professional services are infrequent, technical, or unique functions performed by independent contractors or by consultants whose occupation is the rendering of such services. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the agency, are allowable when reasonable in relation to the services rendered.
- 33) Program income means gross income earned by the Subgrantee that is directly generated by a supported activity or earned as a result of the award. 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 federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds.
- 34) Project is defined as the set of activities described in an application, state plan, or other document that is approved by DOE for financial assistance, whether such financial assistance represents all or only a portion of the support necessary to carry out those activities.
- 35) Project costs means all allowable costs, as set forth in the applicable federal cost principles, incurred by a Subgrantee and the value of the contributions made by third parties in accomplishing the objectives of the award during the project period.
- 36) Project period is the total period of time indicated in an award during which DOE expects to provide financial assistance. A project period may consist of one or more budget periods and may be extended by DOE. It is the total time for which federal support has been programmatically approved as shown in the Notice of Award; however, it does not constitute a commitment by the federal government to fund the entire period
- 37) Project Share is a program consisting of subscriber and corporate contributions from utility companies. These contributions provide funds to supplement the Low-Income Home Energy Assistance Program (LIHEAP).
- 38) Protected personally identifiable information (Protected PII) means an individual's first name or first initial and last name in combination with any one or more types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, criminal, medical and financial records, educational transcripts. This does not include PII that is required by law to be disclosed.
- 39) Reasonable costs are costs, if in its nature or amount, do 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 costs. The reasonableness of specific costs must be scrutinized with

particular care in connection with the Subgrantee or separate divisions thereof which receive the preponderance of their support from awards made by federal agencies. See also Procurement, Policies and Procedures.

- 40) Rental income is income generated when equipment is rented out at the fair market rate. The Weatherization Assistance Program is generally the main grant that produces rental income. Rental income should be recorded as program income (see program income).
- 41) Severance Pay, also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by Subgrantees to workers whose employment is being terminated.
- 42) Single Audit is the audit of federal awards as described in Omni Circular §200.514, which includes the Subgrantee's financial statements and required schedules related to federal awards.
- 43) Subgrantee or Subrecipient means the legal entity, non-federal entity, or agency to which a subaward is made and which is accountable to the Subgrantee for the use of the funds provided. The term may include foreign or international Subgrantees (such as agencies of the United Nations) at the discretion of the federal awarding agency.
- 44) Supplies are all personal property, excluding equipment, intangible property, and debt instruments as defined in this section, and inventions of a contractor conceived or first actually reduced to practice in the performance of work under a funding agreement ("subject inventions"), as defined in 37 CFR part 401, "Rights to Inventions Made by Nonprofit Subgrantees and Small Business Firms Under Government Grants, Contracts, and Cooperative Agreements."
- 45) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards codified at 2 CFR Part 200, is the new OMB guidance consolidating the A-21, A-87, A-89, A-102, A-110, A-122, A-133 and sections of A-50 Circulars. Throughout this manual, the new guidance is referred to as the Omni Circular. The Department of Health and Human Services codified the Omni Circular at 45 CFR §75 et al and made some changes in the language of certain sections of the Omni Circular. Unless there are significant differences between 45 CFR §75 and OMB's codification at 2 CFR §200, the citation in this manual will be directed to 2 CFR §200.

## II. Pre-Award

This section is intended to provide guidance on requirements that must be complied with prior to receiving any federal awards.

### **Budget Process**

This section serves to describe the grant budgeting process, particularly as it relates to the LIHEAP, CSBG and WAP grants. OEO develops a projected budget based on information, including but not limited to, previous federal awards and any unused funds at the end of the program year. The projected budget generally becomes the amount OEO requests from the

federal funding source for the new grant period. This projected budget amount is a starting point for the Subgrantees to use in developing their proposed spending for the new grant period. No spending shall take place until OEO receives the actual federal award notification, actual award amounts are determined by OEO, Subgrantees adjust their proposed budgets and receive approval from OEO.

### **Budget Approval**

A Subgrantee's Board of Directors must review the grant application and actual budget for each program year. The actual budget will be based on the actual award from the funding source and may include prior program year unexpended funds. A completed Community Action Agency Budget Approval Form must be submitted to OEO for documentation of the budget review and approval. The acknowledgement of the budget review will represent the total allocation of all awards budgeted, note specific approval of salary/wage increases, new positions, as well as procurements that require approval. The budget package submitted to OEO for approval must include all documents to support compliance with procedural requirements. The budget package must be submitted through DBA. This on-line budget submission process requires an authorized user with signature authority.

### **Salaries**

Each Subgrantee is responsible for establishing employee salaries and any salary increases. Salary increases are to be based on each Subgrantee's available funds, sustainability, reasonableness, and documented board approval. Salary increases must be in compliance with federal and state regulations, and with the agency's policies and procedures. This documentation, as well as position descriptions, must be maintained in accordance with the Subgrantee's approved policies and procedures. OEO's Fiscal Monitoring staff will review the Subgrantee's approved policies and procedures during monitoring visits and may request a copy of them as needed.

All salary increases planned or anticipated for the new program year should be included in the Subgrantee's grant application and projected budget. A detailed explanation supporting the proposed increase must also be presented. All salary and wage adjustments must be administered within the timeframe reflected in the approved budget. When OEO receives the actual federal award and subsequently notifies the Subgrantee of their actual award, the appropriate adjustments to the Salary and/or Merit/Cola/FB/IDC line items must be made using the actual award amounts. The Subgrantee will be permitted to amend the originally established Salary and/or Merit/Cola/FB/IDC line items for salary increases based on the issuing of the actual award. However, only salary increases included in the grant application and projected budget may be made retroactive to the beginning of the grant period. Documentation of Board approval must accompany the revised budget. Once the actual award has been received, wage and salary increases may be revised within the Merit/Cola/FB/IDC line items without additional OEO approval.

Documentation standards for personnel expenses are explicitly provided for at Omni Circular §200.430(i).

Subgrantees must:

- 1) Have a system of internal controls able to provide reasonable assurance that the charges for personnel expenses are accurate, allowable and properly allocated. This system must also be able to properly track, support and document the distribution of employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award;
- 2) Incorporate personnel expense records into the Subgrantee's official records;
- 3) Maintain records that account for the total activity for which employees are compensated by the Subgrantee and that are required in fulfillment of their obligations to the Subgrantee;
- 4) Comply with its established accounting policies and procedures; and
- 5) Provide after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before services are performed) do not alone qualify as support for charges to federal awards.

OEO also requires that all charges to grants for salaries and wages have documented approval by an authorized personnel of the Subgrantee, regardless whether the charges are direct or indirect costs. Records reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such records must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the Subgrantee's indirect cost rate(s).

### **Costs of Severance**

As provided for at Omni Circular §200.431(i), costs of severance pay are allowable only to the extent that in each case, it is required by:

- 1) Law;
- 2) Employer-employee agreements;
- 3) Established policy that constitutes, in effect, an implied agreement on the Subgrantee's part; or
- 4) Circumstances of the particular employment.

Severance payments are divided into two categories as follows:

- 1) Actual normal turnover severance payments shall be allocated to all activities; or, where the Subgrantee provides for a reserve for normal severances, such method will be acceptable if the charge to current operations is reasonable in light of payments actually made for normal severances over a representative past period, and if amounts charged are allocated to all activities of the Subgrantee.

- 2) Measurement of costs of abnormal or mass severance pay by means of an accrual will not achieve equity to both parties, which is why accruals for this purpose are not allowable. However, the federal government recognizes its obligation to participate, to the extent of its fair share, in any specific payment. Prior approval by the federal awarding agency or cognizant agency for indirect cost, as appropriate, is required.

Costs incurred in certain severance pay packages (commonly known as "a golden parachute" payment) which are in excess of the normal severance pay paid by the Subgrantee to an employee upon termination of employment and are paid to the employee contingent upon a change in management control over, or ownership of, the Subgrantee's assets are unallowable.

### **Fringe Benefits (Omni Circular §200.431)**

Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are allowable only when all of the following criteria are met:

- 1) They are provided under established written leave policies;
- 2) The costs are equitably allocated to all related activities, including federal awards; and
- 3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the Subgrantee or specified grouping of employees.
  - a. Under the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payment for unused leave when an employee retires or terminates employment is allowable in the year of payment.
  - b. Under the accrual basis of accounting, the allowable leave costs are the lesser of the amount accrued or the amount funded. The accrual basis may only be used for those types of leave for which a liability as defined by GAAP exists when the leave is earned.

Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workmen's compensation insurance, pension plan costs (see Omni Circular §200.431(g)), and the like, are allowable, provided such benefits are granted in accordance with established written Subgrantee policies. Such benefits whether treated as indirect costs or as direct costs, shall be distributed to particular awards and other activities in a manner consistent with the pattern of benefits accruing to the individuals or group of employees whose salaries and wages are chargeable to such awards and other activities.

Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable if the insurance was purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made shall not exceed the present value of the liability.

Where a Subgrantee follows a consistent policy of expensing actual payments to, or on behalf of, employees or former employees for unemployment compensation or workers' compensation,

such payments are allowable in the year of payment with the prior approval of the awarding agency, provided they are allocated to all activities of the Subgrantee.

### **Budget Items to Review**

Listed below are items to consider regarding your agency's budget:

- Are documents properly signed?
- Did the board review and approve the budget? Board review is required when submitting the application budget, actual budget and when funding is increased during the program year or if otherwise required by OEO.
- Were new positions listed on the completed Community Action Agency Budget Approval Form?
- Does the budget salary detail or Merit/Cola budget line items list all current salaries and planned/anticipated increases?
- Has all procurement requiring approval by the Board and/or Executive Director been properly documented for review and approval?
- Was the agency's allocation accurately budgeted and reflected on the completed Community Action Agency Budget Approval Form and/or Board minutes?
- Have all budgets, supporting documentation, and purchases requiring OEO approval (except for CSBG/LIHEAP application budget which will be submitted to the appropriate OEO Senior Program Manager) been sent to OEO Budget Analyst in the Fiscal Services Department?
- Are the names of all employees charged to the grant listed on the Salary Detail Form, which must be included in the final approved budget?
- Are the non-personnel expense categories (all budget line items except salary/wages, fringes, and indirect costs) reported on FSR's within the fifteen (15) percent variance range? Variances of more than fifteen (15) percent may be permitted with OEO approval prior to the expenditure of funds.
- Are periodic reviews of budget line item balances being conducted to ensure a budget revision is submitted when needed?
- Have all the budget amendments been submitted to OEO prior to the last thirty (30) days of the program year?
- Have salary adjustments moving budget out of the Merit/Cola/FB/IDC line items and into the appropriate salary/wage detail been completed prior to the final budget submission for the program year?

### **Specific Conditions** (Omni Circular §200.207)

OEO or federal awarding agency may impose additional requirements on the Subgrantee as necessary. Such circumstances where additional requirements may be imposed includes, but are not limited to, when the Subgrantee has a history of poor performance, is not financially stable, has a management system that does not meet the standards prescribed in Omni Circular §200.205, has not complied with the terms and conditions of a federal award, or is not otherwise responsible.

Special conditions that may be imposed include, but are not limited to the following:

- 1) Placing the Subgrantee under the cost reimbursement method of payment;
- 2) Requiring additional, more detailed financial reports;
- 3) Requiring additional project monitoring;
- 4) Requiring the Subgrantee to obtain technical or management assistance; or
- 5) Establishing additional prior approvals.

When special conditions are imposed, the Subgrantee will be informed of the following:

- 1) The nature of the additional requirements;
- 2) The reason why the additional requirements are being imposed;
- 3) The nature of the action needed to remove the additional requirements, if applicable;
- 4) The time allowed for completing the actions if applicable; and
- 5) The method for requesting reconsideration of the additional requirements imposed.

### **Conflict of Interest**

Personnel and other officials connected with this Grant shall adhere to the requirements given below. Furthermore, Subgrantees are required to establish its own conflict of interest policies for federal awards incorporating these requirements (Omni Circular §200.112).

- 1) Advice: No employee, officer, board member or agent of the Subgrantee may participate in the selection, award, or administration of a contract supported by a federal award if he/she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, board member or agent, any member of his/her immediate family, his/her partner, or an Subgrantee which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, board members and agents of the Subgrantee may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, a Subgrantee may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct

must provide for disciplinary actions to be applied for violations of such standards by officers, employees, board members or agents of the Subgrantee.

No official or employee of the state or a unit of local government or of non-government Grantees/Subgrantees shall participate personally through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise in any proceeding, application, request for a ruling or other determination, contract, grant, cooperative grant, claim controversy, or other particular matter in which these funds are used, where to his knowledge their immediate family, partners, Subgrantee other than a public agency in which he is servicing as officer, director, trustee, board member, partner, or employee or any person or Subgrantee with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest.

- 2) Appearance: In the use of these grant funds, officials or employees of the state or a local unit of government and non-governmental Subgrantees shall avoid any action which might result in, or create the appearance of:
  - a. Using an official position for private gain;
  - b. Giving preferential treatment to any person;
  - c. Losing complete independence or impartiality;
  - d. Making an official decision outside official channels; or
  - e. Affecting adversely the confidence of the public in the integrity of the government or the program.
- 3) Subgrantee conflict of interest: The Subgrantee shall avoid conflict of interest involving relationships with a parent company, affiliate, or subsidiary Subgrantee that could cause the Subgrantee to appear or act impartially.

### **Mandatory Disclosure** (Omni Circular §200.113)

The Subgrantee 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 at Omni Circular §200.338.

### **Nepotism**

Subgrantees must comply with the South Carolina Ethics, Governmental Accountability and Campaign Reform Act of 1991 and are restricted from the hiring of relatives within the same office, program area, or the equivalent work unit.

- 1) No supervisory employee of the Subgrantee may cause the employment, appointment, promotion, transfer or advancement of a family member to a position in which the employee supervises or manages. Employees may also not participate in an action relating to discipline of their family members.

- 2) Definitions: The Ethics Act defines family member as an individual who is (a) the spouse, parent, brother, sister, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild; or (b) a member of the individual's immediate family.

Immediate family is further defined as:

- A child residing in an employee's household;
- The spouse of an employee;
- An individual claimed by the employee or employee's spouse as a dependent for income tax purposes.

Furthermore, for the purposes of this policy, OEO has defined a relative to be a spouse, parent, sibling, child, parent in-law, grandparent, grandchild, sibling in-law, grandparent in-law, step-grandchild, step-child, child in-law, aunt, uncle, niece, or nephew of the employee or a member of the employee's household. OEO and state recognizes common-law marriages and the relationships that are created as a result.

Disclosure: Employees are expected to disclose relationships covered by this policy to the agency Executive Director and supervisor whenever the relationships come into existence. Employees have up to ninety (90) days after marriage to find employment in either a suitable unit within the agency or outside the agency. An employee's failure to disclose such information will lead to discipline up to and including termination. Supervisors shall not recommend the hiring of an individual if it results in violation of this requirement.

### III. Post Award Requirements

This section addresses the standards and requirements of a financial management system, payments, program income, revisions of budgets, property and procurement.

#### **Financial Management System**

Per Omni Circular §200.302(b), a Subgrantee's financial management system is required to provide the following:

- 1) Identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received. federal program and federal award identification must include, as applicable, 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 the reporting requirements set forth in Omni Circular §§200.327 and 200.328.
- 3) Records that must adequately identify the source and application of funds for federally funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

- 4) Effective control over, and accountability for, all funds, property, and other assets. The non-federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See Omni Circular §200.303 Internal controls.
- 5) Comparison of expenditures with budget amounts for each federal award.
- 6) Written procedures to implement the requirements of Omni Circular §200.305 Payment.
- 7) Written procedures for determining the allowability of costs in accordance with Omni Circular Subpart E – Cost Principles.

### **Payments**

OEO is required to comply with Omni Circular §200.305(a), which includes the Cash Management Improvement Act (CMIA). Payment guidelines are set forth in Omni Circular §200.305(b). In an effort to comply with these requirements, OEO will disburse CSBG, LIHEAP and Weatherization grant funding to Subgrantees based on the following method:

- OEO will release a scheduled one-time advancement of funds for the first three (3) months of expenses of the grant period for CSBG and LIHEAP. The payment amount will be calculated utilizing historical financial data from the last three (3) fiscal years. For Weatherization, the amount of funds disbursed will be based on the request submitted by the Subgrantee.
- Subgrantee should request additional cash payments throughout the program year using the “Certification of Advancement of Funds” form. A separate form is required for each grant.
- Additional cash payment requests may be submitted as frequently as biweekly, but should be made at least monthly.
- In determining the cash request, Subgrantees should take into consideration:
  - The amount of funds that have been obligated;
  - Commitments and other funds needed to continue daily operation; and
  - Time for OEO to process and release funds requested. It **may take up to three (3) weeks** for OEO to process and release the requested disbursement.
- ESGP will continue to be funded by the cost reimbursement payment method

Under Omni Circular §200.305, non-federal entities (Subgrantees) must minimize the time elapsing between the transfer of funds between the pass-through entity (OEO) and the disbursement by the non-federal entity (Subgrantee). As such, Subgrantees must continuously monitor grant funds received from OEO to ensure compliance with this requirement.

OEO maintains the right to request additional information from the Subgrantee prior to disbursing advance payments.

### **Conditions of Payment**

- If federal funding is awarded to the states based on a Continuing Resolution and/or federal authority is withheld, OEO will calculate advance payments to Subgrantees based on the amount of the federal authority received.
- Prior to the disbursement of any funds, Subgrantees must have executed grant agreements, approved work plans and an approved current budget.
- Disbursements may be delayed until OEO has received a Subgrantee's approved budget revision based on the current program allocation.
- Payments will be made in compliance with all conditions of each grant and in compliance with all applicable state and federal statutes and regulations.
- Subgrantees placed on "High-Risk" status will be subject to additional payment conditions.
- The state's fiscal financial year ends on June 30th, which may cause delays in processing June and/or July disbursements.

### **ESGP (HUD) Matching Requirement**

a) **Required amount of matching contributions.**

The applicant must make matching contributions to supplement its ESGP program in an amount that equals the amount of ESGP funds awarded by OEO.

b) **Eligible sources of matching contributions.**

Matching contributions may be obtained from any source, including any federal source other than the ESGP program, as well as state, local, and private sources. However, the following requirements apply to matching contributions from a federal source of funds:

- 1) The Subgrantee must ensure the laws governing any funds to be used as matching contributions do not prohibit those funds from being used to match ESGP funds.
- 2) If ESGP funds are used to satisfy the matching requirements of another federal program, then funding from that program may not be used to satisfy the matching requirements under this section.
- 3) Cash contributions. Cash expended for allowable costs of the Subgrantee as defined in Omni Circular: Subpart E: Cost Principles.
- 4) Noncash contributions. The value of any donated property, equipment, goods, or services contributed to the Subgrantee's ESGP program, provided that if the Subgrantee had to pay for them with grant funds, the costs would have been allowable. Noncash contributions may also include the purchase value of any donated building.

**c) Recognition of matching contributions.**

- 1) In order to meet the matching requirement, the matching contributions must meet all requirements that apply to the ESGP funds provided by HUD, except for the expenditure limits in 24 CFR §576.100.
- 2) The matching contributions must be provided during the program year for which they apply. Contributions used to match a previous ESGP grant may not be used to match a subsequent ESGP grant.
- 3) To count toward the required match for the Subgrantee's fiscal year grant, cash contributions must be expended within the grant period, and noncash contributions must be made within the grant period.
- 4) Contributions that have been or will be counted as satisfying a matching requirement of another federal grant or award may not count as satisfying the matching requirement of this section.

Note: The Subgrantee must maintain records for such contributions e.g. logs, volunteer reports, letters, appraisals, etc.

**d) Calculating the amount of non-cash contributions.**

- 1) To determine the value of any donated material or building, or of any lease, the Subgrantee must use a method reasonably calculated to establish the fair market value. Fair market value is allowed; however, equity cannot be used as match.
- 2) Services provided by individuals must be valued at rates consistent with those ordinarily paid for similar work in the Subgrantee's Subgrantee. If the Subgrantee does not have employees performing similar work, the rates must be consistent with those ordinarily paid by other employers for similar work in the same labor market.
- 3) Some noncash contributions are real property, equipment, goods, or services that, if the Subgrantee had to pay for them with grant funds, the payments would have been indirect costs. Matching credit for these contributions must be given only if the Subgrantee has established, along with its regular indirect cost rate, a special rate for allocating to individual projects or programs the value of those contributions.

The above referenced payment procedures may require modification and payments may vary when extenuating circumstances occur.

**Re-Allocation of Undisbursed Program Funds**

**1) CSBG – US HHS**

RECAPTURE PROVISION - P.L. 108-447 mandates, that to the extent Community Services Block grant funds are distributed as grant funds by a state to an eligible entity, that is provided under the (CSBG) Act, and have not been expended by such entity, they shall remain with such entity for carryover into the next fiscal year for expenditure by such entity consistent with program purposes.

Thus, Subgrantees are allowed at the beginning of the grant period to retain funds from the close of the previous grant period (unless instructed otherwise.) Agencies are allowed to expend against prior year unexpended funds (cash on hand). Expenditures must comply with the agency's most current program year's approved work plan, budget, and signed grant agreement. This should ease the burden on agencies to sustain programs during periods of delayed federal awards and allow the immediate expending against prior year funds (cash on hand.) Prior year unexpended funds will be incorporated into the current program year in the Actual Allocation and will be based on the fund balance represented on the final FSR.

**2) LIHEAP and LIHEAP WAP – US HHS**

Section 2607(b)(2)(B) of the LIHEAP statute (42 U.S.C. § 8626(b)(2)(B)), as amended by Title III of the Augustus F. Hawkins Human Services Reauthorization Act of 1990, Public Law 101 501, states that: "No amount may be held available under this paragraph for a state from a prior fiscal year to the extent such amount exceeds 10 percent of the amount payable to such state for such prior fiscal year. For purposes of the preceding sentence, the amount payable to a state for a fiscal year shall be determined without regard to any amount held available under this paragraph for such state for such fiscal year from the prior fiscal year." States may request to carry forward from one federal fiscal year to the next federal fiscal year up to 10% of the amount payable to the grantee for the first fiscal year. The funds that are carried over must be obligated by the grantee by the end of the federal fiscal year following the year in which they are appropriated. This requirement applies to obligations only, not expenditures of funds. Any funds carried over from the previous year are not to be included in the base for calculating carryover in the following year. If more than 10% of a grantee's funds payable remains unobligated at the end of the fiscal year for which they were allotted, these excess funds must be returned to HHS and are subject to re-allotment among all states in the next fiscal year.

**3) WAP – US DOE**

All Weatherization Assistance Program funds must be obligated and expended in the year they were intended. Therefore, all unexpended and unobligated WAP funds must be returned to OEO at the end of the fiscal year to be refunded to DOE.

**4) ESGP – US HUD**

All ESGP funds are distributed using the cost reimbursement payment method. All Emergency Solutions Grant Program funds must be obligated and expended in the year they were intended to qualify for reimbursement. Therefore, all unallowable reimbursed funds must be returned to OEO to be refunded to HUD. All unexpended and unobligated ESGP funds must be refunded to HUD and/or retained by HUD.

**Interest Income**

Funds **advanced from OEO to Subgrantees must be placed in an interest bearing account.** The procedures regarding the monitoring, reporting and use of interest are as follows:

- 1) Confirm that all federal funds are placed in an interest bearing account.
- 2) The first \$500.00 of interest earned on federal funds per Subgrantee per year (**not per grant**) may be retained to offset administrative costs.

- 3) All interest earned over \$500.00 is required to be tracked on financial documents in an account separate from OEO grant revenue and other program income.
- 4) The **final FSR** for the program year shall reflect the accumulated interest earned for the program year (less the grant's allocation of the \$500.00). The required financial documentation will reflect the interest on a separate account from regular grant revenue.
- 5) **Funds returned as part of the closeout and the final FSR** shall include any unexpended grant revenue and **unused interest income**.
- 6) A full disclosure of the calculation of interest income is required and must be submitted with the **final FSR** for each grant and each grant period (a worksheet will be provided).
- 7) Some bank charges are an allowable cost, but they must be cost shared, reasonable, and not related to investments. Refer to Omni Circular §200.305.
- 8) Subgrantees must report interest earned on a monthly basis to OEO Fiscal Monitoring Department. A separate cumulative interest analysis report must also be submitted at the end of each Subgrantee's fiscal year. OEO Fiscal Monitoring Department will monitor interest income and subsequent expenditure of interest income to ensure compliance.

### **Program Income**

Costs attributed to the generation of program income may be deducted from gross income if allowed by the federal award or federal regulations. This is generally performed when calculating program income, on the condition that such costs were not already charged to the federal award.

If the use of program income is not addressed in the federal awarding agency's regulations, terms and conditions of the federal award, or the federal awarding agency does not give prior approval, program income must be deducted from current costs. Program income not anticipated at the time of the federal award must be used to reduce the federal award and the Subgrantee's contributions rather than increase the funds committed to the project or program objectives. Program income must be accounted for separately in the Subgrantee's financial records.

Moreover, per the Department of Energy (DOE) Weatherization Program Notice 07-1, section 1.6 – Program Income, income generated must be used to complete dwelling units in accordance with DOE Rules. This should be incorporated in the appropriate section of the updated WAP budget (budget narrative only).

OEO may sample program income to ensure revenue is properly recorded, supported with adequate documentation and is in compliance with OEO procedures, grant agreement, budget and FSR requirements. While the Subgrantee is encouraged to earn program income to defray costs, the Subgrantee must retain separate records for program income generated and the costs that are offset. As such, program income is to be identified in the chart of accounts, financial documentation (trial balance) and reported on the FSR accordingly.

Equipment purchased with program income and subsequently disposed of will be handled in accordance with current OEO disposal procedures.

Equipment purchased with federal funds may not be rented out at a rate less than what a private company would normally charge (rental income) for such equipment rental unless otherwise authorized by federal statute. (Omni Circular §200.313(c)(3))

### **Program Changes**

During the course of a program year, the Subgrantee may need to make revisions affecting the initial work plan approved by OEO. In these instances, Subgrantees are required to submit a written request for a program change, in advance, to the appropriate OEO Senior Program Manager for review and written approval. As part of this review process, OEO may request additional information, supporting documents or justification associated with the requested program change(s). If approved, the OEO Senior Program Manager will then provide written notification of approval to OEO Fiscal Services to coordinate the program changes with the Subgrantee's budget revision. **If these procedures are not followed, the expenditures associated with the program change shall be disallowed.**

### **Budget Revisions**

A Subgrantee is required to report deviations from budget and program plans, and request prior approval for revisions to the Subgrantee's budget and program plan. A request for approval of changes must be submitted to OEO prior to any revisions being implemented. Examples of changes include, but are not limited to the following:

- 1) Changes in the scope or the objective of the grant's project or program, which also require prior written approval when revising the work plan and the budget;
- 2) Changes to comply with the fifteen (15) percent line item variance allowed on certain budget line items;
- 3) Changes due to funding level adjustments;
- 4) Change in key personnel specified in the application or the federal award;
- 5) Disengagement from the project for more than three (3) months, or a twenty-five (25) percent reduction in time devoted to the project, by the approved project director or principal investigator;
- 6) The transfer of funds budgeted for participant support costs, as defined at Omni Circular §200.75, to other categories of expense; and
- 7) The inclusion of costs that require prior approval, as specified in Omni Circular Subpart E: Cost Principles.

All changes to a Subgrantee's approved work plan for CSBG, LIHEAP and Weatherization requiring OEO approval must be submitted to the appropriate OEO Senior Program Manager.

## **Property Standards**

The following policies are established to address the acquisition, identification, assignment, usage and maintenance of vehicles/property. Through these policies, OEO seeks to achieve maximum cost-effective management of property purchased in support of the Subgrantee's performance targets and objectives for OEO funded programs. OEO also seeks to eliminate unofficial and unauthorized use of grant vehicles/property.

### **a) Acquisition**

- **Board Approval:** Provide a copy of the signed Community Action Agency Budget Approval Form and/or board minutes listing the vehicles/property purchase information.
- **Justification:** Provide criteria and cost analysis based on how the vehicles/property will be utilized for grant purposes and indicate the number of program operators. The justification will document how the vehicles/property will clearly benefit the grant's intent and will ensure compliance with all federal, state and local regulations.
- **Purchase:** Agencies will follow all procurement procedures and maintain adequate insurance (see page 31).

### **b) Identification**

The Subgrantee will maintain a current inventory of OEO funded property, which will indicate the make, model, acquisition date and cost, the manufacturer's identifying serial number, location, and estimated disposal date. The Subgrantee will ensure that all OEO funded vehicles are clearly identified by the use of affixed license plates and seal decals. Vehicle identification will not be removed until the vehicle is processed for disposal. Decals must be replaced if they become unrecognizable. No OEO funded vehicle shall be exempt from this identification requirement.

### **c) Assignment**

The Subgrantee will develop policies and procedures that ensure vehicle/property are used in the most cost-effective manner. Vehicles/properties purchased with OEO funds are not for personal use and assigned based on the following criteria:

- 1) Vehicles/properties are only authorized for use in the performance of program related tasks necessary to accomplish program objectives.
- 2) Subgrantee employee has received document approval for the use of the vehicle/property.

**Assignment of a Subgrantee vehicle/property purchased with OEO funds is prohibited as a prerequisite of employment.**

### **d) Usage**

Vehicles are intended for Subgrantee employees required to travel in the performance of official program related business. All Subgrantee employees utilizing vehicles will log each trip on a form providing the following information: date of travel, staff traveling in vehicle, beginning and ending odometer reading, and specific program related function performed. Refer to the Record Retention section of this manual for a more detailed discussion on the required retention period of vehicle logs. Current program year logs

are to include the beginning and ending odometer reading for the program year and are to be maintained in an active file and readily available upon request during OEO Fiscal and Program Monitoring visits.

- Any mileage incurred for personal use is prohibited. An employee “on-call” does not justify personal use or sole use of an OEO funded vehicle.
- Official miles must be appropriate for the program related travel.
- The recipient of federal funds will not use equipment, vehicles, and property acquired with federal funds to provide services or use by non-federal outside Subgrantees. If federally acquired equipment/vehicles/property are allowed to be utilized by outside Subgrantees, a fee, that is not less than the fee a private company would charge (market rate) for the equal service, must be collected. The fees earned for the use of equipment/vehicles/property acquired with federal funds must be classified as Program Income in the grant of the original acquisition.

e) **Maintenance**

OEO will monitor the cost-effectiveness of OEO funded vehicles/property. The Subgrantee will provide records, which supply sufficient and accurate maintenance information to evaluate compliance when and if requested by OEO.

**Surplus Property**

As the administering agent, OEO is authorized to utilize the State of South Carolina's Office of General Services for disposal of surplus property. The following are procedures for reporting the disposal of unwanted or unneeded property:

- 1) The Subgrantee's Executive Director will send a letter requesting the disposal of surplus property including supplies such as insulation to OEO Senior Manager for Fiscal Monitoring with the following details: location of the property, description of property with serial number, year purchased, and quantity, acquisition cost per unit and for vehicles, VIN number, mileage, book value and market value when desiring to transfer property.
- 2) OEO will complete a Turn-In Document (TID). The form will then be forwarded to the Office of General Services, Surplus Property Office. OEO will retain a copy of this document for tracking purposes. Questions regarding a request to surplus property should be directed to OEO Senior Manager for Fiscal Monitoring.
- 3) The Surplus Property Office will review the Turn-In Document (TID) and send a screener out to determine if the property is of any value. They will arrange for pick-up of the property and determine if the property will be sold at public auction or by competitive sealed bid. Please note, agencies are allowed to stipulate a minimum amount required before a bid will be accepted.
- 4) The Office of General Services will deposit the proceeds from the sale less the expense of the sale in the fund designated on the Turn-In Document.

When liquidation occurs for any property purchased with federal funds, (for example, an insurance check for a totaled vehicle) proceeds must be returned to the source of funds from

which the property was originally purchased to offset the purchase of replacement property. Where Surplus Property determines that OEO program inventory is of no resale value, the Subgrantee must then assume responsibility for timely and proper disposal.

Once a final determination is reached and the Subgrantee is notified by Surplus Property, within ten (10) working days, the Subgrantee's Executive Director must inform OEO Senior Manager for Fiscal Monitoring in writing of the final disposal.

### **Equipment Disposal**

When a Subgrantee seeks to replace equipment, the Subgrantee may trade-in or sell the equipment to be replaced and use the proceeds to offset the cost of replacing the equipment. When the decision has been made by the Subgrantee to utilize inventory items (purchased with OEO funds) for trade or sell, a written request must be **submitted to OEO Senior Manager for Fiscal Monitoring** prior to the transaction. If replacement is not the intent, it should be so stated in the letter of disposal along with the other required information. When it is anticipated that cash will be received, the Subgrantee must notify OEO in writing of how the funds will be used. Once approved, OEO will notify the Subgrantee in writing. If the Subgrantee obtains OEO's authorization to sell, proper sales procedures must be established to provide for fair competition to the extent practicable, resulting in the **highest possible return**.

When disposing of computer equipment, remove the hard drive or any other data storage device.

### **Asset Rules and Regulations**

These procedures were developed to assist the Subgrantees in establishing proper procedures for obtaining effective internal control and record maintenance for assets (capitalized-fixed and non-capitalized assets) purchased with OEO funds. The Subgrantee must be able to account for all property whether sold or traded.

#### **1) Assets Management Standards**

Titles shall vest with the Subgrantee on the condition the Subgrantee uses the assets for the authorized purpose of the project as long as is needed. In compliance with OEO grant agreement, Subgrantee's management systems shall provide for effective control over and accountability for all funds, property and other assets. The Subgrantee shall adequately safeguard all such assets and assure they are used solely for authorized purposes. Adequate written procedures must be in place to determine the reasonableness and allowability of costs and to guard against loss, damage and theft. Loss, damage and/or theft are to be reported immediately to OEO (OEO notification applies to fixed assets only).

#### **2) Insurance Coverage**

The Subgrantee shall provide adequate insurance coverage for all assets/property acquired with federal funds in compliance with Omni Circular §200.310 and as outlined in OEO procurement procedures, see page 31. The Subgrantee shall terminate insurance coverage once the Subgrantee has properly disposed of the insured assets in accordance with OEO surplus property and equipment disposal procedures.

**3) Other Use**

In accordance with Omni Circular §200.313 (c)(1) - (4), a Subgrantee may make all assets available for use to other projects that have purposes consistent with those authorized by the Subgrantee. Preference shall be given first to other OEO-sponsored projects/programs, then to other federally-funded programs and lastly to non-federal programs/Subgrantees whose purpose is consistent with those authorized by the Subgrantee. Be mindful that the Subgrantee must obtain OEO's written approval prior to the sale of or use of the assets for trade-in and prior to transferring asset(s) to other federally-sponsored programs (approval applies to fixed assets only).

Other CAA's and Non-federal programs and Subgrantees shall be charged a fee equal to that charged by private companies for similar services. These fees are to be charged as "Program Income" and accounted for separately from OEO disbursed "grant revenue" on financial records. This revenue is to be returned and/or used solely for OEO program for which the equipment/property was initially purchased.

**4) Asset/Inventory Records**

The Subgrantee must maintain records to verify the existence and current utilization of all OEO-funded assets for all periods in which the asset is in use and to account for all assets sold or traded-in in compliance with OEO grant agreement and Omni Circular §200.313 (d)(1-5). Records shall be retained in compliance with Omni Circular §§200.333, 200.335, and 200.336.

The Subgrantee must ensure that asset records contain the following information: asset description, serial and model number, acquisition date and cost, depreciation method and useful life (for fixed assets), asset location, condition and disposal date and revenue generated from said disposal, in compliance with Omni Circular §200.313 (d)(1-4). Assets are to be capitalized according to Omni Circular §200.439 and the Subgrantee's capitalization policy.

In accordance with OEO procedures, based in part on Omni Circular §§200.313 and 200.314, the Subgrantee shall conduct an annual physical review of capitalized (fixed) assets and document asset locations and conditions as of the end of the Subgrantee's fiscal year. Subgrantees must also track and monitor non-capitalized assets that are purchased in the current period (i.e. computers, printers, office furniture, and tools). OEO requires that all assets with an acquisition value of \$5,000 or greater be included on the inventory listing unless the Subgrantee's policies and procedures require a lower limit. The document shall be compared to the asset listing produced by the external auditor (at Subgrantee's fiscal year end, for fixed assets only). Any differences shall be documented and explained in the Subgrantee's fixed asset reconciliation. OEO reserves the right to inspect non-capitalized assets on this listing to ensure the listing's accuracy.

OEO requires the Subgrantee to maintain the following supporting documents, including but not limited to:

- Copy of asset listing produced by external audit;
- Copy of documented asset locations and conditions;
- Asset reconciliation sheet;
- Documents to support asset purchases; and

- Documents to support asset disposals.

OEO requests that a copy of this listing be submitted annually to the Senior Manager for Fiscal Monitoring. Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the federal awarding agency or pass-through entity.

**5) Depreciation**

Depreciation computation shall be based on the asset's acquisition cost (invoice price) and directly attributable costs necessary to bring the asset into working condition. Adequate depreciation records must be maintained indicating the amount of depreciation taken each period and the total amount of accumulated depreciation (Omni Circular §200.436(e)).

**6) Intangible Property**

The federal awarding agency reserves a royalty-free, nonexclusive, and irrevocable right to reproduce, publish, or otherwise use the patent or copyright for federal purposes, and to authorize others to do so when such property was developed or ownership was acquired under a federal award.

**Procurement**

**Policies and Procedures**

It is the intent of OEO to maximize program efficiency, ensure the application of appropriate procedures, and maintain the integrity of grant funds. These guidelines will assist Executive Directors, Board of Directors and Subgrantee personnel in conducting procurement transactions in a timely manner and in maximizing each Subgrantee's purchasing effectiveness. Subgrantees must comply with all applicable federal and state statutes and regulations.

Prices must be considered reasonable and in determining the reasonableness of a given cost, consideration shall be given to:

- 1) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the Subgrantee or the performance of the award;
- 2) The restraints or requirements imposed by such factors as generally accepted sound business practices, arms-length bargaining, federal and state laws and regulations, and terms and conditions of the award;
- 3) Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the Subgrantee, its members, employees, clients, the public at large, and the federal government;
- 4) Significant deviations from the established practices of the Subgrantee, which may unjustifiably increase the award costs; and
- 5) Market prices for comparable goods or services for the geographical area.

Below are procurement policies and procedural guidelines for Subgrantees:

- 1) Additional fees charged to items or services purchased for administrative operations due to late payments are unallowable costs to OEO federal grant awards.
- 2) Procurement documentation of equipment, furniture and fixtures, supplies and services will be based upon clear and accurate written descriptions, including any applicable technical specifications.
- 3) All professional/consultant services in excess of \$600 must receive prior OEO approval.
- 4) Wherein possible, priority should be given to services from vendors who are selected from the current State Procurement Contract database, which can be found at <http://procurement.sc.gov/PS/PS-index.phtml>.
- 5) All procurement expenditures must be adequately documented with a voucher/check, invoice, endorsed delivery receipt, requisition/purchase order for each transaction and applicable approval as may be required within the Subgrantee's procedures.
- 6) The Subgrantee must incorporate these guidelines into its respective procurement procedures.
- 7) OEO Fiscal Monitoring Department will review the Subgrantee's procurement procedures and purchases during the fiscal monitoring. Inconsistencies and non-compliance issues will be noted for corrective action.
- 8) OEO may request, at any time, justification and documentation supporting any purchase as a direct cost of OEO funded programs.
- 9) Agencies must ensure that all transactions associated with OEO grant funds are in compliance with conflict of interest requirements, including but not limited to: using an official position for private gain, giving preferential treatment to any person or vendor, losing complete independence or impartiality, making official decisions outside official channels, or adversely affecting the confidence of the public in the integrity of the government or the program.
- 10) Agencies must ensure that all officers, employees and agents neither solicit nor accept gratuities, favor, or anything of monetary value from contractors, or parties to the Subgrantee.
- 11) All property and equipment acquired with OEO award funds must have adequate insurance coverage that safeguards against loss and/or damage.
- 12) All items budgeted and processed as an obligation/encumbrance against program funds must be received, earned and/or completed by the end of the programs grant period.
- 13) Sound accounting principles will be practiced when establishing accruals at the end of each program. Expenditures being accrued such as salaries, utilities, and travel must be transactions within the program year, based on clear and justifiable documentation, and paid to the vendor when "normally due" or within 30 days from the close of the grant.

WAP subcontractor agreements and contracts are required to follow the procurement guidelines and require OEO approval each program year.

### **Factors Affecting Allowability of Costs**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under OEO administered grant awards:

- Be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity.
- Be accorded consistent treatment. A cost may 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.
- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- 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.
- Be adequately documented.

### **Purchases**

Subgrantee shall establish written procurement procedures in accordance with federal and state procurement regulations, including written standards for conduct covering conflicts of interest and governing the actions of employees, officers and agents.

The following SC Code Ann. § 11-35-1550 shall be utilized in conducting procurements unless the proposed purchase is from a vendor who is selected from the current State Procurement Contract, which must be verified through the State's Materials Management Office (MMO). OEO reserves the right to question any procurement during fiscal and/or programmatic monitoring that it considers to be unreasonable. OEO staff may approve the purchase or may request additional information to assist with clarifying the justification of the purchase as it relates to program need. Larger purchases of like goods or services may not be subdivided in order to circumvent the procurement requirements.

#### **1) Small Purchases less than \$2,500**

Small purchases not exceeding two thousand five hundred dollars (\$2,500) may be made without securing competitive quotations if the prices are considered reasonable. The purchasing office must annotate the purchase requisition: "Price is fair and

reasonable" and sign. The purchases must be distributed equitably among qualified suppliers. When practical, a quotation must be solicited from other than the previous supplier before placing a repeat order. The administrative cost of verifying the reasonableness of the price of purchase "not in excess of" may more than offset potential savings in detecting instances of overpricing. Action to verify the reasonableness of the price need be taken only when the procurement officer of the governmental body suspects that the price may not be reasonable, comparison to previous price paid, or personal knowledge of the item involved.

**2) Purchases over \$2,500 up to \$10,000**

Solicitation of written quotes from a minimum of three (3) qualified sources of supply must be obtained and documentation of the quotes attached to the purchase requisition for purchases over two thousand five hundred dollars (\$2,500) but not in excess of ten thousand dollars (\$10,000). The award must be made to the lowest responsive and responsible sources.

**3) Purchases over \$10,000 up to \$50,000**

Written solicitation of written quotes, bids, or proposals must be made for purchases over ten thousand dollars (\$10,000) but not in excess of fifty thousand dollars (\$50,000). The procurement must be advertised at least once in the South Carolina Business Opportunities publication or through a means of central electronic advertising as approved by the designated board office. A copy of the written solicitation and written quotes must be attached to the purchase requisition. The award must be made to the lowest responsive and responsible source or, when a request for proposal process is used, the highest ranking source.

**4) Contracts greater than \$50,000**

Such contracts must be awarded by competitive sealed bidding as described in SECTION 11-35-1520 of the South Carolina Procurement Code. In addition prior OEO approval and a cost or price analysis are required for purchases of over \$150,000 (Omni Circular §200.323). The Subgrantee must also make an independent estimate before receiving bids or proposals, and make available upon request, pre-procurement review, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates for procurements over \$150,000 (Omni Circular §200.324).

**5) Sole Source**

Sole source contracts are highly discouraged. However, when there is only one source for a supply, service, information technology, or construction item without competition, a sole source procurement may be transacted. In cases of reasonable doubt, competition must be solicited to support the sole source decision. A written explanation as to why no other vendor will be suitable or acceptable to meet the need, in addition to supporting documents, must be forwarded to OEO for review and approval prior to entering into a sole source contract.

**6) Purchases Using Gift Cards**

Gift cards are a financing tool. Money loaded on the card cannot be recognized as expenditure in an OEO administered grant until the money is actually exchanged for the goods or services. Receipts from purchases with a gift card must be retained as documentation of expenditures. Purchases using a gift card are required to comply with allowable cost and procurement policies. Records must be maintained to document the employee issued the card, when the card was issued and transaction/balance detail.

## 7) Emergency Procurements

Procurement may be made when there is an immediate threat to public health, welfare, critical economy or efficiency, or safety, and provided that such an emergency procurement is made with as much competition as is practical under the circumstances, with a follow-up written report from the Executive Director on the basis of the emergency and the selection of the vendor.

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The Subgrantee shall be alert to Subgrantee conflicts of interest and noncompetitive contract practices among contractors that may restrict or eliminate competition or otherwise restrain trade. Contractors that develop or draft specifications, requirements, statements of work, invitation for bids and/or requests for proposals shall be excluded from competing for such procurements. (Omni Circular §200.319) Solicitations shall clearly set forth all requirements that the bidder or offer shall fulfill. Any and all bids or offers may be rejected by the Subgrantee when it is in the Subgrantee's interest to do so. Also, refer to the Conflict of Interest section of this manual.

## Annual Equipment, Furniture & Fixtures Budget Requirements

Allowable "equipment" is tangible non-expendable personal property charged directly to the federal award. Equipment should be documented as either capitalized or non-capitalized, have a useful life of more than one (1) year and with a unit acquisition cost equal to or greater than two thousand five hundred dollars (\$2,500). If the Subgrantee's policy requires a lower amount, the Subgrantee will adhere to the lower amount. Examples of equipment are vehicles, copiers, phone systems, etc. Furniture and fixtures are moveable items such as desks, chairs, storage cabinets, lighting, copiers, fax machines, computers, printers and telephones. In addition, the WAP grant may require additional items such as blower doors, generators, trailers, etc. For the purpose of OEO funded grants, all purchases of the items listed above are to be listed on the Annual Equipment, Furniture & Fixtures Budget form if the acquisition cost is equal to or greater than \$2,500.

This form is a budgeting tool which assists the OEO Fiscal Monitoring Department in monitoring assets purchased with OEO administered grant funds. The items listed on the Annual Equipment, Furniture and Fixtures Budget form may not be representative of your Subgrantee's capitalization policy for fixed assets. Proper inventory records of both non-capitalized and capitalized assets purchased with OEO grant funds will be reviewed during OEO Fiscal Monitoring field visits. During the site visit, OEO will also require an inventory of tangible property purchased with OEO grants funds that do not meet the \$2,500 (classified as supplies) budget threshold.

When submitting a program budget, all anticipated purchases for the program year will be listed on the Annual Equipment, Furniture & Fixtures Budget form. Items listed will require procurement documentation, specifications, bid/quotes and justification upon the submission of the budget when procurement guidelines require or OEO requests supporting documentation. Subgrantees must obtain board approval when required. When OEO approves a Subgrantee's budget, the identified items will be reviewed and approved for procurement within the program year. Once this process is accomplished and all provisions are satisfied, the Subgrantee is ready to complete the procurement, which must be executed and items received prior to the close of the grant period.

No revisions to the FINAL (Closeout) FSR will be allowed after the closeout period due to federal reporting requirements. Any changes to fund balance after the closeout period due to indirect cost over-recoveries and/or disallowed cost will be determined by OEO Fiscal Monitoring and collected from the Subgrantee during the Fiscal Monitoring process.

### **Certification of Cost Allocation Plan or Indirect (F&A) Cost Rate Proposal**

Each proposal to establish a cost allocation plan or an indirect (F&A) cost rate must be certified by the Subgrantee using the Certificate of Cost Allocation Plan or Certificate of Indirect Costs as set forth in Appendix IV of the Omni Circular. The certificate must be signed by an individual at a level no lower than vice president or chief financial officer of the Subgrantee. Unless the Subgrantee has elected a de minimis rate of 10% of modified total direct costs (Omni Circular §200.414(f)), the federal Government may either disallow all indirect (F&A) costs or unilaterally establish such a plan or rate when the Subgrantee fails to submit a certified proposal for establishing such a plan or rate in accordance with the requirements.

### **Direct Costs**

When a cost benefits two or more projects or activities, and can be allocated to the project or activity based on the proportional benefit without undue effort or cost, it is a direct cost. The direct cost must be allocated based on the proportional benefit to the project or activity. If the proportions of the direct cost cannot be determined because of the interrelationship of the work involved, the cost may be allocated or transferred to the projects that benefitted from the cost based on any reasonable documented basis. This should not be done, however, to overcome fund deficiencies, avoid restrictions imposed by federal statutes, regulations, or terms and conditions of the federal award or grant agreement, or for other reasons. (Omni Circular §§200.405 (c) and 200.405(d)) Where the purchase of equipment or other capital asset is specifically authorized under a federal award, such costs must be charged direct to the federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.

A cost may not be assigned to an award as a direct cost if similar cost in other programs incurred for the same purpose, in like circumstance, has been allocated to an award as an indirect cost. Costs identified specifically with other final cost objectives of the Subgrantee are direct costs of those cost objectives and are not to be assigned to other awards directly or indirectly. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for such cost is consistently applied.

The costs of certain activities are not allowable as charges to federal awards. However, all direct costs regardless of whether chargeable or not to a federal award must be treated as direct costs to determine the indirect cost rate of the Subgrantee and to allocate the Subgrantee's share of indirect costs if they represent activities which include the salaries of personnel, occupy space, or benefit from the Subgrantee's indirect costs. (Omni Circular §200.413(e)) Direct costs of minor amounts may be treated as indirect costs under the conditions described at Omni Circular §200.413(d).

After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.

## **Indirect Costs**

A cost that benefits more than one cost objective, is incurred for a common or joint purpose, and is not readily assignable to a final cost objective that specifically benefited from it without undue effort is considered an indirect cost. Examples of indirect costs include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.

## **Negotiation and Approval of Indirect Cost Rates**

The cognizant agency for indirect costs is the federal agency with the largest dollar value of awards with an Subgrantee, unless a different arrangement is made with the federal agencies concerned. The assigned cognizant agency for indirect costs to a Subgrantee will not change unless there is a change in the dollar volume of federal awards to the Subgrantee for at least three (3) years. When the Subgrantee receives its approved federally negotiated indirect cost rate from its cognizant agency, the Subgrantee must provide OEO Fiscal Services and OEO Fiscal Monitoring a copy of the negotiated rate document within thirty (30) days.

In certain situations, OEO may become the cognizant agency for indirect costs for the Subgrantee. As such, the Subgrantee must submit its indirect cost rate proposal to OEO for approval. The Subgrantee must also refer to Appendix IV of the Omni Circular for instructions on methods in calculating the indirect cost rate. Indirect costs must comply with Omni Circular §§200.403 - 200.405 regarding reasonableness and allowability. The dollar amount of indirect costs allocable to a grant will be determined by multiplying the approved indirect cost rate by the applicable financial base of the grant period.

## **Indirect Cost Rate Adjustments**

Adjustments to rates due to disallowed costs are adjusted as follows:

- 1) For rates covering a future fiscal year of the non-federal entity, the unallowable costs will be removed from the indirect (F&A) cost pools and the rates appropriately adjusted.
- 2) For rates covering past fiscal years, the federal share of the disallowed costs will be computed and refund sent to OEO.
- 3) For rates covering the current fiscal period, the method of adjustment is decided by the cognizant agency.

Subgrantees are advised to review the Subgrantee's indirect costs on a quarterly basis. At the end of an OEO program year, indirect costs on the final FSR are to be adjusted to the most current indirect cost rate.

## **Per Diem/Travel Rates**

The following information is provided by OEO in an effort to update current state levels for travel. These rates may change. It is the responsibility of the Subgrantee to ensure that the

most current rates are applied in calculating travel costs. No reimbursement shall exceed federal guidelines.

1) Mileage

When a Subgrantee vehicle is available, reimbursement is 53.5 cents (\$.535) per mile or 4 cents (\$.04) less the current rate established by the Internal Revenue Service (IRS), whichever rate is the lowest.

When a Subgrantee vehicle is not available, reimbursement is 57.5 cents (\$.575) per mile or the current rate established by the IRS, whichever rate is the lowest.

2) Meals

|           | <u>In-State Meals</u> | <u>Out-of-State Meals</u> |
|-----------|-----------------------|---------------------------|
| Breakfast | \$ 6.00               | \$ 7.00                   |
| Lunch     | \$ 7.00               | \$ 9.00                   |
| Dinner    | \$12.00               | \$16.00                   |

3) Lodging

Refer to the U.S. General Services Administration website at [www.gsa.gov](http://www.gsa.gov) for applicable rates.

A Subgrantee's travel expenditures required to carry out the provisions of OEO administered grants may be determined based on using the methods established by the State of South Carolina's Travel Policy explained above.

If a Subgrantee chooses to develop its own Travel Policy, travel costs may be charged based on actual costs, on a per diem or mileage basis, or on a combination of the two. However, the method applied must result in charges consistent with those normally allowed by the Subgrantee in its regular operations regardless of whether the travel costs incurred are associated with federal or non-federal activities (Omni Circular §200.474 (b)). All travel costs charged to OEO administered grants must directly benefit the program, be reasonable, follow established policies and be properly documented.

**Rent**

Rent paid for administrative or program activities must:

- Be reasonable and comparable to other available properties in the same market area.
- Obtain prior approval from OEO prior to entering into a rental or lease agreement on space charging \$500 or more per month. The Subgrantee must provide OEO with supporting documentation of comparable properties.
- Include a termination clause in all rental and/or lease agreements.
- Shall be charged in a cost allocation method according to program requirements. Refer to individual grant agreements.

## **Insurance**

At a minimum, Subgrantees shall provide insurance coverage for real property and equipment acquired or improved with federal funds equivalent to the insurance coverage the Subgrantee provides its own property (Omni Circular §200.310) and ensure sufficient coverage of officers.

- Types of insurance coverage are Building & Personal Property, Data Processing, Automobile Liability and Collision, General Liability and Workers' Compensation and Employee Health.
- Fidelity (Tort) coverage is required to insure against financial loss.
- WAP requires Pollution Occurrence Insurance.
- All subcontractors must provide agencies and OEO with certificates of insurance representing adequate general liability coverage and when applicable, workers' compensation coverage.
- Insurance rates and premiums should be reasonable.
- Insurance, including Employee Health, will comply with procurement standards.

## **Contractual/Professional Services**

Costs for contractual/professional and consultant services rendered by a person who possesses a special skill (excluding maintenance or repair agreements) and who is not an officer or employee of the Subgrantee are allowable. (Omni Circular §200.459) Factors to consider in determining the allowability of costs for contractual/professional services include, but are not limited to:

- The rate of compensation must be reasonable in relation to the service.
- The service must be necessary and the agency unable to provide said service.
- See Section V. Audit of this manual for the selection of Auditors when obtaining audit services.
- How the service was accomplished in prior grant periods.
- Whether the service can be performed more economically internally rather than through a contract.

Whenever possible, the Subgrantee is encouraged to make positive efforts to utilize small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms (Omni Circular §200.321.) Contracts and/or agreements must include a termination provision and be in compliance with applicable procurement policies. Supporting documentation of the contract should support all of the above.

### **Stipends and Staff Training**

Stipends are considered participant support costs. (Omni Circular §200.75) Participant support costs are costs paid to or on behalf of a participant or trainee, not an employee, for conferences or training project. Other types of participant support costs include subsistence allowances, travel allowances and registration fees. Subgrantees must obtain prior approval from OEO in order for stipends to be an allowable cost.

OEO, as the administering agency for CSBG (Youth Leadership Program), agrees to allow stipends that are directly related to the purpose and strategies of the grant program. All proposed stipends and/or wages must be submitted with the work plan to the CSBG Senior Program Manager in writing, clearly justifying the relevance to program success (e.g. Employment Skills Training/Internships). OEO will approve the stipend and/or wages with the approval of the work plan. Each client file must provide adequate documentation to support these expenditures. Clients must not be paid simply for participating in the program, attending classes. CSBG funds may not be used to reward or provide gifts or other comparable items to clients.

Training and education costs for employee development are allowable per Omni Circular §200.472. To be approved, OEO requires the agency to demonstrate that all staff training and education costs are directly related to the program requirements and are designed to increase the employee's effectiveness within the program.

The following information must be submitted to OEO for prior approval if stipends are being charged:

- 1) Identify eligibility criteria;
- 2) Define who's eligible;
- 3) Explain how you arrived at the stipend figure; and
- 4) Explain why the stipend is being offered (stipends are allowed for childcare, transportation, or time lost from a job to attend sessions and must be justified with receipts).

The following information must be submitted to OEO for approval if internships are being charged:

- 1) Must be outlined in agency's policies and procedures manual;
- 2) Identify eligibility criteria;
- 3) Define who's eligible;
- 4) Explain how you arrived at the hourly rate;
- 5) Memorandum of Understanding is required between agency and employer and must include termination policy (termination should occur as soon as possible if internship is not working appropriately); and

- 6) 1099 Forms must be provided to each student receiving more than a total of \$600 per year for income tax purposes and tax regulations must be adhered to.

CSBG funds may not be used to pay rewards, gift cards, and/or gift certificates. Failure to comply with this section may result in a disallowance of costs incurred.

### **Materials Inventory**

To ensure inventory costs are recorded in the program year which receives the most benefit, Subgrantees are to comply with the following procedures. For cumulative residual materials inventory at program year-end that is (applies to the WAP programs):

- Less than \$1,500: The Subgrantee is to provide an itemized listing identifying the material, quantity, unit price and total costs. The total dollar amount should agree with the financial documentation (trial balance).
- Greater than \$1,500: The Subgrantee is required to buy the inventory from the program with non-state, non-federal funds. Once spending is authorized for the subsequent program year, the Subgrantee can use current year program funds to repurchase the inventory. The agency buy back is to be supported by a computer generated copy of the journal entry and a copy of the check.

## **IV. Reports and Records**

OEO uses the DBA FACSPRO™ for budget and Financial Status Reports. Generally, reports required by OEO's Fiscal Services Department are available on DBA. On-line reporting requirements must be followed.

### **Certification**

The annual and final fiscal reports or vouchers requesting payment under the agreements must include a certification, signed by an official who is authorized to legally bind the Subgrantee, which reads as follows: "By submitting 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, may 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)." (Omni Circular §200.415(a))

### **Financial Status Report (FSR)**

All FSRs and required supporting documents (Summary of Expenditures, General Ledger Report, support for journal entries and voided transactions) must be submitted on the fifteenth (15th) of the month following the reporting period unless instructed otherwise. The final FSR

requires the signature of both the Subgrantee's Executive Director and authorized representative of the finance department.

**General Procedures for the Financial Status Report (FSR):**

- 1) OEO allows for a fifteen (15) percent variance in expenditures from the budget on budget line items not related to Salaries, Fringes and Indirect Cost. Variances of more than fifteen (15) percent may be permitted with OEO approval prior to the expenditure of funds.
- 2) It is the responsibility of the Subgrantee to ensure upon the submission of the final FSR that Indirect Cost is properly expended and reported. This may result in a negative balance, which must be approved by OEO before submission of final FSR.
- 3) The Total Administration fund balance of any OEO grant cannot reflect a negative balance.
- 4) A program closeout memo will be issued for each OEO grant. This memo will instruct Subgrantees to retain or refund the fund balance at the time of the closeout. If a refund is required, the Subgrantee should send payment with the FINAL (Closeout) FSR. If a Subgrantee is instructed to retain the fund balance, these funds will be included in the Actual Allocation for the subsequent program year.
- 5) If the Subgrantee has over expended the Subgrantee's allocation, the Subgrantee must not transfer revenue from another restricted source to offset the over expenditure. The Subgrantee may, however, move expenditures out to another source of funds. (Omni Circular §200.405(c))
- 6) No revisions in the FINAL (Closeout) FSR will be allowed after the closeout period. Any changes to fund balance after the closeout period will be reviewed during OEO's Fiscal Monitoring process and combined with any other disallowed cost.
- 7) In addition to the WAP closeout FSR, OEO requires submission of the Materials Inventory Report or copy of the journal entry transferring the value of the inventory on hand at the close of the grant period in line with materials inventory procedures identified in section III of this manual.
- 8) The final WAP FSR has been updated to include the reporting of program income.
- 9) All obligations of grant funds should be paid by the grant closeout. Therefore, there should be no obligations listed on the final FSR. If obligations exist, they must be supported by agency accounting system generated A/P ledger and clearly identified why they remain outstanding.
- 10) OEO maintains the right to request additional information from the Subgrantee.

**Non-Receipt and Request for Additional Information**

As a recipient of federal funds, OEO is required to ensure that appropriate fiscal controls and program procedures are in place to assure proper accounting and timely/effective disbursement of

public funds. OEO state plans and grant agreements outline specific provisions for Subgrantee responsibilities and reporting requirements, and those include: Financial Status Reports (FSR), Household Reports, Program Status Reports (PSR), IS Reports, ROMA Reports, program budgets and budget narratives.

### **Notice of Non-Receipt**

When OEO has not received a budget by the date indicated in the program allocation letters or for FSRs by the fifteenth (15th) of each month or the FINAL FSR by the closeout period, a written Notice of Non-Receipt will be sent to the Subgrantee's Executive Director, Fiscal Officer and Board Chair.

### **Request for Additional Information**

When OEO receives an incomplete budget or FSR, a Request for Additional Information Notice will be issued and the report will be considered pending until corrections are received. OEO remains committed to continuing a review of internal policies to assist in the elimination of unnecessary delays in an attempt to accelerate reporting and the approval processes. We respectfully request each Subgrantee's assistance in improving this process at the Subgrantee level by assuring timely, complete and accurate reporting. Moreover, the information provided is what OEO uses to prepare its reports to the federal grantor agency, which may affect appropriations and program services.

Failure of a Subgrantee to submit the FSRs when due, or provide additional documents as requested may be considered noncompliant, which may result in OEO imposing special conditions on the Subgrantee. See section V. Corrective Action, Special Conditions of this manual.

### **Closeout**

Subgrantees are required to perform a closeout for all grants, including Project Share. A closeout is performed when the Subgrantee performed all applicable administrative actions and required work pertinent to the federal award. The dates when the closeout documents are due to OEO are listed below:

| <b><u>Grant</u></b>              | <b><u>Date Closeout Due to OEO</u></b> |
|----------------------------------|--|
| CSBG ( ending December 31)       | February 15                            |
| LIHEAP (ending December 31)      | February 15                            |
| Weatherization (ending March 31) | April 30                               |
| Project Share (ending June 30)   | July 15                                |

Failure to adhere to the due dates above may result in noncompliance. Moreover, it is imperative that Subgrantees submit their respective closeout documents on time as this affects when OEO is subsequently able to report the information to the federal awarding agency.

OEO closeout process does not affect a federal agency's right to disallow cost and recover funds on the basis of later fiscal monitoring or other reviews. (Omni Circular §200.344)

## Review Procedures for Program Year Closeouts

A fiscal closeout package includes:

- 1) **Completed FSR:** The FSR must be completed for the full program year. The final allocation, revenue received and approved budget should be included in the report. The year-to-date expenditures and revenue must agree with all previously reported expenditures and revenue to the financial system reports provided as support. The final FSR must be signed by the Subgrantee's Executive Director and an authorized representative of the finance department (i.e. Director of Finance, Chief Finance Officer, etc.).

When completing the FSR, the Subgrantee must consider certain conditions including, but not limited to, the following:

- a) Total administration expenses must not be a negative amount;
  - b) Expenditures should not exceed the fifteen (15) percent allowable variance in non-personnel line items;
  - c) Expenditures should not exceed funding levels.
  - d) The final FSR should not include any obligations.
  - e) Salaries and salary related line items should not exceed the approved budget.
  - f) Interest income and/or program income must be identified on the final FSR.
  - g) The total clients served must be reported.
- 2) **Supporting Financial Documents:** These include, but are not limited to, the Subgrantee's trial balance, general ledger detail, supporting documents for journal entries and voided transactions, accounts payable report, program income report, and interest income report. In gathering all supporting financial documents, the Subgrantee must consider the following:
    - a) All vendor payments must clear the Subgrantee's bank account by closeout of the federal award. There should be no outstanding vendor payments by closeout.
    - b) Calculation of interest income. OEO Fiscal Services will provide a spreadsheet.
    - c) The revenue must agree with the grant agreement and final approved budget for the program year.
    - d) The Subgrantee must practice sound accounting principles when establishing accruals at the end of each program year. The expenditure must have been a transaction that occurred within the program year and supported by appropriate documentation and paid to vendors thirty (30) days prior to the closeout of each grant.
    - e) No listing of "Due To" or "Due From" (represents a type of loan, which is not allowed) – all transactions will be complete by the submission of the final FSR.

- f) All accounts payable items should be supported by an itemized list identifying the vendor invoice, dates, amounts and justification.
  - g) Financial documents will represent the year-to-date expenditures on the FSR.
  - h) A reconciliation is required if multiple financial documents are submitted to calculate the year-to-date expenditures.
  - i) Interest income and program income are to be identified on the FSR and in the financial documents.
  - j) The cash balance on the financial documents must agree with the unexpended funds amount reported on the FSR. If not, the Subgrantee must provide a detailed reconciliation of the cash balance.
  - k) A full disclosure of the calculation of interest income is required to be submitted with the final FSR for each grant and each grant period. A spreadsheet will be provided.
  - l) Indirect costs will be properly charged by the closeout and the expense to the grant will represent the actual rate applicable to the grant period.
  - m) All vendor payments will be verified as clearing the bank account or will be voided from grant expenditures by the submission of the final FSR.
- 3) Program Reports: The required program report(s) will depend on the federal award being closed out. Examples of required program reports are Household, PSR, ROMA, IS, etc.
- 4) Check for the program fund balance, including interest, made payable to the Office of Economic Opportunity.
- 5) WAP Requirements: WAP dwellings must be completed prior to the close of the WAP grant. The FSR must also include the number of dwellings completed for the program year. A materials inventory recap report and a copy of the journal entry transferring the value of inventory must be provided.

To assist with the closeout process, a copy of the review procedures will be provided with each program closeout memorandum.

### **Record Retention**

A Subgrantee must retain all records (financial and statistical records, supporting documents, etc.) related to a federal award for a period of three years from the date of approval of the final expenditure report. Exceptions to these requirements include, but are not limited to, the following:

- If a litigation, claim or audit is started before the expiration of the three-year period, please contact OEO for retention period requirements.

- All records of real property and equipment purchased with federal funds must be retained for three years after the final disposition.
- The three year retention period does not apply to the Subgrantee if records are transferred to or maintained by the federal awarding agency or the pass-through entity.
- The Subgrantee may be notified in writing to extend the retention period by the federal awarding agency, OEO, or cognizant agency.
- If a Subgrantee is required to report program income after the period of performance, the retention period for program income records begins at the end of the Subgrantee's fiscal year in which the program income was earned.

Refer to Omni Circular §200.333 for more information regarding record retention requirements.

### **Corrective Action, Special Conditions**

As the pass-through entity, OEO has the discretion to place a Subgrantee under corrective action and impose additional conditions to the grant.

### **Administrative Enforcement**

Administrative Enforcement remedies do not preclude the Subgrantee from being subject to "Debarment and Suspension" or Termination. In administering the following, the Grantee has adopted Administrative Requirements for Governments; often referred to as the "Common Rule" (Tab 300, Sec. 43). Administrative enforcement will begin when a Subgrantee: (a) fails to comply with the terms of the award, whether stated in local, state, or federal law and/or regulations, the state plan, the grant agreement or any other Memoranda relied upon and distributed by Grantee; and/or (b) work products are not submitted within the required time frame; and/or (c) reporting is not completed in accordance with generally accepted accounting principles; and/or (d) performance is not consistent with the approved budget, work plan and/or grant agreement; and/or (e) when a Subgrantee:

- 1) Sustains a documented history of unsatisfactory performance over at least two (2) Grantee Monitoring's;
- 2) Experiences an adverse material change in financial condition at any time during the term of this agreement that affects the Subgrantee's ability to perform any portion of this agreement;
- 3) Exhibits a lack of internal management controls;
- 4) Provides any representation to Grantee that shall at any time be false or misleading in any respect;
- 5) Does not submit required reports timely or reports are submitted with incorrect, incomplete or insufficient information;
- 6) Fails to complete in a timely manner any of the approved services, goals and objectives outlined in the work plan;

As the unsatisfactory performance and non-compliances persist, the Grantee may exercise one or more of the following options, as appropriate to the circumstances:

- 1) Conduct comprehensive Grantee Team monitoring on-site and interim project monitoring that may be announced and/or unannounced;
- 2) Require the Subgrantee to obtain additional technical and/or management assistance;
- 3) Establish additional prior approvals from Grantee;
- 4) Require additional financial reports and/or data;
- 5) Place the Subgrantee on “High Risk” status;
- 6) Wholly or partly suspend the current grant agreement;
- 7) Issue payment to the Subgrantee on a reimbursement basis;
- 8) Require reimbursement of Grant funds expended contrary to the terms of this agreement, the work plan, the state plan, local, state and/or federal laws and regulations, and/or memorandum relied upon and distributed by Grantee, from non-state, non-federal funds;
- 9) Require the Subgrantee to develop a corrective action plan, which must be approved by the Grantee and include a time frame for completing the corrective actions;
- 10) Require Board acknowledgement of agency’s status; and/or
- 11) Establish additional constraints Grantee deems to be necessary and appropriate under the circumstances.

If the Grantee decides to impose such special grant conditions, the Grantee will notify the Subgrantee as early as possible, of the following:

- 1) The nature of and reason for the special conditions and/or restrictions;
- 2) The method of appeal for reconsideration of the imposed conditions/restrictions; and
- 3) If appropriate, the training and technical assistance Grantee is offering to the Subgrantee to help correct the deficiency.
- 4) If training and technical assistance are not appropriate, Grantee will detail the reason why.

### **Cost Reimbursement Method of Funding**

The following instructions were developed by OEO to assist Subgrantees who have been placed on the Cost Reimbursement method of funding. These instructions must be followed for every Payment Request/Invoice submitted to OEO Fiscal Services Department for reimbursement.

Under the Cost Reimbursement method of funding, the **Subgrantee is required to finance its operations with its own working capital**. OEO payments to the Subgrantee shall serve as reimbursement for the Subgrantee's actual cash disbursements supported by adequate documentation. Costs shall only be reimbursed when incurred costs were paid by the Subgrantee. If the Subgrantee does not follow these requirements, OEO will be unable to review and process the submitted reimbursement request(s) and the entire package will be returned to the Subgrantee.

All Payment Requests with appropriate documentation must be submitted to the Office of Economic Opportunity – Fiscal Services Department 1205 Pendleton Street, Columbia, SC 29201. Please contact OEO Fiscal Services Department at (803) 734-0662 if you have any questions.

### **Reimbursement Guidelines**

To efficiently process the Subgrantee's Payment Request for reimbursement, it is essential that Subgrantees follow the specific guidelines provided below.

1) Payment Request/Invoice

All Subgrantees on Cost Reimbursement are required to submit a separate Payment Request or Invoice (see Attachment A) for each subsequent grant when requesting reimbursement. Payment Request(s)/Invoice(s) can be submitted as often as weekly, but not less than biweekly. Please allow a minimum of two weeks (from the received date of the Invoice) for OEO to complete the approval process and disburse the requested funds.

2) Summary Cover Sheet

Accompanying each Payment Request should be a Summary Cover Sheet. This summary page should include the following information: check number(s); date of check(s); payee and amount of expense claimed; the type of supporting documentation attached (invoice, receipt, contract, support for personnel compensation, etc.); and a brief explanation of the purpose of the expense.

Summary Cover Sheets must be complete, accurate, and well organized. Pages should be numbered or grouped to facilitate cross-referencing of checks and supporting documentation. For the first Payment Request submitted by a Subgrantee, the initial number of transactions documented should be small so that any deficiencies in the submission that are identified by the reviewer can be corrected with the minimum amount of effort.

- Listing of Cancelled Checks/Charges – each cancelled check/charge should be listed sequentially by check number.
- Date Check Written/Charge Incurred – provide the date that the check was written or the charge was incurred.
- Payee – identify to whom the check was written.
- Total Amount of Expenses – the total amount of the expenses reflected in the corresponding check. An explanation in the form of a footnote must be provided if the total amount of the check is different than the amount used in the supporting documentation.

- Forms of Documentation – identify the type of supporting documentation (i.e. invoice, contract, receipt, etc.).
- Explanation – provide a brief explanation of the purposes for which the costs were incurred (if not self-evident by the payee).
- Signatures – the Summary Cover Sheet must be signed and dated by both the preparer and the authorizing official (Executive Director). The preparer should ensure that the Summary Cover Sheet and supporting documentation are organized and easy to follow.

3) Appropriate Forms of Documentation

To be reimbursed for allowable expenses, the Subgrantee must provide evidence that costs were incurred and paid. Payment Request(s) must be supported by appropriate documentation for the allowable expenditures incurred and paid on the grant. If you are unsure whether a particular expenditure is allowable; consult your approved budget and/or the appropriate section of the Omni Circular.

The appropriate forms of documentation include copies of the following: approved vendor invoice(s); receipt(s); bank statement(s); electronic reference(s); or contract(s). All documentation must be supported by a check copy. All forms of supporting documentation for each expense must be legible, approved by an authorizing official (i.e. Program Manager, Finance Manager, and Executive Director), coded to reflect the corresponding grant(s) and the information must be arranged in the same order as the checks identified on the Summary Cover Sheet.

4) Personnel

For reimbursement of personnel costs, Omni Circular §200.430(i) requires that salaries and wages be supported by records documenting the work performed. Subgrantees must have an internal control system in place providing reasonable assurance that personnel charges are allowable, accurate, and appropriately allocated. Supporting documents must reasonably capture all work performed by the Subgrantee's employees for all work performed compensated by both federal and nonfederal funds. Subgrantees may use budget estimates for interim accounting purposes, however, such budget estimates will not suffice as supporting documentation for personnel charges to federal grants.

Subgrantees are no longer required to provide personnel activity reports, but may choose to do so. What is required, however, is that the supporting documentation of personnel costs comply with Omni Circular §200.430(i).

Please be certain that the personnel documentation indicates the total amount of wages and fringe benefits, the net amount of the paycheck, and the amount of wages and fringe benefits applicable to the corresponding grant.

Please submit copies of payroll registers or payroll reports indicating the gross salary and wage amounts or additional amounts paid related to FICA, retirement, and health insurance. OEO may require additional information if the supporting documents provided are determined to be insufficient and/or require additional support.

- 5) Travel  
Reimbursement of a Subgrantee's travel expenses that directly benefit the program will require copies of travel vouchers reporting the dates, points of travel, conference agenda and the purpose for the travel. A separate travel voucher must be completed and signed by each person traveling during the reimbursement period. Copies of receipts must be submitted for hotel bills and common carriers (i.e. airlines). Receipts are not required for meal reimbursement by Subgrantee employees in travel status, but they must comply with current state levels for travel. Use of a personal vehicle will be reimbursed for allowed travel at the rate per mile established in the budget or the state-approved rate.
- 6) Supplies  
Provide copies of approved invoices and receiving reports for purchase of all supplies.
- 7) Equipment  
Provide copies of approved invoices for equipment rental or purchases.
- 8) Contractual  
Actual expenditures for program speakers and consultants must be documented by providing copies of contractual agreements. In addition, documentation of the time, date, location and meeting agenda must also be provided. Sign-in list(s) should be completed during seminars or meetings and a copy of the list(s) must be submitted with the contractual documentation.
- 9) Other  
Other costs such as room rent, postage, and utilities should be documented by the Subgrantee by providing copies of rental agreements, postage receipts and utility bills.

Additionally, a credit card statement is not a valid form of documentation for reimbursement. The corresponding receipts need to be attached to support all valid purchases listed on the relevant credit card statement(s).

## V. Audit

This guidance is to set forth standards for obtaining consistency and uniformity among Subgrantees expending federal awards and to permit a thorough and fair review of audit questions and disallowances. OEO shall revise these procedures as needed in order to maintain compliance with state and federal requirements.

The following regulations are federal audit requirements for grant agreements with OEO:

- Human Services Reauthorization Act of 1984, Public Law 98-558.
- Single Audit Act of 1984, Public Law 98-502 and the Single Audit Act Amendments of 1996, Public Law 104-156.
- OMB Omni Circular or Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal Awards.

- OMB Circular A-129: Policy for Federal Credit Programs and Non-Tax Receivables, Part V Delinquent Debt Collection.

### **Single Audit**

#### A. Audit Requirements

Subgrantees are required to have a single or program-specific audit conducted when federal award expenditures equals or exceeds \$750,000 per fiscal year as noted at Omni Circular §200.501 (a). The single audit performed must be in compliance with the requirements set forth at §200.514 of the Omni Circular. Moreover, OEO is given the authority to pursue remedies for noncompliance as provided for in §200.338 of the Omni Circular. Refer to Omni Circular §200.501 (c) for program-specific audits.

Subgrantees must give the auditor access to personnel, accounts, books, records, supporting documentation and other information as needed for the auditor to perform the required audit. (Omni Circular §200.508 (d))

#### B. Audit Costs

Professional fees associated with audits are allowable charges if made in compliance with Omni Circular §200.459 and may be allocated as an indirect cost. Generally, the percentage of costs charged shall not exceed the percentage derived by dividing OEO program funds by total federal funds expended by the Subgrantee during the Subgrantee's fiscal year being audited.

#### C. Selection of Auditors

When procuring audit services, the Subgrantee shall:

- 1) Adhere to its own documented procurement policies, which must incorporate applicable state and local laws and regulations;
- 2) Clearly state the objectives and scope of the audit in its request for proposals;
- 3) Obtain a copy of the audit Subgrantee's peer review report;
- 4) Consider such factors as the audit Subgrantee's relevant experience, professional qualifications and technical skills of the audit Subgrantee's available staff, results of the peer review and any external quality control review, and price;
- 5) Take positive efforts to procure audit services from small businesses, minority-owned firms, and women's business enterprises.

At a minimum, procurement of audit services shall include advertisement of the Request for Proposal in the South Carolina Business Opportunities newsletter, published by the State Budget and Control Board, and the newsletter of the South Carolina Association of Certified Public Accountants. If an audit Subgrantee prepares the Subgrantee's indirect cost proposal or cost allocation plan and the Subgrantee's indirect costs recovered from the prior year exceed \$1 million, the same audit Subgrantee may not be utilized to perform audit services.

In line with the Sarbanes-Oxley Act of 2002 Sec. 203, an incumbent auditor can submit bids for consecutive subsequent period; however, the lead auditor or audit partner

responsible for reviewing the audit may provide such services for no more than five (5) consecutive fiscal years. After such time, a new lead auditor or audit partner shall be appointed.

D. Financial Statements & Schedule of Expenditures of Federal Awards

Subgrantees are required to prepare financial statements reflecting the Subgrantee's financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. Subgrantees are also required to prepare a schedule of expenditures of federal awards (SEFA) for the same fiscal period. The SEFA must list the total federal awards expended as determined in accordance with Omni Circular §200.502.

E. Independent Audit Report Submission

The audit report, data collection form (Form SF-SAC) and reporting package must be completed and submitted to the Federal Audit Clearinghouse (FAC) within the earlier of thirty (30) calendar days after receipt of the auditor's report(s), or nine (9) months after the end of the Subgrantee's fiscal year.

The reporting package must include the following:

- 1) Financial statements and SEFA (see Omni Circular §200.510 (a) and (b), respectively);
- 2) Summary schedule of prior audit findings (Omni Circular §200.511 (b));
- 3) Auditor's report(s) (Omni Circular §200.515); and
- 4) Corrective action plan (Omni Circular §200.511 (c)).

It is the Subgrantee's responsibility to ensure that personally protected identifiable information is omitted from the reporting package. The data collection form must be completed and signed by a Subgrantee's senior level representative (i.e. director of finance, chief executive officer, or chief financial officer) and the auditor where applicable. Refer to Omni Circular §200.512 for more information.

The Subgrantee must inform OEO immediately upon submission to the FAC. Refer to Omni Circular §200.507(b)(2) for program-specific reporting requirements.

F. Independent Audit Report

The audit report must specifically state that the audit was conducted in accordance with Omni Circular §200.515 and shall include the following:

- 1) An opinion or disclaimer of opinion as to whether the financial statements are presented fairly in all material respects in accordance with GAAP and an opinion or disclaimer of opinion as to whether the SEFA is fairly stated in all material respects in relation to the financial statements as a whole.
- 2) A report on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. The report must describe the scope of testing of internal control and compliance and the

results of the tests, and where applicable, it will refer to the separate schedule of findings and questioned costs described at Omni Circular §200.515(d).

- 3) A report on compliance for each major program and a report on internal control over compliance. The report must describe the scope of testing of internal control over compliance, include an opinion or disclaimer of opinion as to whether the auditee complied with federal statutes, regulations, and the terms and conditions of federal awards which could have a direct and material effect on each major program and refer to the separate schedule of findings and questioned costs described at Omni Circular §200.515 (d).
- 4) A schedule of findings and questioned costs, which must include the following (refer to Omni Circular §200.515(d) for more detail):
  - a) A summary of the auditor's results;
  - b) Findings relating to the financial statements which are required to be reported in accordance with GAGAS; and
  - c) Findings and questioned costs for federal awards which must include audit findings as defined at Omni Circular §200.516 (a).

The audit report need not follow the order or format listed above. However, the information and statements identified above must be included in the audit report.

Corrected prior audit findings may be excluded from the summary schedule of prior audit findings. Prior audit findings not corrected or only partially corrected must be listed with an explanation as to why the findings recurred and the Subgrantee's planned corrective action in addition to any partial corrective action taken. An explanation is required when the corrective action taken differs significantly from the previously reported corrective action plan. (Omni Circular §200.511 (b)(2))

The auditee is required to prepare a corrective action plan for all findings identified by the auditor. The corrective action plan must include the following (see Omni Circular §200.511 (c)):

- 1) The name of the contact person responsible for the corrective action;
- 2) The corrective action planned;
- 3) The anticipated completion date; and
- 4) An explanation and specific reason(s) as to why the auditee does not agree with the audit find or believes that a corrective action is not required.

#### G. OEO Fiscal Monitoring Responsibilities

As the pass-through agency of federal awards, OEO performs fiscal monitoring activities to ensure that a Subgrantee's expenditures of federal awards comply with applicable laws, regulations, grant agreement provisions, and any other applicable requirements for the expenditure of federal Awards. Part of OEO's fiscal monitoring activities include, but are not limited to, a desk review of the Subgrantee's single audit report, a review of

whether the Subgrantee has taken appropriate and timely corrective action on any issues identified, a follow up on prior year's fiscal monitoring findings, and a review of expenditures reported on FSRs submitted to OEO.

OEO will perform fiscal monitoring on-site visits. OEO may or may not give advance notice of an on-site visit. A fiscal monitoring report will be issued at the conclusion of on-site fiscal monitoring visits. All Subgrantees are required to provide OEO access to documents, papers, or other records of the Subgrantee that OEO requests which are pertinent to the federal award(s) under review. This access must also be afforded to any authorized representative of OEO, such as a firm engaged to perform fiscal monitoring activities on behalf of OEO. (Omni Circular §200.336)

### **OEO Desk Review**

All single audit reports submitted to OEO undergo a desk review. The desk review is an assessment of whether the audit and federal expenditures of OEO administered grants are in compliance with Omni Circular §200.500 et al, Government Auditing Standards, generally accepted auditing standards, generally accepted accounting principles, and applicable laws, regulations, contracts and grant agreements. OEO will determine audit acceptability, ascertain Subgrantee compliance, examine questioned costs and findings reported, determine grant agreement violations, determine any fund balances due to OEO and identify any areas of concern that OEO may potentially address with monitoring activities. For each audit finding related to OEO administered grants, OEO will issue a management decision. (Omni Circular §200.521 (c)) Additional information or documentation may be requested at any time during the desk review, and OEO may perform additional work as deemed necessary.

The desk review will be performed, and, any management decisions necessary, issued within six (6) months upon acceptance of the audit report by the FAC. As such, it is required that the Subgrantee submit its single audit report to OEO the same day it files with the FAC. Failure to comply with this requirement may result in OEO taking corrective action to address the noncompliance of the Subgrantee. An analysis of program activity with a separate analysis for indirect cost will be performed. The indirect cost analysis will be performed using the corresponding indirect cost rate agreement for the fiscal year audited. Analysis of program variances will be performed for completed program years while partial year program variances considered material may be subject to sampling.

Questioned costs identified in the single audit will be reviewed. OEO may require additional information from the Subgrantee to address questioned costs, and may perform additional work to determine whether the issues associated with the questioned costs have been appropriately corrected and addressed by the Subgrantee. The report will identify whether each questioned cost is an allowed or disallowed cost, the amount of funds involved, if any, and the total sum in question for each OEO program.

Results of the desk review, management decisions and indirect cost analysis will be communicated and addressed to the Executive Director, unless otherwise requested, in writing, by the Subgrantee's Board of Directors. If issues or areas of concern are identified in the report, the Executive Director will have thirty (30) days from the date of the report to respond to OEO, unless otherwise stated. If OEO does not receive a response from the Subgrantee within the timeframe identified in the letter, the Subgrantee will be considered noncompliant and OEO may take corrective action measures including, but not limited to, suspension of future funding.

### **Payments of Disallowed Cost**

Disallowed costs shall be payable to OEO within thirty (30) days from the date of the correspondence identifying disallowed costs. Payment methods permitted to satisfy disallowed costs are as follows:

- 1) Lump-sum Payment  
OEO must receive the total disallowed sum within the aforementioned period. If the Subgrantee is financially unable to make full payment within this time frame, this fact must be submitted to OEO Director in writing within fifteen (15) business days of the date of the correspondence identifying disallowed costs. The Subgrantee will be subject to an OEO Fiscal Monitoring to document the non-federal/non-state funds available for repayment of delinquent debt.
- 2) Installment Payments  
Subsequent to verification of the Subgrantee's inability to repay in lump-sum, OEO may establish a written agreement binding the Subgrantee to the terms and methods outlined. The standard repayment period is twelve (12) months, not to exceed a thirty-six (36) month maximum time allowance. Monthly payments will be due to OEO by the fifteenth (15th) of each month. Quarterly payments will be due to OEO by the fifteenth (15th) day of the last month in the quarter.
- 3) Delinquent Payments  
If a Subgrantee fails to repay funds within the required timeframe, the regulations mandated by Omni Circular and 4 CFR Chapter 11-Federal Claims Collection Standards (General Accounting Office – Department of Justice) may be exercised in the collection of delinquent debt.

### **Fiscal Monitoring Procedures**

OEO will perform fiscal monitoring at least:

- once every three years for CSBG and LIHEAP;
- once a year for WAP; and
- continuous monitoring (cost reimbursement method) for ESGP.

OEO on-site Fiscal Monitoring objectives include, but are not limited to, an assessment of the Subgrantee's internal controls, cash management, ensuring assets have the proper documentation and are properly maintained, accruals are properly supported, balance sheet and income statement accounts are used in a consistent manner to ensure comparability, client assistance eligibility, proper procurement standard and a review of human resources policies and procedures. OEO will sample expenditures to ensure payments are adequately supported with the proper documentation and that payments are in compliance with OEO grant agreement, budget requirements and applicable laws, regulations, policies and procedures.

OEO will send a written confirmation to the Executive Director of the Fiscal Monitoring date along with the Document Request, which lists the items and information the Subgrantee must submit prior to the on-site visit and for documents to be made readily available upon arrival.

Additional documents may be requested as needed during the Fiscal Monitoring and after the on-site visit.

Upon arrival at the agency, OEO Fiscal Monitoring staff will conduct an entrance conference with the Subgrantee's Executive Director and Fiscal Officer. The entrance conference is open to any additional staff the Executive Director or OEO staff deem necessary.

An exit conference will be conducted by OEO Fiscal Monitoring staff with the Subgrantee's Executive Director, fiscal officer and/or program director(s). The exit conference is open to any additional persons the Executive Director or OEO staff deem necessary. Findings and/or areas of concern will be discussed along with suggestions for corrective actions.

A report will be issued and addressed to the Executive Director following the conclusion of fiscal monitoring activities. A copy of the report will also be provided to the Board Chairperson.

OEO may perform on-site fiscal monitoring activities without notifying the Subgrantee prior to the visit. In such instances, OEO will inform the Executive Director upon arrival at the Subgrantee's premises.

### **Subgrantee Fiscal Monitoring Responsibilities**

The Subgrantee is responsible for preparing all documents requested, responding within the required timeframe and developing a corrective action plan as needed. Access to personnel, documents, books, accounts, papers, and any records requested by OEO or any of its authorized representatives in order to perform fiscal monitoring activities is required. If access is denied or any documents or records are not provided, the Subgrantee may be considered noncompliant, which may result in OEO taking corrective measures.

The results of the monitoring will be communicated to the Executive Director and Board Chairperson of the Subgrantee. The Executive Director must submit a corrective action plan to OEO addressing the findings and/or issues identified in the report. The corrective action plan must be submitted to OEO within thirty (30) days of the date of the fiscal monitoring report, unless otherwise noted on the report. The corrective action plan must include the name(s) of the contact person(s) responsible for the corrective action, the corrective action planned, and the anticipated completion date. Follow-up fiscal monitoring may occur depending on the Subgrantee's response to the fiscal monitoring report.

### **Fiscal Monitoring Standards for Fixed Assets – Management and Depreciation**

This guidance was developed to assist the Subgrantee in establishing proper procedures for obtaining effective internal controls and record maintenance for fixed assets purchased with OEO funds.

In compliance with OEO grant agreement, the Subgrantee's management systems must provide for effective control over and accountability for all federal funds, property and other assets. The Subgrantee shall adequately safeguard all such assets and assure they are used solely for authorized purposes. Adequate written procedures and internal controls must be in place to determine the reasonableness, allocability and allowability of costs in accordance with Omni Circular §§200.403 – 200.405, and to guard against loss, damage and theft. Loss, damage and/or theft must be reported immediately to OEO.

- Insurance Coverage  
The Subgrantee shall provide adequate insurance coverage for fixed assets acquired with federal funds.
- Other Uses  
The Subgrantee may make fixed assets available for use by other projects that have purposes consistent with those authorized by the Subgrantee. Preference shall be given first to other OEO-sponsored projects/programs, then to other federally-funded programs and lastly to non-federal programs/Subgrantees whose purpose is consistent with those authorized by the Subgrantee.

Non-federal programs/Subgrantees shall be charged a fee equal to that charged by private companies for similar services. These fees are to be charged as “other program income” and accounted for separately from OEO disbursed “grant revenue” on financial records. This revenue is to be returned and used solely for OEO program for which the equipment/property was initially purchased.

- Disposition  
Refer to Procedures for Surplus Property and Equipment Disposal. The Subgrantee must obtain OEO’s written approval prior to the sale of or use of the assets for trade-in and prior to transferring asset(s) to other federally-sponsored programs. If the Subgrantee obtains OEO’s authorization to sell, proper sales procedures shall be established that provide for competition, to the extent practicable, and results in the highest possible return.
- Fixed Asset Records  
The agency must maintain records to verify the existence and current utilization of all OEO-funded assets for all periods in which the asset is in use and to account for all assets sold or traded-in in compliance with OEO grant agreement and Omni Circular § 200.313(d). The Subgrantee must ensure that fixed asset records contain the following information: asset description, serial and model number, acquisition date and cost, depreciation method and useful life and asset location and condition. Assets are to be capitalized according to the Subgrantee’s capitalization policy. The agency is still responsible for maintaining records on fixed assets purchased with OEO funds that do not meet the agency’s capitalization policy. In accordance with OEO procedures, based in part on Omni Circular §200.313(d), the Subgrantee shall conduct an annual physical review of capitalized (fixed) assets and document asset locations and conditions as of the end of the program year. The document shall be compared to the asset listing produced by the external auditor (at the Subgrantee’s fiscal year end). Any differences shall be documented and explained in the agency’s fixed asset reconciliation. Differences could result from asset purchases or disposals transacted after the agency’s fiscal year-end.

OEO Fiscal Monitoring will require the following supporting documents/information:

- Copy of asset listing produced by external audit;
- Copy of documented asset locations and conditions;
- Asset reconciliation sheet;
- Documents to support asset purchases; and

- Documents to support asset disposal.
- Depreciation  
Depreciation is a cost allocation that represents the physical deterioration of property due to age, wear or market conditions. Depreciation computation shall be based on the asset's acquisition cost (invoice price) and directly attributable costs necessary to bring the asset into working condition. Adequate depreciation records must be maintained indicating the amount of depreciation taken each period and the total amount of accumulated depreciation (Omni Circular §200.436).