Potts Family Foundation
General Financial Guidelines

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KNOW & GROW
OKLAHOMA

Building Resilient Children, Families & Communities

P F F

Potts Family Foundation

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Chapter One

Introduction

The *General Financial Guidelines (GFG)* are intended to make available in a single document an overview of financial guidelines for agencies entering into grant agreements as Subrecipients with the Potts Family Foundation (PFF) on the Know and Grow Oklahoma: Building Resilient Children, Families and Communities (KNG) ARPA project.

Subrecipients are responsible for the administration and financial management of all funds and materials received from PFF. Subrecipients must have their own written and board approved organizational policies and procedures that meet the federal guidelines of 2 C.F.R. 200, comply with PFF rules, policies and procedures, and follow all applicable federal/state laws, rules and regulations.

This manual conveys basic financial guidance that will assist Subrecipients to maintain:

- ✓ Adequate internal controls
- ✓ Detailed records that support receipts and expenditures
- ✓ Timely reporting of financial activity
- ✓ An audit trail for all financial transactions

The financial management principles presented in this manual are not intended to replace acceptable existing procedures being used by a Subrecipient. Please contact your PFF grant monitor or PFF at arpa@pottsfamilyfoundation.org with any questions or clarification of the guidelines, procedures and/or statutes written herein.

Subrecipients should ensure that the financial officers for their agency are familiar with these General Financial Guidelines.

Chapter 2

Financial Administrative Systems Requirements

General

The relationship between PFF and the Service Provider is that of a subrecipient. PFF Subrecipients must maintain a financial management system that provides appropriate fiscal controls and accounting procedures to ensure:

- ✓ Accurate preparation of reports required by the grant agreement
- ✓ Adequate identification of the source and application of funds to ensure that such funds have not been used in violation of the grant agreement terms and applicable federal laws and regulations in 2 C.F.R. 200.

Accounting System & Basis of Accounting

An effective accounting system will:

- ✓ Identify and record all valid transactions
- ✓ Record transactions to the proper accounting period in which transactions occurred
- ✓ Describe transactions in sufficient detail to permit proper classification
- ✓ Maintain records that permit the tracking of funds to a level of detail that establishes that the funds have been used in compliance with contract requirements
- ✓ Adequately identify the source and application of funds of each program
- ✓ Generate current and accurate financial reports in accordance with grant agreement requirements

Accounting Records

Accounting records should identify, assemble, classify, record and report an entity’s transactions and maintain accountability for the related assets and liabilities.

Minimum records should include:

- ✓ Individual employee earnings records
- ✓ Bank statements and canceled checks
- ✓ Original vendor invoices and supporting documentation such as price quotes, authorizations, purchase orders, receiving reports, etc.
- ✓ Executed contracts
- ✓ Accounts payable detail
- ✓ Accounts receivable detail

- ✓ Payroll authorizations, W-4's *(employee Federal income tax withholding information form)*, job descriptions, confidentiality statements, applications, transcripts, I-9's *(Employment Eligibility Verification)* and other related documents
- ✓ Individual employee personnel activity/time sheets

Internal Control

Effective internal control and accountability must be maintained for all PFF funds in accordance with2 C.F.R. 200. These controls must assure that funds are used solely for authorized purposes in accordance with the grant agreement terms and applicable state and federal laws, rules and regulations. Sound management practices include systems, procedures and methods that will ensure that the contracting entity and the objectives of the PFF KNG project will be achieved. Information *(reports, memos, data)* generated by these practices are used as feedback for other management functions, such as planning, organizing and directing so that necessary adjustments can be made.

The system of internal controls should encompass five major concepts:

- ✓ Segregation of function
- ✓ Proper authorization
- ✓ Proper recording of transactions
- ✓ Limited access to assets
- ✓ Evaluation of progress toward objectives

Each concept is described below. These explanations illustrate the principles involved in developing a system of internal controls. The extent to which internal controls are established or practical is dependent upon the nature and size of the organization involved.

Segregation of Functions

The segregation of functions or duties is an important element in any system of internal control. For accounting control purposes, incompatible functions are those that place any person in a position to both perpetrate and conceal errors or irregularities in the normal course of the person’s job. For example, anyone who records disbursements could either intentionally or unintentionally fail to record a check. If the same person also reconciles the bank account, the omission could be concealed through a false or inaccurate reconciliation.

Proper Authorization

Controls ensuring that transactions are carried out as authorized require independent verification that authorization was properly issued and that transactions conform to the terms of the authorization. This may be accomplished by independent comparison of transactions with specific authorization documents. For example, requiring two signatures on a check allows more than one person to review and approve that expenditure.

Proper Recording of Transactions

Accounting controls should also ensure that transactions are:

- ✓ Recorded in the proper amounts
- ✓ Recorded in the appropriate accounting period
- ✓ Classified in appropriate accounts

Limited Access to Assets

Limiting access to assets to only those individuals having direct responsibility for assets can be an important control in the safeguarding of those assets. Choosing the personnel to whom asset access is authorized should be influenced by the nature and susceptibility to loss of that asset.

Record Keeping

Subrecipients are required to maintain all financial and program records, supporting documents, statistical and other records pertinent to the grant agreement. The records retention and custodial requirements extend not only to the Subrecipients but also to vendors and Sub-Contractors of the grant agreement.

Records must be maintained for seven (7) years. Records under audit, involving unresolved audit findings, or under appeals or litigation must be held until the action is completed or the dispute resolved. The starting date for the seven-year retention period depends on the type of records. These dates are:

- ✓ General records – the date of submission for the final or annual expenditure report
- ✓ Cost allocation plans and direct cost records – the date of submission or for plans prepared and retained by the Subrecipient at the close of the contract year
- ✓ Income records – the end of the contract year in which the income is used

Access

The Subrecipient agrees to maintain required records and supporting documentation, for validation of costs billed to the PFF for seven years from the ending date of the contract. The Subrecipient also agrees to allow the State Auditor's office, General Accounting Office (GAO), The Oklahoma Department of Central Services, the Oklahoma State Department of Health, Office of Child Abuse Prevention, PFF, or their authorized representative access to the records, books, documents, accounting procedures, practices or any items of the Subrecipient relevant to this contract for purpose of audit and examination. The Subrecipient further agrees to assure appropriate access by the aforementioned parties to any Subcontractor's associated records.

An audit or review of Subrecipient records is performed to:

- ✓ Verify financial transactions and determine whether federal or state funds are used in accordance with the grant agreement requirements and applicable laws, regulations and procedures;
- ✓ provide the state and the Subrecipient management with objective appraisals of financial accounting systems and administrative controls; and
- ✓ determine reliability of financial records and reports.

Grant Agreement Monitoring Plan

The grant agreement will be monitored by PFF based on the completion of a Risk Assessment process. Information related to programmatic requirements, the grant agreement specifications, and responses to the Request For Proposal Narrative responses will be utilized to complete a Risk Assessment Tool. The Risk Assessment Tool will be used to determine the level of risk associated with the grant agreement. A Grant Agreement Monitoring Plan and a Grant Agreement Administration Plan will be developed to define the activities and level of monitoring and administration that will be required during the grant period. Typical monitoring activities include Subrecipient site visits, review of contractually required reports, invoice review, policy and procedures review, invoice validation, and verification of licensure and/or insurance requirements, etc. The level of risk assigned to the grant agreement shall determine the frequency and type of activity within a Grant Agreement Monitoring Plan and/or a Grant Agreement Administration Plan. The Grant Agreement Monitoring and/or Grant Agreement Administration Plan may be updated periodically as determined by PFF throughout the grant period. Upon development of the Contract Monitoring Plan and Contract Administration Plan, PFF will provide a copy of each to the Subrecipient.

All communications related to this contract will be between the Subrecipient's Contact Person and the PFF Grant Monitor.

Chapter 3

Cost Principles & Allowable Costs

Introduction

All costs charged to PFF must meet the general allowability criteria established by PFF, the contract, state and federal laws and in accordance with 2 C.F.R. 200.

Federal American Recovery Plan Act (ARPA) legislatively appropriated monies are subject to the same federal and state rules and regulations.

Determining if a Cost is Allowable

A cost is allowable if it meets all of the following criteria:

- ✓ Must be reasonable
- ✓ Allocable to the program for which the contract is awarded
- ✓ Necessary for proper and efficient administration of the proposed program
- ✓ Consistently treated as a direct or indirect cost
- ✓ Adequately documented
- ✓ Permitted under the appropriate cost principles prescribed in Uniform Grant Management Standards (UGMS)
- ✓ Not restricted or prohibited by the terms and conditions of the Grant Agreement; and
- ✓ In accordance with Generally Accepted Accounting Principles

Determining Reasonableness

As a general rule, a cost is reasonable if:

- ✓ It does not exceed that which would be incurred by a prudent individual or organization under the circumstances prevailing at the time the decision was made to incur the cost.
- ✓ It is necessary for the performance of the program defined in the Scope of Work.

In determining whether a given cost is reasonable, consideration must be given to factors such as whether the cost is generally recognized as ordinary and necessary for the performance of the contract. Other considerations are the market price of comparable goods or services and whether there was arms-length bargaining.

Determining Allocability

A cost may be charged to the grant program if:

- ✓ It benefits the program either directly or indirectly

- ✓ If it is in compliance with federal, state and local laws or regulations
- ✓ It is not included as a cost or used to meet cost-sharing or matching requirements of any other federal or state award in either the current or a prior period
- ✓ It conforms to any limitations or exclusions set forth in the applicable cost principles, federal or state laws, and the terms of the Grant Agreement

Any cost allocable to a specific federal or state award may not be shifted to other federal or state awards to overcome funding deficiencies or to avoid restrictions imposed by law or by the terms of the award.

Determining Consistent Treatment

Costs must be treated consistently in accordance with the organization's established accounting system without regard to the source of funds supporting the expenditure. This means that costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect.

Determining Adequate Documentation

An allowable cost must be supported by the organization's accounting records and be adequately documented. The supporting documentation should explain the basis of the costs incurred, as well as show the actual dates of the expenditure, amount, and the general ledger account number charged. Documentation required may include, but is not limited to the following:

✓ Travel/Training records	✓ Time sheets
✓ Purchase orders	✓ Receiving reports
✓ Invoices	✓ Contracts
✓ Mileage records	✓ Billing records
✓ Cell phone/hotspot bills	✓ Other documentation that verifies the expenditure and appropriateness to the program.
✓ Procurement Records	

Limitations on Meal and Food Costs

The cost of meals and refreshments are unallowable except for the following:

- ✓ Where specifically approved in the federal award or state law as part of the program or program activity and preapproved in the Subrecipient's budget; and

- ✓ As part of a per diem or subsistence allowance provided in conjunction with allowable travel.

Unallowable Costs

Unallowable costs include, but are not limited to, the following:

- ✓ Alcoholic beverages
- ✓ Any activity or expense that is not directly or indirectly related to the program
- ✓ Acquisition costs of real property, as well as construction costs and/or equipment
- ✓ Entertainment costs for amusement and diversion
- ✓ Advocacy by staff on program time and/or advocacy efforts that involve hiring of lobbyists or national travel for the purpose of lobbying
- ✓ Program promotional materials such as pens, pencils and buttons that are not relevant to the PFF project. EXCEPTION: Promotional materials may be purchased if the following criteria is met:
    - o Must be necessary to the implementation or success of the program, such as outreach to participants to the program
    - o Incentive items may be used to encourage an individual to participate in the program by performing a specific task relevant to the program. The incentive item used for encouragement shall be given to the individual only after the individual has completed the task.
- ✓ Fundraising expenses incurred solely to raise capital or obtain contributions, including staff time for the purpose of fundraising
- ✓ Professional membership fees if membership is not necessary to the program would be an unallowable expense.
- ✓ Certificate of Good Standing for Incorporated Organization
- ✓ Purchase of food NOT classified as light refreshments
- ✓ Bad debts
- ✓ Fines and penalties (i.e., late payment fees, bank overdraft charges, etc.)
- ✓ Interest
- ✓ Membership in business, technical, and professional organizations involved in lobbying efforts
- ✓ Purchase of fixed assets
- ✓ Purchase of baby scales or other equipment deemed medical in nature *(toothbrushes, thermometers, audiometer, etc. are acceptable as educational tools)*
- ✓ Tips or gratuities
- ✓ Clothing

Please contact the Grant Monitor with any questions regarding allowable expenditures prior to purchase and/or prior to submitting claims for reimbursement.

Budget/Expense Categories & Required Documentation

PFF cost reimbursement grant agreements generally require that costs be budgeted and reported in one of eight expense categories. All costs charged to PFF should be classified and reported in one of the eight expense categories. A description of the eight expense categories and documentation requirements follows:

✓ Personnel	✓ Fringe Benefits
✓ Travel/Training	✓ Contractual
✓ Supplies	✓ Indirect Costs
✓ Other	

Direct Costs

Direct costs are those allowable costs that are attributed to carrying out program activities within the Scope of Work outlined in the grant agreement. The cost of administrative and support activities should be budgeted and reported as indirect costs.

Personal

Personnel costs are the actual cost of salaries and wages paid to employees of the organization devoted to the PFF-funded program. The Personnel budget category should include only the gross salary/wages of employees who perform activities directly related to carrying out the Subrecipient's Scope of Work. The salary/wages of employees (i.e., executive office, accounting office, etc. who do not perform activities directly related to carrying out the scope of work should be classified under the "Indirect" budget category.

Personnel costs are allowable to the extent that they are reasonable and conform to the established, consistently applied policy of the organization and reflect no more than the time actually devoted to the program.

NOTE: Program staff time or funds may not be utilized in any fundraising activities.

Personnel Reports

Charges for personnel payroll costs, whether charged directly or indirectly, must be based on documented payrolls approved by a responsible official(s) of the organization.
For these costs to be allowable, the following documentation is needed:

a) Time sheets or other record of actual hours worked hours must:

- ✓ Reflect an after-the-fact distribution of the actual time spent on each activity
- ✓ Be signed by the employee and supervisor having first-hand knowledge of the activities performed by the employee, (*an electronic signature time sheet is acceptable provided the Subrecipient can demonstrate and document that only the employees' actions would result in the identification of the activities to be charged, and that it complies with Uniform Grant Management Standards)*
- ✓ Be prepared at least monthly and coincide with one or more pay periods
- ✓ Account for the total activity for which employees are compensated by the organization
- ✓ Identify the various programs/cost objectives and time that the employee worked each day on a specific program/cost objective.

Time sheets must also be maintained for other employees whose compensation is allocated as an indirect cost. Employees who work on both direct and indirect activities must record *(on their time sheet)* the actual time worked on each activity. Example: If during a given day the Chief Executive Officer (CEO) works 3 hours performing program activities and 5 hours performing general administrative activities, the CEO's time sheet must reflect the hours worked on each activity.

b) Current job description for each employee that delineates the program(s) or cost objectives under which the employee works
c) Compensation and payroll policies
d) Employee personnel files that include date of hire; start date; authorizations for rates of pay, benefits and employee withholding; Federal forms W-4 *(payroll tax withholding exemptions)* and I-9 *(Employment Eligibility Verification)*; and authorization approving the hire and any subsequent pay increases.
e) Accounting records supporting payroll expenditures and payroll deductions posting to the general ledger along with proof of payment *(e.g., payroll journal; cash disbursement journal; payroll expense distribution report; check register).*

Personnel Lists & Changes

The Subrecipient will update the Staffing Plan as personnel changes occur by accessing the Monthly Reporting Form on the Know and Grow page of the Potts Family Foundation Website provided for the Subrecipient. Changes are highlighted as they occur. Any personnel claims submitted must match staffing file of record to ensure approval of payment.

The Personnel List must list all staff paid by PFF. The list should include the following information:

- ✓ Name
- ✓ Phone number and email address
- ✓ Percent of time the individual works on the program
- ✓ Program position title
- ✓ New staff person(s) noted
- ✓ Name of staff person to be deleted
- ✓ Confirmation of a **federal** criminal background check completed for all employees at the beginning of each one-year funding cycle or upon new hire if employee is hired after the beginning of the current funding cycle.
- ✓ Confirmation of E-Verify

Subrecipient shall submit changes in staffing regarding new personnel hired, termination of personnel and/or a change in percentage of time worked in program allocation within 10 business days of the change. Should a change in leadership listed as personnel on the grant budget occur, this could cause an increase in the risk assessment.

Fringe Benefits

Fringe benefits are allowances and services provided by the organization to its employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the employer portion of FICA and Medicare, the cost of employee insurance, pensions, and unemployment benefit plans. The cost of fringe benefits is allowable *(in proportion to the amount of time or effort employees devote to the PFF-funded program)* to the extent that the benefits are reasonable and are incurred under formally established and consistently applied policies of the organization. However, these allowances may only be included in the Personnel Category if the allowances are included in the employee's gross taxable income.

Allowances, property, or service provided to employees that qualify under IRS rules as a "working condition fringe" *(excluded from gross taxable income)* should be budgeted under the "Other" budget category. Example: A cell phone provided by the employer that is primarily used for non-compensatory business purposes would be considered a "working condition fringe" and would be budgeted under the "Other" category.

Supporting Documentation

Fringe benefit costs should be allocated on the same basis as salary and wages. Supporting documents must be available for examination and include the following:

- ✓ Quarterly payroll tax reports for FICA and unemployment taxes
- ✓ Proof of payment

Travel

Travel is defined as the cost of transportation, lodging, meals and related expenses incurred by employees of the organization while performing duties relevant to the program. Where meals are furnished without charge or at a nominal cost (e.g., as part of the registration fee), the proposed per diem or subsistence allowance must take this into consideration and be adjusted accordingly.

Travel costs are allowable based on the organization's formal travel policy provided the costs are deemed by PFF to be reasonable and necessary and comply with 2 C.F.R. 200. The policy should specify reimbursement limits for meals, lodging and the mileage rate. If the organization has no formal travel policy, current Per diem Rates as published on the GSA (General Services Administration) website, including maximum per diem and subsistence rates prescribed in those regulations will be used to determine the maximum reimbursable amount of travel costs PFF will pay.

Shared travel expenses among related programs may require allocation of those costs to all programs benefited based on an equitable allocation methodology. If travel costs and related expenses are part of the grant agreement, the Subrecipient's request for reimbursement shall comply with Federal Continental United States Rates (CONUS) published on the GSA website.

Employees who are paid a percentage below 100% can only bill travel for that percent. For example, if an employee's salary is only billed 30% to the grant, then the allowable travel cost is 30%. If the travel isn't for essential personnel (i.e FRC coordinators or other direct service staff) then travel will only be covered by the percentage in which the individual is funded.

Travel must be approved 30 days *prior* to expenditure of funds and departure date. Approval may be obtained by submitting a properly completed Travel Request/Authorization Form to the PFF Grant Monitor. A Travel/Request Authorization Form will be subject to prior approval by the Grant Monitor. Travel will be approved in the Contiguous United States only.

The Travel Request/Authorization Form must be submitted 30 days prior to departure date.
Travel expenditures may include:

- ✓ Mileage for families in personal vehicle, to/from home visits, to/from consultation meetings with referral agencies, to/from advisory group meetings, to/from public awareness or public education sessions, to/from Group Connections if not held at the agency
- ✓ Conference, workshop or seminar registration fees for pre-service and/or on-going training of program personnel[1]
- ✓ Airfare
- ✓ Overnight lodging expenses for attending training meetings or conferences *(including direct payments to hotels/motels/conferences)*

Supporting Documentation

a) Travel Request/Authorization Form: The Travel Request/ Authorization Form signed by the traveler and approved by a responsible manager must be submitted along with a travel expense report for each trip taken and must include:

- ✓ Dates of travel;
- ✓ travel destination;
- ✓ the purpose of the trip;
- ✓ an itemization of expenses; and
- ✓ the general ledger account(s) charged.

b) Original receipted bills: Itemized and containing detail billing information for all airline tickets *(showing itinerary and costs)*, and all other expenses. A credit card receipt is not acceptable support for reimbursement of expenses.

c)Lodging: A paid lodging receipt that shows a zero balance from the hotel/motel with name, city and state, must reflect a single room rate. If the room is shared, this should show on the invoice and the amount charged should be the rate for one individual. If there is a designated hotel for the conference, documentation supporting the designation of the hotel must be attached to the travel claim and must include room rate per night. Designated hotel information from a conference brochure or a letter from the sponsoring organization is acceptable documentation.

Lodging cannot be claimed if a traveler is within 60 miles from home or duty station.

d) Mileage logs: Mileage logs are signed by the traveler and appropriate manager. Mileage logs must include:

- ✓ Date of trave

- ✓ To and from destination(s)
- ✓ Record of point-to-point mileage with odometer readings or from a mapping web site mileage
- ✓ The purpose of each trip

Reimbursement using a mileage rate must be supported by a detailed record of point-to-point mileage with odometer readings or from a mapping web site mileage.

e) **Airfare**: Receipts must include name of traveler, itinerary, and zero balance. Receipts are required for parking and ground transportation.

f) **Training**: Training expenditures for pre-service and ongoing training of program personnel include conference registration fees, workshops and seminar fees, travel reimbursement for per diem and mileage rates for in-state or out-of-state travel. Claims for travel reimbursement may not be submitted until travel and training are completed.

Equipment

The equipment budget category includes the following items:
Under this Grant agreement no capital/equipment expenditures will be allowed.

- ✓ **Equipment**: Defined as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5,000.

Controlled Assets

Defined as nonexpendable, tangible personal property having a useful lifetime of more than one year and an acquisition cost of $500 or more, but less than $5,000. Controlled assets include:

- ✓ Desktop and laptop computers, hotspots (including notebooks, tablets and similar devices);
- ✓ Non-portable printers and copiers
- ✓ Communication devices and systems such as but not limited to FAX machines, cellular/mobile telephones, etc.
- ✓ Media equipment, such as but not limited to video recorders, cameras, CD players, TVs, VCRs, camcorders, DVD players
- ✓ The original invoice must be presented for reimbursement

Supporting Documentation

- ✓ Evidence of receipt *(i.e., receiving report)*
- ✓ Original invoice

Light Refreshments

Subrecipients may provide light refreshments for community assessment events, advisory council meetings, family engagement events, Parent Advisory Committee events, training meetings, public awareness activities and public education meetings. Providing a meal is not considered light refreshments. Contractors may not provide light refreshments for agency or program staff meetings.

Supplies

Supplies are consumable items that are directly associated with the Program's Scope of Work and are necessary to carry out the activities stated in the Scope of Work. These may include office supplies, educational supplies, software, and any other consumable item necessary to carry out the program. Subrecipients may not stockpile supplies for carryover into the next fiscal year. Supplies may include:

- ✓ Office supplies such as paper, pens, pencils, file folders, etc.
- ✓ Materials used to promote the programs in the community such as pamphlets and brochures
- ✓ Gift Cards (Not to exceed $50.00 and must be purchased from a retailer that does not sell alcohol, tobacco or firearms, or does not allow for the purchase of alcohol, tobacco or firearms with gift cards.)
- ✓ Educational materials such as video tapes, pamphlets, brochures, books, and/or curricula
- ✓ Light refreshments for community assessment events, advisory council meetings, family engagement events, Parent Advisory Committee events, training meetings, public awareness activities and public education meetings.

Gift Cards

- ✓ Must be purchased from a retailer that does not sell alcohol, tobacco or firearms, or does not allow for the purchase of alcohol, tobacco or firearms with gift cards.
- ✓ May not be stockpiled or carried over into the next fiscal year.
- ✓ In order to receive reimbursement for gift cards they must be distributed to families prior to claiming an invoice.
- ✓ Once a gift card is given to a family, it may be claimed for reimbursement on the next invoice.
- ✓ Gift cards that are not distributed before the end of the fiscal year must be reimbursed to PFF on the final invoice for that particular fiscal year.
- ✓ Distribution of gift cards are allowable as an incentive for the family to participate in a specific activity for the program, for example, completing a family engagement event/activity, participating in a community assessment or other type of survey, or participating in Parent Advisory Committee events/meetings, etc.
- ✓ Subrecipients must keep a detailed tracking system to ensure proper documentation is available during an audit. Documentation should include the incentive, the receiver, the amount and when it was distributed and when it was claimed for reimbursement.

General facility and maintenance supplies *(e.g., janitorial, lawn care, etc.)* may also be charged to this category if allocated using a direct cost allocation plan; otherwise, they should be allocated as an indirect cost. Supplies used in the general administration of the organization *(e.g., executive director's office, accounting office)* should be allocated as an indirect cost.

Contractual

The "Contractual" category includes essential consultation or program services that cannot be provided by the Subrecipient. If the Subrecipient cannot perform the services as identified in the contract, the Subrecipient will be responsible for subcontracting the services or making alternative arrangements for the provision of the services. Contractual expenditures may include:

- ✓ Sub-contract with other agencies to provide specific program-related services
- ✓ Sub-contracts with program consultants
- ✓ Sub-contracts with trainer
- ✓ Sub-contracts for transportation services

Contracts for the provision of goods or services that are not directly related to carrying out the program *(e.g. maintenance, copier, etc.)* are considered to be vendor contracts and are appropriately budgeted in the "Other" cost category or budgeted proportionally in the IDC category.

Contracts for general and administrative services *(i.e., accounting, audit, payroll, temporary staffing)* are not included in this category; they are properly classified in the "Other" category or budgeted proportionally in the IDC category.

If continued PFF funding is not forthcoming, it is recommended that recipients insert a clause in their contracts stipulating that payment beyond the end of the current budget period is contingent on continued PFF funding.

Subcontracts must be written according to PFF standards and conform to PFF policies as well as general accounting principles and federal laws and regulations in 2 C.F.R. 200. Time and Effort sheets or Personnel Activity Reports must be utilized to verify program-related contractual costs. Any subcontracts between the Subrecipient and other entities providing core services are considered sub-recipient contracts and must adhere to the same accounting standards as the PFF / Subrecipient agreements.

Subrecipient Contracts with Subcontractors/Vendors

Subrecipient is defined as a non-federal or non-state entity that expends federal or state awards received from a pass-through entity *(such as OSDH)* to carry out a federal or state program but does not include an individual who is a beneficiary of such a program.
Subcontracts must be written according to PFF standards and conform to PFF policies as well as general accounting principles.

Subrecipient Characteristics
The Subrecipient: these said “contractor”

- ✓ Determines who is eligible to receive the various types of state or federal financial assistance
- ✓ Has its performance measured against program objectives and whether or not they are met
- ✓ Has responsibility for programmatic decision-making
- ✓ Has responsibility for adhering to applicable federal program compliance requirements
- ✓ Uses the funds to carry out a program of the organization *(rather than providing goods or services for a program of the pass-through entity)*

PFF shall monitor both financial and programmatic performance and maintain pertinent records that shall be available for inspection by PFF. The Subrecipient shall ensure that their Sub-Contractors/Vendors are fully aware of the requirements placed upon them by state/federal statutes and regulations, under the PFF Grant Agreement and in compliance with 2 C.F.R. 200. (Look at PFF/OSDH contract and work on wording and add in our auditor too.)

Supporting Documentation

a) Requirements in the PFF Grant Agreement that flow-down to the Subrecipient’s lower tier subcontractors/vendors. Subrecipient’s subcontracts/vendors agreements must include, at a minimum:
   - ✓ Clear description of the services to be provided and what costs will be reimbursed *(allowable and/or unallowable)*
   - ✓ Procedures for submitting reimbursement requests and supporting documentation
   - ✓ Reporting requirements, including, format, frequency, due date and destination
   - ✓ Requirements for record keeping documentation of expenditures and record retention period
   - ✓ Required property maintenance and recordkeeping elements, if any equipment or other assets are allowed
   - ✓ List and location of rules or laws *(including applicable OMB Cost Principles and financial administrative requirements,* 2 C.F.R. 200*)* the subcontractor /vendor is expected to follow
   - ✓ Consequences for failure to meet any of the contractual requirements
   - ✓ Single audit requirements, as applicable.

b) Reimbursement request, vouchers, or invoices that support payments made to the Sub-Contractor and evidence of approval by responsible employee who is able to attest to the performance of the Sub-Contractor in relation to the payment amount
c) Evidence of programmatic and financial monitoring effort *(i.e., review/analysis of supporting documentation, reconciliation of costs to general ledger, reports, etc.)*
d) General ledger account number(s) charged and the amount charged for each payment

Vendor Contracts
Vendor is defined as a dealer, distributor, merchant or other seller providing goods or services.

Vendor Characteristics
The Vendor
- ✓ Provides goods and services within normal business operations
- ✓ Provides similar goods or services to many different purchasers
- ✓ Operates in a competitive environment
- ✓ Provides goods or services that are ancillary to the operation of the program
- ✓ Is not subject to compliance requirements of the federal program

Subcontracts for the acquisition of goods and services that are necessary to carrying out the PFF program and do not delegate a substantial portion of the scope of work for the program will, as a general rule, be considered vendor contracts. For example, subcontracts for ancillary services such as maintenance, copier, etc. would be considered to be vendor contracts and are budgeted in the "Other" or "Indirect" cost categories.

Supporting Documentation
a) An executed contract or purchase order that at minimum includes the following:
   - ✓ Name and address of all parties
   - ✓ A detailed description of the goods and/or services to be provided
   - ✓ A measurable method and rate of payment and total not-to-exceed amount of the contract
   - ✓ The term of the contract *(beginning and ending date)*

b) Invoice that clearly identifies service(s) performed and the rate of payment
c) Approval by responsible employee who is able to attest to the invoice's accuracy and receipt of goods/service
d) General ledger account number(s) charged and the amount charged to each account

Other
All other allowable direct costs not listed in any of the above categories are to be included in the "Other" category. Some of the costs listed below may be treated as indirect cost. Their treatment as "Other", direct or indirect, must be consistent throughout the organization. Typical costs that may be budgeted in the "Other" category are:
- ✓ Printing of stationery, educational materials, flyers, brochures, handouts
- ✓ Postage
- ✓ Mobile phone/hotspot costs for home visitors
- ✓ Newspapers, radio, TV and/or billboard outreach costs
- ✓ OSBI or other background checks for the purpose of hiring personnel
- ✓ Audit costs based on an approved cost allocation plan

- ✓ Costs of purchasing bus tokens, taxi fare, Uber/Lyft to assist program families with transportation to program services, and/or essential community support services
- ✓ Liability insurance *(amount cost allocated portion to* PFF *program only):*
  - General
  - Auto *(if applicable for transportation of clients)*
  - Depreciation/Use allowances

- ✓ Facilities expenditures is space rental for program activities such as:
  - Office space for program personnel
  - Meeting space for Group Connections
  - Meeting space for public education meetings
  - Meeting space for training meetings

Facilities expenditures must be clearly identified in the approved program budget. The method of calculation for cost of space must be defined in the approved program budget.

- ✓ Light refreshments for parent education groups, public education meetings, and training meetings, and program related-activities
- ✓ Supplies such as paper, pens, pencils, file folders

Supporting Documentation

Contracts for the procurement of goods and services in the “Other” category must be in writing, follow the entity’s written policy and meet federal policy 2 C.F.R. 200 and be supported by the following supporting documentation:

a) A purchase order that is properly completed and approved or an executed contract that at minimum includes:
   - ✓ Name and address of all parties
   - ✓ A detailed description of the goods and/or services to be provided
   - ✓ A measurable method and rate of payment and total amount of the contract
   - ✓ The term of the contract *(beginning and ending date)*

b) Original invoice

c) Evidence of receipt *(e.g., receiving report)*

d) Proof of payment.

Indirect Costs

Indirect Costs are costs that are not directly accountable to a single cost source and may be fixed or variable but may be divided among two or more cost sources. Indirect costs do not include the cost of goods or services used to carry out direct activities under an PFF contract. Because of the diverse characteristics and accounting practices of organizations, it is not possible to specify the types of cost that may be classified as indirect cost in all situations. However, typical examples of indirect costs may include central service costs of a governmental unit; general administration and general expenses such as salaries and expenses of executive officers, personnel administration, accounting, and contracted administrative services; depreciation or use allowances on buildings and equipment; and the costs of operating and maintaining facilities, etc.

Indirect costs may become direct program-related costs or expenses if they meet the following criteria:

- ✓ Items or expense directly related or necessary to the delivery of services and to the function of the program
- ✓ Formulized or allocated to show the costs as related to the program services, i.e. office space where the rate of cost is shown by formula, or "shared costs" as related to the service
- ✓ Prior approval by PFF, either by inclusion in the "Approved Budget" on file or by written approval of a request at some other point in the contract year.

Shared Costs

A shared cost occurs when the cost of an item or expenditure is covered by more than one funding source. To submit a claim for reimbursement of shared costs the Subrecipient must have a cost allocation plan on file with PFF for audit purposes:

- ✓ All claims for reimbursement of shared expenditures must be program-related
- ✓ The shared cost allocation plan may be revised during the grant funding year if circumstances justify a change
- ✓ The shared cost allocation plan and any revisions must be made available to PFF upon request
- ✓ Failure to provide documentation of claims for reimbursement of shared costs through a Cost Allocation Plan may result in the need for PFF to recover undocumented costs
- ✓ Non-compliance may result in the failure of the grant agreement to be renewed and/or the cancellation of the current grant

Chapter 4

Cost Allocation Plan

<u>Introduction</u>

Allocability is one of the fundamental cost principles used in determining whether or not costs are allowable. It is a measure of the extent to which a cost benefits a particular cost objective and can be charged to that cost objective. Likewise, costs that do not benefit a particular cost objective are not allocable to and cannot be charged to that cost objective. Measuring benefit is a critical requirement and key task to be performed in allocating costs. Throughout this section the requirement is stressed that a cost is allocable to a cost objective only to the extent of benefits received by that cost objective.

Cost Allocation Plan for Shared Costs

When activities supported by this PFF grant agreement are also supported by other funding sources, issues arise as to how costs should be allocated among the sources of support. Costs that are readily assignable to a specific cost objective funded by more than one funding source are referred to as shared costs. Costs assigned to that cost objective must be allowable under any of the funding sources contracts.

When the cost of a PFF-funded activity is also supported by other funding sources, costs should be allocated *(billed)* to the sources of support as follows:

- ✓ If the proportions that shared direct costs benefit each funding source can be determined, they should be allocated to each funding source on the basis of the proportional benefit
- ✓ If cost benefit proportions cannot be determined, the shared direct costs and indirect costs should be allocated in proportion to the amount of funding specified in the contract of each funding source
- ✓ If a Contractor wishes to allocate costs funded by multiple funding sources in disproportionate amounts, the Subrecipient must obtain prior written approval from the Grant Monitor

Submission of Cost Allocation Plan

All Subrecipients must have a cost allocation plan on file for audit purposes.

- ✓ All claims for reimbursement of shared expenditures must be program-related
- ✓ The shared cost allocation plan may be revised during the contract year if circumstances justify a change

- ✓ The shared cost allocation plan and any revisions must be made available to PFF and PFF's independent auditor upon request
- ✓ Failure to provide documentation of claims for reimbursement of shared costs through a Cost Allocation Plan may result in the need for PFF to recover undocumented costs
- ✓ Non-compliance may result in the failure of the contract to be renewed and/or the cancellation of the current contract

Chapter 5

Reimbursement & Budgets

Introduction

The forms that must be completed in order to be reimbursed for program expenses:

1) PFF Invoice.

- The PFF Invoice should be submitted to arpa@pottsfamiyfoundation.org as a PDF to the attention of the Grant Monitor.
- The PDF Invoice must be submitted by the **15th day** of the month following the expenditure of funds to receive reimbursement in a timely manner.
- When submitting the PDF invoice, the file should be named as follows: **INVOICE-SITE NAME-INVOICE DATE**
- Supporting documentation such as receipts are submitted with the Invoice in one PDF document. Please submit supporting documentation in the same order as the invoice. For example:
- Requested supporting documentation should include vendor receipts, typically in the supplies and other categories, and any out of state travel, such as hotel, airfare, transportation, etc.
- **Items purchased should be clearly documented on the receipts.**
- It is not necessary to send payroll, rent, utilities, cell phones, mileage or any cost that is allowable according to the contract.
- PFF will follow the federal guidelines for Advanced Payment, 2 C.F.R. 200, Subpart D 200-305 (b) (2) (ii). (200.305), and the requirements of the State of Oklahoma.

Invoicing

A properly completed invoice for reimbursement must be submitted to the PFF Grant Monitor on a monthly basis within **15 days** of the end of the month in which services were delivered. Claims for reimbursement submitted on a different schedule, other than on a monthly basis, must have prior written approval by the Grant Monitor, if not otherwise stated within the grant agreement.

Please note that copies of all receipts for purchases made during the corresponding period of service must be included with the claim for reimbursement. Purchases do NOT include utility bills, paycheck stubs or rent payments. Receipts must clearly reflect the specific purchases being reimbursed by underlining or circling the targeted amounts along with clearly defined allocated percentages for each purchase if cost allocation percentages apply. Receipts such as Walmart do not clearly identify what the item is in some instances, if this is the case; write out to the side of item a brief description. Writing the intended use for purchased items on each receipt can help provide clarification and may prevent delays in reimbursement. Common reasons that invoices are returned to the Subrecipient for correction include the following:

- ✓ Receipts for purchase are not included
- ✓ Deficits found in categories of funding as a result of a claim for reimbursement
- ✓ Errors in math calculations
- ✓ Non-allowable expenditures
- ✓ The Invoice Form is not signed and dated or is signed by an unauthorized individual.

The Grant Monitor may notify the Subrecipient for clarification of any invoicing issues and request authorization to make any necessary corrections for continued processing.

Claims for reimbursement submitted to PFF must be signed by the same authorized individual on the grant agreement with PFF unless otherwise designated in writing.

In submitting the claim for reimbursement, the Subrecipient must ensure that all costs billed will be supported by documentation, *(e.g. copies of paid invoices, payroll records, and time reports as required by applicable costs principles).* The Subrecipient must also ensure that all billings will be based on actual costs incurred.

If there are any unsupported claims discovered as a result of an audit, an invoice validation, or a periodic financial review performed by PFF, the Subrecipient will be responsible to recoup the payment in an amount equal to the unsupported claim as well as any additional costs associated with the review, to include legal costs. Some common errors to avoid are:

1) Incorrect mathematical calculations:
   - ✓ Program categories not added correctly to get the total for the expenditure’s column or the figures in the expenditures column are not added correctly to obtain the total monthly expenditure.
2) An expenditure is claimed in the wrong category:
   - ✓ “Supplies” submitted as “Other”
   - ✓ Light refreshment expenses submitted as “Other”; light refreshments should be submitted as “Supplies”
   - ✓ U.S. Postal Service expenses submitted as “Supplies”; postage should be submitted as “Other”
   - ✓ Lodging submitted as “Training”; lodging should be submitted as “Travel”
3) Claims signed by someone other than the authorized signature
4) Line-Item over budgeted:
   - ✓ Claiming expenditures in categories where the total amount budgeted was previously expended.

Payment of Invoices

After approval of the Subrecipient's Invoice by the PFF Grant Monitor, the invoice will be forwarded to Accounts Payable (AP) for further processing.

Supplemental Invoices

Supplemental claims for reimbursement are claims submitted after an invoice has already been submitted for the same period of service. Supplemental claims may be submitted for the following reasons:

- ✓ The Subrecipient discovered an expenditure that was inadvertently missed on a previous billing period; or
- ✓ A budget revision has been submitted, but not yet approved in order to reallocate funds for unforeseen expenditures of a previous billing period

Subrecipients must submit a Supplemental Invoice no later than 45 calendar days following the month that it applies to and/or the end of the fiscal year. Consideration of requests for an exception will be made on a case-by-case basis subject to the availability of funding. The 45-day deadline may be modified by a grant agreement's special provision.

Periodic Budget Review

The Grant Monitor will monitor financial spreadsheets for each Subrecipient to ensure that budgeted funds are being expended in a timely manner. If funds are not being spent as budgeted or anticipated, the Grant Monitor may notify the Subrecipient to discuss the details regarding the budget and inquire about any future or forecasted expenditures.

Budget Revisions

A Budget Revision is necessary when a Subrecipient would like to change one or more current budget line items while still remaining within the awarded contract amount.

Budget Revisions will be accepted once each quarter of the PFF fiscal year that runs from January to December. The deadlines are as follows:

PFF Fiscal Year – January 1 to December 31

First Quarter:	January, February, March
Second Quarter:	April, May, June
Third Quarter:	July, August, September
Fourth Quarter:	October, November, December

A Budget Revision Form must be completed and submitted to PFF for approval. A complete form must include the Subrecipient's information, current and proposed budget line items for the expense budget, correct mathematical sums, a justification narrative as to the reason or reasons for the revision and the Subrecipient's signature and date. The budget revision will not be effective until the Subrecipient receives written approval by the PFF Grant Monitor. Any claims submitted on the premise of a budget revision will not be processed until final approval notification has been received from PFF.

Subrecipients and Grant Monitors should routinely review expenditures against the approved line item budget to anticipate the need for a budget revision and thereby submit the Budget Revision form ***prior*** to expenditures. However, there may be occasions and unforeseen circumstances when an 'after-the-fact' budget revision is necessary. An 'after-the-fact' budget revision will be considered by PFF, but not guaranteed.

NOTE: Modifications to administrative costs, indirect cost or any allocated costs may require the Subrecipient to provide an updated Indirect Cost Schedule or Cost Allocation Plan.

Grant Modifications

A grant modification may cause the need for a budget modification. A grant modification request for an increase cannot change the scope of work in such a way that will prevent the Subrecipient from being able to successfully complete the duties as outlined in the originating grant agreement. Completion of a Grant Modification Form by the Subrecipient with proper justification as well as completion of a Grant Modification Request Form by the Grant Monitor is required. Reimbursement claims based on a contract modification increase shall not be approved until written notice has been received from PFF.

As part of a periodic budget review, the Grant Monitor may initiate the modification process in order to reduce the contract amount. This may occur as a result of the following reasons:

- ✓ Percent of funds expended is less than the percent of time elapsed in the grant period
- ✓ Subrecipient has known vacancies or some other barrier to spending a portion of the grant budget
- ✓ A budget revision request submitted by the Subrecipient indicates they are moving funds in order to purchase items that are unjustified, unreasonable or unnecessary

Grant Renewals

A grant renewal allows PFF to continue services into a following fiscal year with a Subrecipient without creating a new grant agreement. A grant cannot be renewed if the number of renewal periods has been met or the original grant language did not allow renewals. Grant renewals should not be activated after-the-fact or made retroactively effective. Therefore, the Grant Monitor should anticipate the end date of the grant and make requests for grant renewals in advance of the expiration of the agreement.

Grant renewals are to be submitted no later than 90 days prior to fiscal year end, but may be required by the Grant Monitor prior to the 90 day deadline. A Grant Renewal Form, must be properly completed by the Subrecipient with narrative detail and submitted to PFF for pre-approval.

Please note that a grant renewal is optional and PFF can choose not to renew a grant agreement at the end of the grant period. Additionally, the Subrecipient may choose not to renew a grant.

A grant renewal shall be contingent upon the needs of PFF, the Subrecipient's performance, appropriate approvals as required by statute and available funding. Renewal amounts may or may not be the same amount as the final grant award for the original grant period. Final approval of the renewal amounts will be at the discretion of PFF. PFF may reduce the grant funding amount for:

- ✓ Failure to achieve or maintain grant requirements
- ✓ Failure to expend funds appropriately and at a rate that will make full use of the award
- ✓ Lack of available funding.

Final Billing

All expenses should be incurred by December 31, 2026.

Payments Withheld

PFF may temporarily or permanently withhold payments from a Subrecipient for the following programmatic and financial noncompliance items:

- ✓ Failure to submit required financial reports
- ✓ Failure to respond to financial compliance monitoring reports
- ✓ Failure to submit required independent audit reports
- ✓ Failure to submit a Cost Allocation Plan if applicable to the organization
- ✓ Failure to meet program requirements as specified in the Scope of Work
- ✓ Failure to provide pertinent records and documents for the purpose of examination relating to an audit
- ✓ Inadequate or inappropriate resolution of program or financial monitoring findings; or
- ✓ Other items of noncompliance

PFF will formally notify Subrecipients in writing of any imposed sanction that will require a temporary or permanent withholding of payment.