



NATIONAL  
ARCHIVES

# **AN INTRODUCTION TO FINANCIAL MANAGEMENT FOR GRANT RECIPIENTS**

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National Historical Publications and Records  
Commission

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## USE OF THE GUIDE

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Everyone in your organization who is responsible for grant management should review this guide. This includes those who prepare grant proposals and those who record and report on grant project activities. It is intended only to provide practical information on what is expected from grantee organizations in terms of fiscal accountability.

*Please note:* The guide is not offered as a complete manual of procedures on grant administration. General information on other topics related to grant administration may be obtained by referring to the relevant OMB Circulars and the documents included in the grant award package furnished to all grantees. Recipients should carefully review the Grant Award Summary Sheet and all referenced requirements. In addition, several organizations offer training in the management of federal grants. The National Grants Management Association provides links to several of these organizations at:

<https://netforum.avectra.com/eweb/DynamicPage.aspx?Site=ngma&WebCode=links>

## ACCOUNTABILITY REQUIREMENTS

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The National Historical Publications and Records Commission (NHPRC), a part of the National Archives and Records Administration, receives annual appropriations from Congress to be used for granting financial assistance to projects related to preserving and making accessible the nation's historical records. The NHPRC is charged with a fiduciary responsibility to see that taxpayers' money is used appropriately and to require proper accountability from the recipients of its awards.

Acceptance of a grant from the NHPRC creates a legal obligation on the part of the grantee to use the funds in accordance with the terms of the grant and to comply with the grant's provisions and conditions. The grantee thus assumes full responsibility for the conduct of project activities and becomes accountable for meeting Federal standards in the areas of financial management, internal control, audit, and reporting to the NHPRC.

# Financial Management Standards

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Many methods exist for implementing financial management systems, and the organization should choose methods appropriate for its particular scale of operations. If the grantee organization is unable to meet the standards that are covered here, its NHPRC funding may be terminated and the organization may be deemed ineligible to receive subsequent financial assistance or may have more oversight. Increased oversight might include requirements that payments be reimbursements or documentation supporting project costs be submitted regularly.

## **Some standards to consider:**

*Recipients must have accounting structures that provide accurate and complete information about all financial transactions related to each Federally-supported project. This includes both expenditures of grant funds, as well as cost sharing expenses.*

- Grant expenditure records must be at least as detailed as the cost categories indicated in the approved budget (including indirect costs that are charged to the project). Actual expenditures are to be compared with budgeted amounts.
- Funding for ongoing projects or for multiple grants to the same organization, must be accounted for separately and cannot be combined.
- Costs may be incurred only during the grant period, and all funds must be requested and all obligations must be paid no later than 90 days after the end of the grant period.

*Accounting records are to be maintained on a current basis and balanced monthly.*

- The records must be supported by source documentation such as cancelled checks, invoices, contracts, travel reports, donor letters, in-kind contribution reports and personnel activity reports. The same costs cannot be claimed and reported on more than one Federal grant. (See attachments for sample forms.)
- Records must be preserved for three years following submission of the final financial status report OR payment request (whichever is later).
- For every employee whose salary is charged, in whole or in part, to a grant, personnel activity reports must be maintained to account for all compensated time, including time spent on other activities. (See Attachment A for sample form.)

*The applicable OMB cost principles and the terms and conditions of the grant award shall be followed in determining whether costs are reasonable, allowable, and properly allocated. For more information on OMB cost principles, see the referenced links at the end of this document.*

- Requests for advance payment of Federal funds shall be limited to immediate cash needs and must not exceed the grantee's anticipated expenditures over the next two-month period.

- Contributions such as property, space, or services that are donated to a project shall be valued in accordance with Federal cost principles. For more information, see the referenced links at the end of this document.
- Third-party in-kind (non-cash) contributions are not required to be recorded in the general ledger, but must be accounted for, such as with a memorandum ledger.
- Other Federal funds may not be used to provide any part of the required match for an NHPRC grant.

## **Internal Control Standards**

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Organizations must provide safeguards for all grant property, whether cash or other assets, and assure that it is used solely for authorized purposes. Control will be enhanced if the duties of the members of the organization are divided so that no one person handles all aspects of a transaction from beginning to end. Although a complete separation of functions may not be feasible for a small organization, some measure of effective control may be obtained by planning the assignment of duties carefully.

Many of the most effective techniques for providing internal control are very simple. Some examples are:

- Cash receipts should be recorded immediately and deposited daily.
- Bank accounts should be reconciled monthly by someone other than the person who signs the checks.
- A petty cash fund should be entrusted to a single custodian and used for all payments other than those made by check.
- Checks to vendors should be issued only in payment of approved invoices, and the supporting documents should be marked as “paid.”
- The person who is responsible for the physical custody of an asset should not also have responsibility for keeping the records related to that asset.
- The person who has authority for placing employees on the payroll and establishing wage rates should not be the same person who signs the checks.

# Audit Standards

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Grantees are expected to maintain a state of audit readiness. This means that records pertinent to the financial and programmatic aspects of their grants must be readily accessible for audit. Failure to provide the auditor with reliable documentation could lead to questioned costs and possibly result in cost disallowances, requiring refunds to the NHPRC.

Office of Management and Budget (OMB) Circular A-133, the definitive Federal regulation concerning audits of states, local governments, and non-profit organizations, bases the requirements for audit on specific dollar amounts. The requirements are discussed below. The entire Circular should be reviewed to assure proper implementation.

- Organizations that expend \$500,000 or more in a year in Federal awards must have an audit conducted for that year in accordance with the provisions of Circular A-133, which requires:
  - An independent public accounting firm, engaged by the grantee organization, to perform the audit.
  - Grantee organizations to bear the cost of the audit. Such fees are allowable as charges to grant projects, and they may be considered either direct costs or allocated indirect costs as determined by the Federal cost principles.
  
- Organizations that expend less than \$500,000 in a year in Federal awards are not required to have an A-133 audit for that year.
  - Organizations that are exempt need to be aware that they may be selected by the NHPRC, the National Archives and Records Administration's Office of Inspector General, or by the Government Accountability Office for audits, evaluations or other reviews to be performed by Federal auditors or by public accounting firms under contract to the Government.
  - Costs for audits, evaluations or other reviews performed by Federal authorities are not charged to grantee organizations.

# Reporting Standards

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The basic requirements for reporting to the NHPRC are spelled out in two documents: the **Grant Award Summary** that is mailed when the award is made and lists deadlines; and on the NHPRC website under Reporting Requirements that explains how to report: (<http://www.archives.gov/nhprc/administer/reporting.html>). Failure to submit reports on a timely basis will result in delayed payments and/or denial of eligibility for future grants from the NHPRC.

In addition, organizations that are required to have A-133 audits must submit the requisite reports within nine months following the end of the audit period.

## Cost Share Reporting

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Cost share is required on all NHPRC grants. For most grants, the amount is at least 50% of total project costs or in other words, an “equal match.” If a grantee receives \$15,000 in grant funds, it must supply \$15,000 to make total project costs \$30,000. Cost share funds may come from personnel costs, in-kind contributions, volunteers, or contributions of indirect costs and should correspond to the approved budget. Guidance about how to budget for and record cost share contributions is available in the appropriate cost principles for your type of institution. For more information on cost principles, see the links at the end of this document.

In-kind contributions as well as volunteer hours should be recorded using the same methods as required for other expenses. See the appendices for examples on how to keep the proper documentation.

Please note that the NHPRC requires grantees to include the amount of cost share expended on all payment requests for both advance and reimbursement funding, as well as all Federal Financial Reports. If a report does not include an amount that corresponds to the approved budget, the NHPRC staff will ask for clarification. If circumstances change, and your institution cannot provide the amount of cost share in the approved budget, the project director or authorized representative should *immediately* contact the NHPRC program officer assigned to the grant. Failure to supply the amount of cost share on an approved budget can result in the withholding of grant funds. For more details, please see the NHPRC cost-share policy at: <http://www.archives.gov/nhprc/administer/costshare.html>.

## Subgranting

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Especially in our grants to state historical records advisory boards, applicants may propose to grant some of the Federal funds to other recipients. If the application is approved, then the NHPRC grantee is responsible for ensuring that subrecipients expend their awards in accordance with the laws, regulations, and provisions of the underlying grant. The grantee must perform the following functions for the Federal funds it provides to subrecipients:

- Inform the subrecipient of Federal funds and identify the Federal grant number, CFDA title, and Federal agency.
- Advise subrecipients of requirements imposed on them by Federal laws and grant terms.
- Monitor the activities of subrecipients as necessary to ensure that Federal funds are used in accordance with the terms and conditions of the primary grant.
- Request that the NHPRC extend the grant period whenever a subrecipient's project cannot be completed and reported on time.
- Require subrecipients to give the pass-through entity and its auditors access to the relevant records and financial statements as necessary to comply with OMB Circular A-133.
- Keep subrecipient's report submissions on file for three years from the date of receipt.

## Consortium Projects

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For consortium projects, the lead member is legally, financially, administratively, and programmatically responsible for all aspects of the award. The lead member submits the cash requests, prepares the reports, and if need be, handles the requests to amend the terms of the award. The lead agency on a consortium grant must include that grant in determining if it has met the threshold for an A-133 audit and then maintain the appropriate documentation to support the annual audit.

## SHORTCOMINGS TO AVOID

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Audits, evaluations and other reviews conducted by the NHPRC and NARA's Office of Inspector General have disclosed some common deficiencies in the administration of NHPRC grants. Among these were:

- Personnel costs charged to grant projects were not supported by adequate documentation. (For example, personnel activity reports should be maintained that show the actual activity of each employee, whose compensation was charged, in whole or in part, to NHPRC projects.)
- Reported grant project costs did not agree with the accounting records, i.e., the financial status reports were not prepared directly from the general ledger or subsidiary ledgers or from worksheets reconciled to the accounts.

- In-kind contributions of goods and services charged to the NHPRC grant projects were not supported by documentation adequate for establishing valuations of the contributions.
- No documented basis was provided to support the amount allocated to NHPRC grant projects for common (indirect) costs which benefitted all projects and activities of the organization.
- Independent audits required by OMB Circular A-133 were not performed or did not meet the standards for audits of Federal grants.
- Grantees' financial management systems lacked adequate internal controls (for example, proper segregation of duties to safeguard resources or procedures for comparing actual outlays with the budget).
- Grantees failed to spend advances of federal funds in a timely manner.
- Grantee had a liability with the Internal Revenue Service. Until the liability has been paid or an agreement has been reached with the IRS, the NHPRC cannot make any payments to the organization nor can any new grants be awarded.

## **ACCOUNTING MANUAL**

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Although having a formalized accounting manual is not an NHPRC or OMB requirement, such manuals can help organizations and individual employees understand procedures and avoid potential systematic problems. A manual provides a formal reference for an organization's policies and procedures, and guidance available on other grants and accounting matters. This formalized accounting manual could contain policies and procedures relating to financial management, grants management, internal controls, budgeting, etc. An addendum to the manual could include publications such as the General Terms and Conditions for Grants, this Introduction to Financial Management for NHPRC Grantees, the OMB Circulars and other publications on Federal and State requirements.

# REFERENCES

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- **2 CFR Part 115 (Formerly OMB Circular No. A-110)** - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-profit Organizations. This regulation establishes the Federal standards for grant administration applicable to all non-profit organizations. Available at [www.ecfr.gov](http://www.ecfr.gov).
- **2 CFR Part 220 - Cost Principles for Educational Institutions (OMB Circular A-21)**. This regulation establishes the principles for determining the allowability of costs for grants to Educational Institutions, and specifies the documentation required. Available at [www.ecfr.gov](http://www.ecfr.gov).
- **2 CFR Part 225 - Cost Principles For State, Local, And Indian Tribal Governments (OMB Circular A-87)**. This regulation establishes the principles for determining the allowability of costs for grants to state, local and tribal governments, and specifies the documentation required. Available at [www.ecfr.gov](http://www.ecfr.gov).
- **2 CFR Part 230 - Cost Principles for Non-Profit Organizations (OMB Circular No. A-122)**. This Circular establishes the principles for determining the allowability of costs for grants to non-profit organizations, and specifies the documentation required. Available at [www.ecfr.gov](http://www.ecfr.gov).
- **OMB Circular No. A-133 - Audits of States, Local Governments, and Non-Profit Organizations**. This Circular requires certain grantees to have an independent audit in accordance with Government Auditing Standards and provides for financial statement, compliance and internal control reviews. Available at [http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133\\_revised\\_2007.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf)
- **Government Auditing Standards and Circular A-133 Audits** – This AICPA Audit Guide presents guidance for the audits of financial statements conducted in accordance with Government Auditing Standards. It also presents recommendations for the conduct of audits in accordance with the Single Audit Act and OMB Circular A-133. Available for purchase.
- **Federal Acquisition Regulation (FAR) at 48 CFR Part 31** – This FAR is for commercial organizations, individuals, and those nonprofit organizations listed in Attachment C to OMB Circular A-122. The FAR is available online at <https://www.acquisition.gov/far/>.

In addition to the above, there are different guides and manuals on nonprofits that have been published by the AICPA, Thompson Publishing, Commerce Clearing House, and others. The internet also is a great source for information.

# UNALLOWABLE COSTS

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## Costs Always Unallowable for Federal Funding

- Lobbying - Includes direct legislative lobbying and grassroots lobbying.
- Fund-raising - Includes costs of organized fund-raising, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions.
- Bad debts - Any losses arising from uncollected accounts and other claims, and related costs.
- Contingencies - Contributions to a contingency reserve or any similar provision for unforeseen events.
- Fines and penalties - Resulting from violations of, or failure to comply with Federal, State and local laws and regulations.
- Losses on other awards - Any excess of costs over the grant amount and required matching on any Federal award is unallowable as a cost for any other Federal award.
- Unnecessary travel costs - Travel should be conducted at the most economical price available. In general, this means passengers should travel in economy-class. There are specific guidelines for international travel that require grant recipients to select United States carriers and may permit upgrades to business class. Please consult the regulations or ask your grant program officers.
- Contribution and donations - By the organization to others.
- Certain depreciation or use allowances - Unallowable on buildings and equipment purchased with Federal funds or contributed to meet statutory matching requirements.

## Costs Usually Unallowable for Federal Funding

Entertainment - Costs for amusement, social activities, ceremonials, hospitality and activities relating thereto, such as meals, lodging, rentals, transportation and gratuities are unallowable. (However, review 2 CFR Part 230 (OMB Circular A-122), Attachment B, Sections 11 and 25, for certain exceptions related to meetings, conferences and employee morale.)

## Costs Requiring NHPRC Approval

- Items of equipment costing more than \$5,000 with a useful life of more than one year. If equipment over \$5,000 was not identified in your grant application, it is unallowable unless written approval is given in advance by the NHPRC.
- Foreign travel - If foreign travel was not identified in your grant application, it is unallowable unless written approval is given in advance by the NHPRC.

# **SAMPLE DOCUMENTATION FORMS**

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.....Attachment  
Sample Personnel Activity Report .....A  
Sample In-Kind Contribution Report .....B  
Sample Travel Expense Report .....C

# Attachment A: Sample Personnel Activity Report

<b>Organization Name:</b> _____	
<b>Employee's Name:</b> _____	<b>Week Ending:</b> _____
<b>Activity</b>	<b>Distribution of Time</b>
<b>NHPRC:</b>	
1. Grant #: _____	_____ %
2. Grant #: _____	_____ %
<b>Other:</b>	
3. Cost Share for Grant #: _____	_____ %
4. Cost Share for Grant #: _____	_____ %
5. Project name: _____	_____ %
6. Project name: _____	_____ %
Administrative: _____	_____ %
Fundraising: _____	_____ %
<b>Leave:**</b>	
Sick _____	_____ %
Vacation _____	_____ %
Other (specify): _____	_____ %
<b>TOTAL:</b>	<b>100 %</b>
<b>Employee's Signature:</b> _____	<b>Date:</b> _____
<b>Supervisor's Signature:</b> _____	<b>Date:</b> _____

\*\*If benefits that included leave were included in the budget (whether using grant funds or cost share), please break out these costs proportionally as well.

In preparing personnel activity reports, please note the following:

- The reports must be based on an after-the-fact determination of the employee's actual activities (i.e., these cannot be estimated in advance). For example, the distribution of time might be determined based on notes from personal calendars and/or reasonable estimates of time spent on various activities.
- All of the employee's compensated time must be accounted for in these reports. This would include time spent on activities in addition to the NHPRC-supported project(s), as well as leave (sick/vacation/holiday), administrative duties, etc. NOTE: For nonprofessional employees, you must also maintain records indicating the total number of hours worked each day in conformance with the Fair Labor Standards Act (29 CFR Part 516).
- The reports must be signed by the employee and a responsible supervisory official.
- Reports must coincide with one or more pay periods and be used to reconcile salary and fringe benefit costs to appropriate accounts on a regular (at least monthly) basis.

# Attachment B: Sample In-Kind Contribution Report

Report of SERVICES RENDERED, GOODS DONATED, FACILITIES PROVIDED to the awardee:

Project:			
Donor:			
Address:			
Donor's Signature:			
Title:		Phone:	
Date(s) services were performed, goods were donated, or facilities provided for project:			

Services Rendered:

By:		Hours:		\$	_____
By:		Hours:			_____
By:		Hours:			_____
By:		Hours:			_____
By:		Hours:			_____
By:		Hours:			_____
Others listed on reverse; amount from reverse:					_____
				Total Services:	\$ _____

Goods Donated:

Item:			\$	_____
Item:				_____
Item:				_____
Others listed on reverse; amount from reverse:				_____
			Total Goods:	\$ _____

Facilities Provided:

Place:			\$	_____
Place:				_____
Place:				_____
Others listed on reverse; amount from reverse:				_____
			Total Facilities:	\$ _____
			TOTAL VALUE:	\$ _____

Approved By:

Signature			
Name:			
Title:			
Date:			

NOTE: Please attach an explanation of the bases for the valuation of each item and any supporting documentation.

# Attachment C: Sample Travel Expense Report

Organization Name: \_\_\_\_\_  
 Name of Traveler \_\_\_\_\_ Purpose of Trip: \_\_\_\_\_  
 Account to be charged: \_\_\_\_\_

Departure		Point of Travel		Arrival	
Date	Hour	From	To	Date	Hour

Schedule of expenses claimed in addition to or in lieu of per diem allowance:  
 (ATTACH SUPPORT DOCUMENTATION FOR HOTEL AND OTHER ITEMS)

Date	Hotel	Meals	Tips	Taxi	Other		Total
					Amount	Description	
	\$	\$	\$	\$	\$	\$	

Per diem allowance claimed in lieu of actual expenses for hotel, meals, and tips: \_\_\_\_\_ days @ \_\_\_\_\_ per day \_\_\_\_\_

Actual expenses (from above) \_\_\_\_\_

Transportation by employee's car miles \_\_\_\_\_ @ \_\_\_\_\_ per mile \_\_\_\_\_

Transportation by common carrier (attach duplicate of tickets)

Cost \_\_\_\_\_

Less amount already paid by employer ( \_\_\_\_\_ )

Total expenses claimed: \_\_\_\_\_

Travel advance given: Yes \_\_\_ No \_\_\_ Amount ( \_\_\_\_\_ )

Amount due traveler (or refund) \$ \_\_\_\_\_

I certify that this report, the amounts claimed and attachments are true and complete to the best of my knowledge and belief, and that payment for the amount claimed has not been received.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Traveler

\_\_\_\_\_  
Date

\_\_\_\_\_  
Approved by