

JOB TRAINING AND ECONOMIC OPPORTUNITY PROGRAM

Fiscal Grant Requirements

Grant Agreement

- Audit Requirements
- Fund Accounting
- Fiscal Reporting Requirements
- Subgrantees
- Internal Controls
- Expenditure of Funds
- Allowable Costs
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- Program Income
- Monitoring

Audit Requirements –

- Grantees are required to submit an audit as outlined in Part 3.1 of the Grant Agreement
- Standard Audit
 - Audit Report, Management Letter, and SAS 114 Letter no later than 9 months after the period audited
 - Annually for the life of the Grant
- Single Audit
 - Audit Report, Management Letter, and SAS 114 Letter no later than 9 months after the end of period audited
 - Or an annual letter stating no single audit is required

Fund Accounting

- Grantees must submit Quarterly DCEO Grantee Reports (DGR). Supporting documentation (Trial Balance) must also be submitted to support costs reported.
- In order to provide support (Trial Balance) that ties to the DGR, grant revenue and expenses must be segregated in your accounting system.

Trial Balance Example

Trial Balance
Program: Workforce Development
Grant: Training for Tomorrow 11-791888
1/1/2011-6/30/2012

	6/30/2012	
	Debit	Credit
Cash	-	
Grants Receivable	-	
Accounts Payable		-
Grant Revenue		100,000.00
Salary and Fringe	24,000.00	
Supplies	1,000.00	
Training	75,000.00	
TOTAL	100,000.00	100,000.00

Fiscal Reporting Requirements

- “The Grantee’s financial management system shall be structured to provide for accurate, current and complete disclosure of the financial results of the Project funded under this grant program.”
- The general ledger must support costs and revenue reported to the Department and must allow tracing of funds to a level of expenditure adequate to ensure funds have been expended appropriately.

Subgrantees

- Must obtain written approval before providing any portion of this funding to another entity through a grant agreement or contract. Note: Does not apply to vendors.
- Must ensure that subgrantees are aware of the terms and conditions of this grant and abide by them.
- Subgrants must be made in conformance with terms of Agreement (e.g., requirement for a close-out and refund of revenue in excess of costs, lower-tier audits).

Internal Controls

- “The Grantee is accountable for all Grant funds received under this Grant Agreement, including those expended for subgrantees. The Grantee shall maintain effective control and accountability over all Grant funds, equipment, property, and other assets under the grant as required by the Department.”
- “The Grantee ... must have internal controls consistent with generally accepted accounting practices adopted by the American Institute of Certified Public Accountants.”

Internal Controls: Examples

- Written policies and procedures with references to applicable regulations
- Timely bank reconciliations reviewed and approved by someone other than the person responsible for the bank reconciliations
- Segregation of Duties or Mitigating Controls
- Proper Approval of Disbursements
- Supporting Documents for cash disbursements are cancelled to prevent subsequent misuse.

Internal Control: Policies & Procedures Manual

- Bank Reconciliations
- Cash Depositing
- Cash Disbursements
- Cash Management
- Cost Allocation
- Grant Drawdowns
- Fiscal Compliance Rules & Regulations
- Payroll
- Petty Cash
- Procurement
- Travel
- Property Records
- Recording of Accounting Transactions
- Reporting

Expenditure of Funds

- “Grant Funds provided under this Agreement must be expended only to perform the tasks set forth in the Scope of Work.”
- “The Department will require a refund from Grantee if (i) the total grant expenditures are less than the amount vouchered to the Grantee from the Department pursuant to the Notice of Grant Award; or (ii) Grant Funds have not been expended in accordance with Part I and Part II hereof.”
- Any balance of funds unearned at the end of the grant period must be refunded.

Expenditure of Funds: Principles

- “Grant Expenditures should be made in accordance with generally accepted, sound business practices, arms-length bargaining, and applicable federal and state laws and regulations.”
- “Grant expenditures should conform to the terms and conditions of this Agreement.”
- “Grant expenditures should not exceed the amount that would be incurred by a prudent person under the circumstances prevailing at the time the decision is made to incur the costs.”
- “Grant accounting should be consistent with generally accepted accounting principles.”

Cost Allowability

- Grant funds will only pay for the costs necessary to complete program objectives.
 - Unnecessary Costs are Prohibited
 - Food/Alcohol/Entertainment Expenses are Prohibited
 - Gifts/Donations/Fundraising/Promotional Materials are Prohibited
 - Fines/Penalties/Interest Costs are Prohibited
 - Uniforms and tools may be allowable as a supportive service if required for employment
- Costs may be disallowed for duplicative costs incurred for clients who are co-enrolled in more than one program

Cost Allowability, cont'd.

- Arms-length bargaining
 - Grantees can not charge themselves market rate for rent or training and pass costs to grant. Grantees can recover depreciation/maintenance or charge use allowance.
- Compensation
 - Must be reasonable for services rendered; cannot be for distribution of earnings in excess of costs
 - Bonuses – must be pursuant to an established written policy consistently followed by organization
 - Reserves for severance pay or UI may be unallowable. Refer to the cost principles.
 - Contract Employees must be properly classified and have proper documentation (i.e., executed contracts, 1099s, invoices showing time worked and deliverables completed). *Note: EO (Exempt Organizations) at the IRS will look at 1,500 employment tax returns for non-profits. EO will look at worker classification, fringe benefits, officer compensation, and employee expense reimbursements.*

Cost Allowability, cont'd.

- Travel expenses should be in accordance with the latest State of Illinois Travel Regulations or such reasonable travel policies approved by and adopted by the Grantee. The Grantee must retain receipts as source documentation.
- Allocation of Costs: Even if proposed budget states that a certain percentage of payroll or facilities costs will be charged to the grant, allocation of costs must be based on the actual activity of a cost allocation base that reflects benefits received. There must be a written cost allocation plan that describes the allocation methodology.

Budget Variations

- “If the Grantee determines that its expenditures for the grant term will vary from the amounts listed in the approved project budget it must submit a written request for approval from the Department prior to incurring the revised costs.”

Program Income

- Grant funds paid in advance must be kept in an interest bearing account and maintained until used in accordance with the Grant Agreement
- Interest earned on grant funds paid in advance of realized costs must be spent on grant activities or returned to the Department at the end of the grant term.

Monitoring & Technical Assistance

- The grant will be monitored for compliance in accordance with the terms and conditions of the Grant Agreement, together with appropriate programmatic rules, regulations, and/or guidelines that the Department promulgates or implements.
- Onsite Fiscal Monitoring
- Onsite Programmatic Technical Assistance