

# **DARS-OAS Grants Management Manual**

**Provided by the:**  
**Department for Aging and Rehabilitative Services (DARS)**  
**Office for Aging Services (OAS)**  
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## **INTRODUCTION**

The Virginia Office for Aging Services (OAS) is a section with the Division for Community Living of the Department for Aging and Rehabilitative Services (DARS) of the Commonwealth of Virginia. Any reference to OAS includes the larger reference to DARS.

In addition to this Manual, DARS-OAS has a Board & Advisory Council Handbook for Virginia's Area Agencies on Aging to assist in the proper administration of their agencies.

The Department for Aging and Rehabilitative Services - Virginia Office for Aging Services' OAS's Grants Management Manual is the official document of the Division for the grant administration of federal and state awards made through DARS to Area Agencies on Aging and Virginia Public Guardianship and Conservator Programs both hereinafter call "Agency." Since this Manual applies to both Area Agencies on Aging and the Virginia Public Guardianship and Conservator Programs, there are specific reference in this manual that pertain only to Area Agencies on Aging (AAAs). In that case, it the specific reference will state AAAs.

### **Purpose of Manual**

The purpose of the DARS-OAS Grants Management Manual is to provide detailed information on the administration of grants and contracts made through DARS-OAS. The Manual should assist and guide Virginia's Area Agencies on Aging in the application of various federal and state laws.

This Manual supplements the area agency on aging contract and the Virginia Administrative Code (DARS Regulations) regarding the operations of Area Agencies on Aging and constitutes all current fiscal policies and standards that have been developed by the OAS, unless otherwise noted, through the time of issuance.

### **Disclaimer**

This Grants Management Manual is intended to highlight some of the common-important federal and state requirements. It is not all inclusive of federal or state regulations.

### **Area Agency on Aging Financial Policy Manual**

The Area Agency shall abide by all principles and standards for financial management and accounting found in Virginia Administrative Code 22VAC30-60-130 through 22VAC30-60-570, Administration of Grants and Contracts.

The Area Agency shall develop and maintain a complete, accurate, and up-to-date set of written financial policies in the form of an officially adopted manual, as referenced in Virginia Administrative Code 22VAC30-60-190. This manual shall cover the area agency's own financial policies and fiscal policies applicable to its subcontractors.

At a minimum, the manual shall provide for a description of each of the following accounting applications and the internal controls in place to safeguard the agency's assets: billings, receivables, cash receipts, purchasing, accounts payable, cash disbursements e.g.: credits,

electronic funds transfers, checks, payroll, inventory control, property and equipment, and general ledger. Each of the agency's fiscal activities for revenue/receipts, disbursements and financial reporting shall also be described.

This OAS Grants Management Manual requires the Board of Directors or the governing body to review numerous policies and procedures. Many of these policies and procedures may be identified as separate sections of the Agency Financial Policy Manual. Examples include:

- Cash Handling Policy for Voluntary Contributions and Donations
- Check/Wire Transfer Signing Authority Policy
- Cost Sharing / Fee for Service Policy
- Credit Card Policy
- Insurance Policy Requirements
- Petty Cash Policy
- Procurement Policy
- Property Control and Disposal Policy
- Travel Authorization and Payment Policy (including travel advances if provided by your agency)
- Whistleblower Policy

### **Financial Desk Procedures**

In addition to maintaining a Financial Policy Manual, the Agency shall develop and maintain a complete, accurate, and up-to-date set of written financial desk procedures. The desk procedures shall identify the instructions necessary to perform the task. The procedures shall detail who performs the procedure, the steps to be performed, when the steps are performed, and how the procedure is performed.

### **Scope**

OAS incorporates, by reference, all federal and state regulations, statutes, administrative rules, and reporting requirements governing the administration, fiscal management, operations and program management of the Older Americans Act, as amended, and all other applicable grants or awards. Area Agencies on Aging and service providers shall meet all financial requirements applicable to their organization and the various grant awards, including but not limited to:

Title 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) will supersede the following OMB Circulars beginning with Federal Fiscal Year 2016. The requirements between the 2 CFR 200 and the following are compatible.

Title 45 Code of Federal Regulations (CFR) Sections 74 and 92  
OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments  
OMB Circular A-102 Grants and Cooperative Agreements With State and Local Governments  
OMB Circular A-110 for Educational Institutions and Non-Profit Organizations  
OMB Circular A-122 Cost Principles for Non-Profit Organizations  
OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations



### **Definition of Terms**

When reference is made to programs herein, this Manual in general intends that it includes Older American Act programs including Title V employment programs, discretionary grants and other federal programs contracted through DARS. Agencies may receive grants from other federal programs such as transportation programs, housing, weatherization, etc. The operations of those programs are likely to have different financial requirements. Agencies are required to comply with federal requirements imposed through their federally funded programs.

### **Amending this Grants Management Manual**

This Manual contains the essential fiscal policies of the OAS applicable to Title III and Title VII of the Older Americans Act-funded activities as of the date of promulgation. From time to time, as additional matters require promulgation or changes to this Manual, the OAS may amend this Manual. Any such amendments to this Manual will be promulgated after prior review and comment from Virginia's Area Agencies on Aging.

## **ORGANIZATIONAL ACCOUNTING STRUCTURE/RESPONSIBILITIES**

### **Board**

The Board of Directors have a fiduciary responsibility over the Agency's activities. Board members need timely and accurate information for sound decision making. In general, all policies that are required to be reviewed and approved by the Governing Board or governing body should occur every four (4) years with documentation of the Board's approval in the Meeting Minutes. The following activities directly impact the agency's financial operations:

### **Managing the Organization --**

- Attend to legal requirements
- Direct the process of planning
- Approve long range strategic goals
- Monitor achievement of goals and objectives
- Establish and reviewing high level policy

### **Programming and Budget --**

- Establish service goals and objectives in order of priority
- Define specific needs to be addressed and target populations to be served
- Oversee evaluation of products, services, and programs

### **Personnel --**

- Employ Chief Executive Director
- Approve pay scales
- Interpret organization to community

- Provide organization linkage with other organizations
- Review personnel policies, pay scales, and benefits including health insurance, retirement and leave.

### **Financial Stewardship --**

- Finalize and approve budget
- Reviewing monthly financial statements
- Approving the firm hired to audit the agency and receive the annual audit
- Approve expenditures outside authorized budget
- Solicit contributions in fundraising campaigns (to the extent an agency can fundraise)
- Have a policy on the signing legal documents
- Develop financial resources
- Set conditions and standards for all funds solicited in the organization's name
- Exercise fiduciary care
- Conduct sound long-range financial planning

### **Executive Director**

Executive Director, as agent of the Board of Directors, has the administrative responsibility for the Agency's activities. In most non-profits, the Executive Director supervises the Agency's Primary Financial Officer who directs fiscal activities. This individual should work closely with the Agency's Primary Financial Officer and fiscal staff to gain an understanding of fiscal matters. The Executive Director should be knowledgeable of fiscal issues and concern when communicating with the Board, local governments and others.

### **Agency's Primary Financial Officer**

The Agency's Primary Financial Officer is responsible for designing fiscal policies and ensuring compliance with these policies. This position has many different titles. Frequently it is called the Chief Financial Officer.

The Chief Financial Officer must have sufficient knowledge, skills and education to perform the duties of the position. This individual should have a Bachelor's degree in accounting, business administration, finance or economics plus several years of relevant prior work experience or a combination of both that compensates. A master's degree in a business or finance related field and/or a Certified Public Accountant (CPA) is recommended.

This individual should also ensure that systems are in place to provide for proper recording and classifying of all accounting activities and that they are performed in a timely manner. The Agency's Primary Financial Officer is the connection between the delivery of services and the administrative support that plans, funds, monitors, and accounts for the services delivered. The person holding this job title is responsible for keeping the Executive Director and the Board informed of the Agency's financial position and to routinely report on the results of the Agency financial operations.

### **Fiscal Duties**

The Agency's Primary Financial Officer of a non-profit typically has the following fiscal duties:

- Develop and implement financial policies and procedures
- Design and maintain internal controls
- Accurate and timely reporting of financial information to management and third parties
- Prepare the financial statements in accordance with GAAP
- Compliance with all government and state regulations
- Risk management
- Records retention
- Executive decision-making support
- Cost accounting
- Audits and
- Training and development of fiscal staff

### **Management Duties**

The Agency's Primary Financial Officer typically manages the following functions:

- Accounts receivable
- Account reconciliations and general ledger maintenance
- Accounts payable
- Budget
- Cash flow projections
- Credit Card Purchases – Small Purchase Charge Card
- Deposit of cash receipts
- Fixed Assets
- Investments
- Payroll
- Petty cash fund
- Procurement – purchasing and receiving

### **Accounting Staff**

The job responsibilities for the accounting staff should be documented in the employee's job description or job profile. The duties of each employee should be properly segregated to ensure the safeguarding of assets. In addition, the organization should have a trained back-up for the significant fiscal functions to ensure the entity's continuous operation when an employee is sick or terminated.

### **Financial Statements**

#### ***Budgets***

In order to receive federal Older Americans Act funds, each AAA is required to develop an Area Plan and a Budget and have them approved by DARS. The Area Plan identifies the specific needs of the elderly population and the AAA's goals, objectives and strategies to meet those needs. The Budget translates the Area Plan into dollars by specifying the level of resources that the AAA will utilize to fulfill the Area Plan objectives. The budget format is provided by DARS and must be used by the AAAs.

Allowable Costs for grants are included in the OMB Cost Principles for each type of organization.

Direct Costs are expenses that can be readily charged to a particular program, such as staff time and materials used on the project.

Indirect Costs are costs for items which are shared by or within an agency, such as office space, utilities, secretarial and accounting staff, or purchase of major equipment such as a copy machine or automobile that is shared by several programs.

Indirect Cost Plans must comply with all applicable federal regulations and the Uniform Guidance.

Allocation of indirect costs among grant funded programs must be proportional to the benefit received (work done, space used, etc.) for carrying out the purpose of the project.

### ***Budget Revisions***

A request for a budget amendment is need when a change to the budget results in a change of 10% in any service (i.e.: Transportation, Personal Care, Congregate Meals, etc.) in the AAA's Area Plan Budget. Budget revisions are needed to reflect changes of more than 10% for the following:

- To transfer between Title III parts B and C and allowable state general funds; or
- To reflect a change in state or federal allocations that increases or decreases funding.

The request for budget revision must be submitted in writing (email) to DARS, stating the rationale for the requested change, and stating any projected impact on service delivery. Approval of the budget revision request must be received prior to the expenditure of funds related to the budget revision request, and monthly fiscal reports/requests for reimbursement shall not indicate such a budget revision until approval by OAS.

If budget adjustments exceeding ten percent (10%) in any service are needed, such adjustment must be requested and approved by DARS.

### ***Income Statement***

An Income Statement is also known as the "profit and loss statement" or "statement of revenue and expense." It is a financial statement that measures a company's financial performance over a specific accounting period. Financial performance is assessed by giving a summary of the revenues and expenses through both operating and non-operating activities. It also shows the net income or loss incurred over a specific accounting period, typically during a month or year.

### ***Balance Sheet***

A financial statement that summarizes assets, liabilities and retained earnings at a specific point in time. These three balance sheet segments provide an idea as to what the Agency owns and owes, as well as the amount invested.

### ***Cash Flow***

A ‘Statement of Cash Flows’ shows the amount of cash generated and used in a given period. It is calculated by adding noncash charges (such as depreciation) to net income after taxes.

### **Fraud**

#### ***Federal Law***

Whoever, in any manner within the jurisdiction of any department or agency of the United States, knowingly and willfully –

1. falsifies, conceals or covers up any trick, silence or device of material fact;
2. makes any materiality false, fictitious or fraudulent statements or representations; makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry shall be fined under this title, imprisoned not more than 5 years or, if the offense involves international or domestic terrorism (as defined in section 2331), imprisoned not more than 8 years, or both. If the matter relates to an offense under chapter 109A, 109B, 110, or 117, or section 1591, then the term of imprisonment imposed under this section shall be not more than 8 years. 18 U.S.C. 1001.

Whoever makes or presents to any person or office in the civil, military or general service of the United States, or to any department or agency thereof, any claim upon or against the United States, or any department or agency thereof, knowing such claim to be false, fictitious or fraudulent shall be fined not more than \$10,000 or imprisoned not more than five (5) years, or both. 18 U.S.C. 287.

#### ***State Law and Reporting Procedures***

Upon the discovery of circumstances suggesting a *reasonable possibility* that a fraudulent transaction has occurred involving funds or property under the control of the area agency on aging, the agency shall *promptly* report such information to DARS. Failure to make the report could result in immediate suspension of all contracts with the Commonwealth of Virginia, *Code of Virginia* §30-138.

Note: A common problem with applying this requirement is the assessment of whether something is fraudulent and when to report it. Another way to interpret *reasonable possibility* is something that a rational individual *believes* – not that it has been determined - could have or did occur. Prompt reporting means within a work day. It is far better to report the potential fraudulent activity to the OAS than not.

#### ***Failure to Report***

Failure to make the report as required by this section shall constitute a Class 3 misdemeanor.

### **Whistleblower Policy**

The area agency on aging shall have a Whistleblower Policy, sometimes referred to as a Fraud, Waste and Abuse Policy. In accordance with IRS guidance, the policy shall protect individuals from retaliation that report credible information on illegal practices or violations. The policy must be approved by the Board of Directors or governing body no less than every five (5) years and identify to whom such information should be reported and how employees are clearly made aware of the policy. The Whistleblower Policy must be posted in a location frequented by employees in close proximity to employer required notices.

## **STANDARDS FOR FINANCIAL MANAGEMENT AND ACCOUNTING**

The purpose of this section is to set forth the principles and standards for the area agency on aging's accounting system.

### **Standards of Financial Management Systems**

These are addressed in Subpart C- Post Award Requirements

- 1) Standards for financial management systems
- 2) Methods for making payments
- 3) Rules for satisfying cost sharing and matching requirements
- 4) Accounting for program income
- 5) Budget and program plan revision approval
- 6) Making audits
- 7) Determining allowability of cost
- 8) Establishing fund availability; and
- 9) Conditional exemptions.

These 9 FMS standards are also addressed in the Federal Code of Regulations (Title 45 CFR Section 74.20).

### **Elements of an Acceptable Financial Management System**

An area agency on aging will maintain records and make reports in such form and containing such information as may be required by the DARS. An area agency on aging will maintain such accounts and documents as will serve to permit expeditious determination of the status of funds and the levels of services provided under the approved Area Plan, including the disposition of all monies received from DARS and the nature and amount of all charges claimed against such funds.

45 CFR Sec. 74.21 (2) or OMB A-110 Subpart C.21 (b) (2) requires that grantees or subgrantees have records that identify adequately the source and application of funds for grant or subgrant-supported activities. At a minimum, these records shall contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, outlays, income, and, if the recipient is a governmental entity, liabilities.

Special grant conditions more restrictive than those prescribed in Title 45 CFR Part 74 may be imposed by DARS on its subrecipients as needed when DARS has determined its grantee:

- Is financially unstable,
- Has a history of poor performance, or
- Has a management system which does not meet the standards of CFR Part 74.

For the purpose of determining the adequacy of a subrecipient's financial management system, DARS shall consider the following records maintained on a current basis to be minimum:

- General Journal,
- General Ledger,
- Separate or combined Cash Receipts and Disbursements Journal or Voucher Register,
- Payroll Register (if the agency has more than 10 employees),
- Fixed Assets Register for all owned and leased property and equipment,
- In-Kind Journal/Worksheets,
- Project Cost Control Subsidiary Ledger/Worksheets, and
- Bank statements reconciled within 30 working days of receipt.

Grantees of DARS may substitute the equivalent kind of records for those specified in C. above provided the substitute records meet the function for which those records have been required.

An area agency on aging shall have procedures for determining the reasonableness, allowability and allocability of all contract costs.

Applicable Accounting Standards – The type of entity an Agency is will govern the accounting principles the Agency will use or adopt. Entity type will influence the grant regulations that will govern the agency. There are a variety of non-business entities: universities, hospitals, governments, voluntary health and welfare organizations, etc. Most agencies will either adopt standards applicable to local governments or to other non-profit organizations. Most agencies are organized as non-profit organizations and should use standards for *non-profit organizations*. Some agencies are components of governmental entities. These entities should follow the standards for *governmental entities*.

Government Agencies – Some agencies are incorporated as joint exercises of powers and some agencies are an agency of a single local government. The Governmental Accounting Standards Board (GASB) adopted Statements of Governmental Accounting Standards as authoritative GAAP for governmental entities. These statements provide guidance on which entities should use the standards issued by the GASB.

### **Basis of Accounting**

The American Institute of Certified Public Accountants (AICPA) guides that generally an organization should use GASB standards if:

- It's a state, city, town, or municipality created for the administration of public affairs,
- Its officers are popularly elected,
- The majority of its governing body is appointed by another governmental entity,

- Its assets go to a government if the organization is dissolved,
- It has the power to enact or enforce a tax levy.

Generally, most agencies are subject to the third and fourth bullets. It is the *responsibility* of the Agency to determine what accounting and reporting standards it should follow.

GAAP for non-profits requires that the accrual method be used as a basis of accounting. However, there are other comprehensive bases of accounting that may be used. The Commonwealth of Virginia State regulations governing agencies require the use of the modified accrual method. Rather than using one basis for grant-related activities and another for the financial statements most agencies prefer to prepare their financial statements on the modified accrual basis. These two methods are distinguished in the manner revenue is recognized. The modified accrual basis accounting method recognizes revenues when they are measurable and available while the accrual basis recognizes revenue when it is earned. The cash basis is never acceptable for grant or financial statement purposes

Each grantee and subgrantee shall report program outlays and program income on the accrual basis. Accordingly, expenditures are recorded when a liability is incurred (i.e., when an invoice has been received or the amount can be readily estimated), but revenue is not recorded until actually earned by or is available to the grantee or subgrantee. "Available" means that the revenue is both recognizable and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

If the grantee or subgrantee presently maintains its accounting system on the cash basis, it must develop the necessary accrual information through analysis of pertinent documentation on hand. Appropriate worksheet entries can be made to convert the books of account under the cash basis to financial statement presentation under the accrual basis, OMB Circulars A-102, Sec. 2.c.(4).

Area Agencies on Aging shall observe the cash basis of accounting for U.S. Department of Agriculture (USDA) funding and the commodities-received basis for USDA commodities. This variance from the accrued method of accounting is realistic given the difficulty in estimating the amount of the receivable for USDA billing, even though sums have been incurred and collection is reasonably assured. An unbilled receivable will not be reflected for such USDA receivables.

### **Chart of Accounts**

Provided that an area agency on aging is able to comply with the nine standards for financial management systems in OMB Circular A-110, as applicable, and the financial management standards contained in Title 45 CFR Subpart 74.21, an area agency on aging shall adopt its own account structure based on its own external and internal reporting requirements.

### **Budgeting and Cash Flow Projection System**

An area agency on aging shall establish and maintain a budgeting system that compares the actual and budgeted amounts for each grant or subgrant. Additional useful comparisons between actual and budget includes services and administrative categories such as personnel. This system should also be able to forecast costs to the completion of the grant period.



When an agency has minimal reserves or is the agency is not able to meet budget, the area agency on aging shall maintain and periodically update a cash flow projection to minimize the drawdown of funds in relation to their disbursement. An agency on aging shall retain such periodic cash flow projections for a minimum of three years from the date of filing its annual final financial report.

### **Accounting Standards**

Grantees and subgrantees of DARS shall observe the standards contained in this part.

#### ***Capitalization of Equipment***

For financial statement purposes, all tangible personal property with a useful life of more than one year and a unit acquisition cost of \$5,000 or more shall be capitalized and depreciated over its useful life using the straight-line method of depreciation. Area Agencies on Aging may expense the full acquisition cost of tangible personal property in the year of purchase. All capitalized assets shall be maintained in the special fixed assets account group and are not to be included as an operating expense.

#### ***Accounting for Paid Absences***

To be in conformance with generally accepted accounting principles, in general, and specifically Financial Accounting Standards Board Statement No. 43, DARS requires the accrual method of recognition of entitlement for vacation and holidays in the year earned, not the year when the entitlement was granted or in the year when it is actually taken. A grantee's or subgrantee's accrued liability should take into consideration probationary employee's entitlement to benefits and any material projected forfeiture of vacation time. Area Agencies on Aging sponsored by governmental entities are not bound by FASB No. 43 and are free to adopt whatever rule for accounting for compensated personnel absences is adopted throughout its personnel practice.

Upon termination of a Fair Labor Standards Act-exempt employee, DARS will not recognize or authorize payment for any accumulated but untaken compensatory time. This applies to both actual payment for earned, but unused compensatory time and to time taken off in lieu of paying for accumulated compensatory time.

#### ***Self-Insurance (Excluding Health Reimbursement Account – HRA)***

For those agencies with prior approval for self-insurance programs, the amount of self-insurance cost to be assigned to a cost accounting period is the projected average loss for that period, plus insurance administration expense in that period. The allocation of self-insurance costs to cost objectives shall be based on the beneficial or causal relationship between the insurance costs and the benefiting or causing cost objectives.

There are three possible methods of computing self-insurance costs.

- Compute "projected average loss" based on the cost or comparable cost of purchased insurance based on competitive quotes,

- Compute a "projected average loss" based on data reflecting the grantee's or subgrantee's experience and anticipated conditions in accordance with actuarial principles, or
- Compute a self-insurance charge based on the actual amount of losses during an accounting period.

Methods 1 and 2 are preferred for computing "projected average loss."

### ***Consistency of Costing Practices***

A grantee or subgrantee's practices used in estimating costs in preparing its grant applications should be consistent with its accounting practices used in accumulating and reporting costs. Such organization's accounting practices used in accumulating and reporting actual costs for a grant or subgrant with DARS shall be consistent with its practices used in estimating costs in its grant proposals. Moreover, all costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only with respect to grants. No final cost objective shall have allocated to it as an indirect cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included as a direct cost of that or any other final cost objective. No final cost objective should have allocated to it as a direct cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included in any indirect cost pool to be allocated to that or any other final cost objective.

### ***Allocation of Indirect Costs***

Indirect costs should be accumulated in indirect cost pools that are homogeneous. Pooled costs should be allocated to cost objectives in reasonable proportion to the beneficial or causal relationships of the pooled costs to cost objectives. See section on Cost Allocation Plan for more information.

### ***Unallowable Costs***

Costs expressly unallowable or mutually agreed to be unallowable, including costs mutually agreed to be unallowable directly associated costs, shall be identified in separate accounts and excluded from a billing, claim or grant applicable to a grant or contract with DARS.

### ***Treatment of Any Deferred Compensation***

The cost of deferred compensation shall be assigned to the cost accounting period in which the grantee or subgrantee incurs an obligation to compensate the employee. In the event no obligation is incurred prior to payment, the cost of deferred compensation shall be the amount paid and shall be assigned to the cost accounting period in which the payment is paid. The measurement of the amount of the cost of deferred compensation should be the present value of the future benefits to be paid by the grantee or subgrantee.

### ***Leases***

Grantees and subgrantees of DARS shall observe rules regarding an operating lease vs. a capital lease, contained in Financial Accounting Standards Board Statement (FASB) No. 13. If, according to FASB 13, it is determined that a capital lease exists, a share of such lease payment will be capitalized and amortized over the life of the lease or the useful life of the asset, whichever is longer.

In the case of long-term leases, the portion of any lease payments that represents the finance costs under an alternate acquisition shall be treated as an unallowable cost.

The maximum amount of cost recovery on a lease with an affiliated division or subsidiary shall be the amount allowed had the grantee retained title. Thus, the cost of depreciation by the straight-line method, taxes, insurance and maintenance, excluding interest, are allowable.

### ***Credits***

To the extent that credits accruing or received by the grantee or subgrantee of DARS relate to allowable costs, they should be credited to DARS as a cash refund. Material amounts of credits will apply to the year in which the underlying cost occurred rather than in the year of credit receipt. In the case of credits of an immaterial amount, credits may be offset against the current year's costs.

To the extent that credits accruing or received by the grantee or subgrantee of the Department for Aging and Rehabilitative Services related to allowable costs, they should be credited to the DARS as a cash refund. Credits will apply to the year in which the underlying cost occurred rather than in the year of credit receipt. In the case of credits of an immaterial amount, credits may be offset against the current year's costs.

### **Control of Inter-Fund Cost Transfers**

For all transfers of cost or program income from one program or fund to another, made on other than a contemporaneous basis, an area agency on aging will:

- Have available in its accounting records an appropriate written justification statement for any cost or program income transfers.
- Reflect the adjustment in its General Journal.
- If hand written journal entries are made corrections are to be made by cross-out and new entry, with no erasures or whiteouts. Otherwise notations should be made in explanatory fields.

Refer to the section on Timing of Spending General Program Income.

### **Sound Internal Control Structure**

Title 45 CFR Subpart 74.61(c) requires grantees and subgrantees to maintain effective control and accountability for all grant or subgrantee cash, real and personal property covered by Subpart O of Part 74, and all other assets.

Typically, grantees and subgrantees would normally observe the following, general internal control measures with no one person having complete authority over an entire financial transaction.

The Agency shall maintain a Financial Policy Manual covering:

- approval authority for financial transactions;
- guidelines for controlling expenditures, such as purchasing requirements and travel authorizations. It is a good practice that the program manager is involved in approving their purchases and expenditures;
- Record all cash receipts or participant contributions immediately;
- Use special safeguards for cash collections, including: two-person count of receipts; receipts are kept in a locked box, safe or other secure location until deposit; deposit slips compared with receipts; employees handling cash be bonded;
- Deposit large sums of cash receipts or participant contributions intact daily; otherwise, deposit shall be made no less frequently than weekly;
- Make all physical payments by serially numbered checks. Electronic wire transfers shall be individually marked;
- The Board of Directors or governing body shall establish a Check/Wire Transfer Signing Authority Policy;
- All checks made payable to the Executive Director of the area agency on aging should be signed by a board member or the governing body;
- If payments are made by cash, the agency shall have an imprest petty cash fund entrusted to a single custodian for all payments that is reimbursed no less frequently than monthly;
- Reconcile bank accounts monthly and retain copies of the reconciliations in the files;
- Issue checks to vendors only in payment of approved invoices that have been matched with purchase orders and receiving reports;
- Balance subsidiary ledgers for grant accounts with actual accounts no less frequently than monthly; and
- Prepare trial balances monthly for submission of invoices and in sufficient detail to disclose significant variations in any category of revenue or expenses.

Because of the importance of a sound structure of internal control, their relatively small size and the limit imposed by the 10% administrative cost cap, an area agency on aging shall also adopt the following internal controls:

- The Agency's Primary Financial Officer is responsible for ensuring all cash collections are counted and deposited intact.

- The Executive Director or designee will closely examine and sign all financial reports furnished to DARS. When an agency submits a financial or program report to DARS, it certifies that “to the best of their knowledge and believe”, the information submitted is a “true, correct, and a complete statement prepared from the books and records of the agency in accordance with applicable instructions, except as noted.”
- The agency’s Financial Policy Manual should state a threshold level and individuals responsible for closely reviewing initialing general journal entries.
- Someone other than the person who prepares the check or signs and cosigns the checks should reconcile the agency's bank statements, either on an ongoing basis or on a rotating basis. In completing the reconciliation of the bank statement, the name of the payee and the endorsement on all checks will be compared with that in the check register or cash disbursements journal. The reconciliation will be completed within thirty (30) days of receipt. The agency’s Financial Policy Manual should state the position, responsible for reviewing and initialing each bank statement reconciliation. The reconciled bank statement will be maintained on file for a period of three years or until audited, whichever is longer.
- Under United States Code (U.S.C.) 4-404 a bank has no duty to its customer to pay a check that is more than six months old. At that point, the check is considered stale. The area agency on aging should include in its bank reconciliation procedures that stale checks are promptly cancelled and if needed reissued or turned over to the Department of the Treasury, Division of Unclaimed Property. The agency should consult with their financial institution on their policy for paying stale checks. If the financial institution may honor a stale check, the agency should issue a stop payment.
- The area agency on aging will prepare a trial balance before submitting the Aging Monthly Report (AMR). For the last month of the fiscal year, the trial balance will be completed within forty-five (45) days of year-end.
- Under no circumstances will the Executive Director of the area agency on aging maintain any of, or make any entries in, the books of original entry.

### **Obligations and Liquidations**

Generally, grantees and subgrantees of DARS shall liquidate all obligations incurred under the Older Americans Act within sixty (60) days of the end of the grant period. This allows DARS to prepare and submit the federal closeout reports within ninety (90) days.

All state general fund monies for the current state fiscal year should be requested on the May AMR that is due June 12<sup>th</sup>. These funds must be obligated by June 30<sup>th</sup> and liquidated (paid by your agency) by September 30<sup>th</sup>.

### ***Obligation***

Obligations are binding commitments. An obligation is typically made when a vendor is owed payment because service has been rendered or substantially rendered. Obligation can also occur when a contract has been issued and payment is now owed. Obligations must occur within contract or grant budget period. In other words, funds cannot be obligated prior to the contract budget period nor can funds be obligated after the contract budget period has ended.

### ***Liquidation***

Liquidation means that the cash has been physically disbursed to pay the obligation. Payments made on a credit card result in an additional delay in disbursing the cash because there is a waiting period for credit card payment posting, receipt of the credit card statement and subsequent payment of the credit card in the state's accounting system.

## **CASH MANAGEMENT**

The purpose of this section is to set forth DARS fiscal policies in the definition, treatment and use of program income and interest earned.

### **Program Income (Donations, Contributions, and Cost Sharing / Fee-for-Service)**

Allowing program participants the opportunity to contribute toward the cost of their services is an invaluable method for AAAs and service providers to expand the service to additional geographic areas, to increase the number of participants who can receive the service, and to help reduce the federal and state share of the costs of providing the service.

Voluntary contributions can be used only to expand the service for which the contribution was collected or donated; it cannot be used by the AAA or service provider to offset other operational costs (42 USC 3030c-2(b)).

Section 315 (b) (4) of the Older Americans Act requires AAAs to:

- A. provide each recipient with an opportunity to voluntarily contribute to the cost of the service;
- B. clearly inform each recipient that there is no obligation to contribute and that the contribution is purely voluntary;
- C. protect the privacy and confidentiality of each recipient with respect to the recipient's contribution or lack of contribution;
- D. establish appropriate procedures to safeguard and account for all contributions; and
- E. use all collected contributions to expand the service for which the contributions were given and to supplement (not supplant) funds received under this Act.

Although program income must be used for allowable costs of the project or program it does not count toward satisfying the matching requirement. The recipient of the program income shall provide adequate accounting systems and procedures for its control. Program income shall be accounted for separately from other non-federal funds.

### ***Program Income Definitions***

Program income means cash generated by the grant-supported activity. It includes Donations, Contributions, and Cost Sharing / Fee-for-Service. Activities includes, but is not limited to, fees for services, proceeds from sale or rental of products or real property, equipment, or supplies acquired under the grant; the sale of items fabricated under an award; publication sales, or license fees.

### ***Illustrations***

The following are several examples of what does and does not qualify as program income.

Senior citizens make voluntary contributions for their transportation to a meal site for their meals, to medical appointments, or shopping. The contributions are program income if the transportation system was receiving Title III or state general funds for part of its operating expenses.

Title III or state general funds. The profit (sales price less cost of materials) is program income. If the cost of materials is not significant, such as flour or sugar for cinnamon rolls, it need not be deducted from the sale price of the goods sold.

Senior citizens make and sell quilts to raise funds. All the fabric and other materials are donated by seniors, labor is volunteer, and quilts were made at the senior center. These funds are not program income, since the direct cost of the materials did not come from Title III or state.

A senior center nutrition program staff member is paid with federal Aging or matching funds to work half time. During the other part of the week, the staff person works on a project (tour, banquet, etc.) which will make a profit for the senior center. If no federal or state general funds are used for the direct costs of that project or the staff time to organize it, then the monies generated are not program income, and the organization is not accountable to the state or federal grantors for the use of that money.

### ***Uses of Non-Program Income***

- a. A senior center may use non-program income funds for purposes the Board of Directors or governing body chooses, and is not accountable to state or federal grantors for the use of the funds.
- b. When a senior center earns non-program income, the money may be used for costs that would not be allowable under the terms of the grants, or to purchase equipment. Such non-program income does not need to be reported to DARS or Administration for Community Living (ACL).
- c. A contractor may charge depreciation or a use allowance to grants for the use of equipment purchased with non-program income or contributions.

### **Treatment of Interest Earned on Advances**

Provided an area agency on aging doesn't over request funds in violation of Treasury Circular 1075, interest earned on federal funds passed through DARS is the area agency on aging's own

funds. Such funds may be used as cash match, to expand any approved program or in furtherance of any activity or benefit to the elderly and approved by its Board of Directors.

### **Allowable Investment and Custody Policies**

The investment of available federal or state general funds must be directed by two principles: (1) to protect all funds received from unreasonable loss or diminished value, and (2) to earn a reasonable return on funds not expected to be disbursed immediately. In furtherance of such principles, any interest-bearing checking account that is fully insured by the FDIC is permitted.

### **Security for Public Deposits Act (SPDA)**

The Security for Public Deposits Act (SPDA) is a law that protects Virginia public deposits held in banking and savings institutions through the collateralization of securities. SPDA requires banks to report their public deposit balances and collateral balances monthly to the Virginia Treasury Board, §2.2-4401 of the *Code of Virginia*.

The SPDA applies to only 11 Area Agencies on Aging (AAAs) and any Guardianship Program that is a Community Service Board. The AAAs includes the five northern AAAs that are part of local government, the five AAAs that are a joint exercise of powers and the AAA that is a Community Service Board. The other 14 AAAs that are non-profits do not have access to the SPDA. Even if the financial institution has informed your non-profit that SPDA applies, in the event of a catastrophic monetary failure, the courts would not likely rule in your favor.

If your agency is covered by the SPDA, you should have a letter on file from the financial institution indicating their acknowledgement of your agency's claim under the act. If your agency is a non-profit and therefore not subject to SPDA you must either maintain funds in an institution that is insured by the Federal Deposit Insurance Corporation (FDIC) and maintain a balance in those funds less than the FDIC threshold or have an agreement that states the institution will maintain an equal amount of specific collateral reserves on your behalf. In 2017, the FDIC limit is \$250,000 per corporation. Your agency should maintain supporting documentation on file.

### **Securities Investor Protection Corporation (SIPC)**

A recommended practice is for agencies to use brokerage firms covered by the Securities Investor Protection Corporation (SIPC). It provides some protection in the event a brokerage firm fails. The SIPC protects the securities and cash in your brokerage account up to \$500,000. The \$500,000 protection includes up to \$250,000 protection for cash in the account to buy securities. SIPC provides protection if you have cash in your account to buy securities. However, it does not provide protection against market losses. A list of SIPC brokerage firms is available on their website.

### **Timing of Spending General Program Income**

Program income should be spent in the year in which it is earned. If it is earned near the end of the agency's fiscal year and the agency is unable to spend this income by then, it shall at least be spent before the expenditure of any federal or state general funds in the beginning of the next fiscal year.



Voluntary contributions are to be added to the amounts made available by the State or AAA and must be used to expand the service from which they are collected (42 USC 3030c-2(b)).

### **Treatment of Interest Earned on Advances**

Interest earned on federal funds passed through the Virginia Department for Aging and Rehabilitative Services is to be considered general program income. Such funds may be used as cash match in the supportive services and nutrition programs, to expand any approved program, or to further any activity or benefit to the elderly as approved by the Governing Board or governing body of the area agency on aging. Such funds may not be used to meet the costs associated with the preparation and administration of the Area Plan (Virginia Administrative Code 22VAC30-60-360).

### **Participant Contributions and the Virginia Solicitation of Contributions Act**

Each area agency on aging and the service providers with which it contracts must provide each older person the opportunity to contribute voluntarily to the cost of the service.

Virginia state law §57-49 requires every charitable organization which intends to solicit contributions, or have funds solicited on its behalf, to file prior to any solicitation, an initial registration statement and annually thereafter with the Commissioner of the Virginia Department of Agriculture and Consumer Services. Non-profit and Joint Exercise of Powers Area Agencies on Aging are exempt from this requirement; however, each agency should have filed for an exemption from annual registration and a copy of the letter confirming the exemption must be maintain on file. This letter may be from the mid-1990s. This is an important document that should be retained. Area agencies on aging sponsored by governmental entities are exempt from the registration requirement.

The letter of exemption should be reviewed to ensure appropriate subcontractors are covered.

### **Special Internal Control Safeguards over Participant Contributions**

Because of the cash nature of participant contributions, agencies should exert special safeguards over such funds. At a minimum, agencies receiving cash for participant contributions should employ the following precautions:

- (1) have two persons count all cash contributions;
- (2) deposit the amount intact;
- (3) deposit large sums of cash receipts or participant contributions intact daily; otherwise, deposit shall be made no less frequently than weekly;
- (4) until deposit, all cash contributions should be maintained in a secure place;
- (5) counts of cash should be regularly compared with the deposit receipts received from the bank;
- (6) for home-delivered meals, a combination of lock boxes in the vans and/or mailed contributions should be used with responsibilities for counting cash;
- (7) staff involved with counting funds should be rotated periodically, if staffing permits, etc.

### **Written Policies on Program Income**

An area agency on aging will formally adopt written policies and procedures, approved by the Board of Directors or governing body, regarding collection, disposition and accounting for (a) program income, including participant contributions, and (b) interest and other investment income earned on advances of federal and state general funds (Virginia Administrative Code 22VAC30-60-400). Often this is handled through a Cash Handling Policy for Voluntary Contributions and Donations and a Cost Sharing / Fee for Service Policy.

### **DARS Cash Payment Policy**

Subject to the availability of federal funds, DARS agrees to reimburse an area agency on aging for past incurred costs and to make an advance to an area agency on aging for current operations. Unless otherwise agreed to by DARS, an area agency on aging may initially receive funds sufficient to operate for the first thirty days under an approved annual plan, which amount may be adjusted to take into consideration cash held by the area agency on aging from other awards from DARS. By the 12<sup>th</sup> day of the month following the first month of operations under its approved annual plan, the area agency on aging will submit a monthly financial report and cash request form. The area agency on aging will adjust its cash requests to ensure that it doesn't have on hand or due from DARS more cash than would reasonably be required for operation of the program.

### **Maximum Authorized Bank Balance**

General Section 205.4(a) of Treasury Circular 1075 states that "cash balances should be limited to the minimum amounts needed and should be timed to be incurred with actual, immediate cost requirements of the recipient organizations in carrying out the purposes of the approval program." Title 31 CFR Subpart 205.7 provides that recipients not demonstrating a willingness or ability to establish procedures should be required to finance their operations with their own capital."

### **Rules on Cash Management**

Section 205.4(e) of Treasury Circular 1075 states that "cash allowances made by primary recipient organizations to secondary recipient organizations should conform substantially to the same standards of timing and amount as cash advances by federal program agencies to primary recipient organizations."

Area agencies on aging should forecast cash requirements from DARS to closely coincide with the actual disbursement of such funds.

Area agencies on aging will adopt procedures for minimizing the time elapsed between the receipt of federal and state general funds and their disbursement.

### **Accounting for the Source and Application of Funds**

Title 45 CFR Subpart 74.61(b) requires grantees and subgrantees to maintain "records which identify adequately the source and applications of funds for grant- and subgrantee-support activities." This subpart further states, "these records should contain information pertaining to

grant or subgrant awards, authorizations, obligations, unobligated balances, outlays, income and, if the recipient is a governmental entity, liabilities."

### ***Fund Accounting and Accounting by Fund***

An area agency on aging is free to adopt fund (encumbrance) accounting or to track costs and revenues by program (commonly called "accounting by fund").

### **Separate Bank Accounts**

Provided area agencies on aging separately account for the source and application of funds by program, there is no requirement for use of a separate bank account for the deposit of grant or subgrant funds.

### **Interest-Bearing Accounts**

Subrecipients shall maintain funds provided by DARS in interest-bearing accounts.

### **Reconciliation of Billing Records and Official Books of Account**

To the extent that an area agency on aging prepares billing records other than the agency's official books of account, it shall reconcile these records no less frequently than monthly.

### **Check/Wire Transfer Signing Authority Policy**

The Board of Directors or governing body is required to establish a Check/Wire Transfer Signing Authority Policy. The individual preparing the check should not be a signatory. The Board should consider establishing a dollar threshold that requires a board member's signature. If there is a cosigner other than the Executive Director or their designee, it is recommended that the cosigner be organizationally independent of the Executive Director, such as a governing board member.

The practice of pre-signing blank checks is a specific violation of an agency's internal control.

### **Fidelity Bond Requirements**

For all personnel handling cash or preparing or signing checks, the area agency on aging shall obtain minimum insurance coverage of three-months' cash flow, including checks received, in blanket fidelity bond coverage.

## **COST PRINCIPLES**

### **Substantiation of Costs and Allowable Costs**

The purpose of this section is to integrate the various OMB Circulars and the Uniform Guidance that describe the cost principles on the allowability, allocability and reasonableness of costs and credits.

### **Allowable and Reasonable Costs**

As to cost principles, the various types of organizations are controlled by their own applicable OMB circular. OMB Circular A-122 sets forth the cost principles for non-profit organizations, OMB Circular A-87 for government entities, and OMB Circular A-21 for educational institutions. Each type of organization shall observe the rules contained in its applicable circular as to those costs explicitly unallowable and those requiring prior approval. All have been combined into the Uniform Guidance. For the sake of bidding, costing and billing for their costs incurred, subrecipients should segregate any unallowable costs from their allowable and reasonable costs.

See APPENDIX A: HHS ALLOWABLE AND UNALLOWABLE COSTS below for a general listing of costs.

### **Additional Unallowable Costs**

In addition to the cost principles contained in the OMB circulars, DARS will consider the following costs to be unallowable. See APPENDIX A: HHS ALLOWABLE AND UNALLOWABLE COSTS for more complete listing of allowable and unallowable costs.

- Alcoholic Beverages – Costs of alcoholic beverages are unallowable.
- Agency Furnished Vehicles – That portion of the cost of agency furnished vehicles that relates to personal use by employees (including transportation to and from work) is unallowable regardless of whether the cost is reported as taxable income to the employees. If the vehicle was purchased with federal or state general funds or match funds, then no portion of can be used for any personal use. This includes where the funds mentioned previously are used to purchase or maintain a vehicle of which a portion is viewed as an employee benefit.

Vehicles and equipment purchased with federal funds must be used for the program they were purchased for or another federal grant if it does not detract from the original program.

A vehicle may be driven home at night for security reasons or if the distance from the employee's home to the first point of pick-up is shorter than from the agency's place of business.

- Membership in Social, Dining or Country Clubs – Costs of membership in social, dining or country clubs or other organizations having the same purposes are unallowable, regardless of whether the cost is reported as taxable income to the employees.
- Membership in Civic and Community Organizations – Costs of memberships in civic and community organizations are unallowable unless such membership has a bona fide relationship to fulfilling the goals of the Older Americans Act.
- Standard Commercial Airfare – Airfare costs in excess of the lowest customary standard, coach or equivalent airfare offered during normal business hours are unallowable except

when such accommodations require circuitous routing, require travel during unreasonable hours, excessively prolong travel, result in increased cost that offset transportation savings, are not reasonably adequate for the physical or medical needs of the traveler or are not reasonably available to meet the requirements of the program.

- Contributions, Donations or Gifts – Contributions, donations or gifts, including cash, property and service, regardless of the recipient, are unallowable.
- Retroactive or Backdated Insurance – Premiums for retroactive or backdated insurance written to cover occurred or known losses are unallowable.
- Previously Incurred Costs or Future Obligations – Any remaining or subsequent costs or charges related to a time period other than the time period of the funding award are unallowable.

### **Cost Allocation Plan**

A Cost Allocation Plan is a written methodology with procedures for fairly distributing shared/indirect costs across different programs. A Cost Allocation Plan is a way to comply with the requirements of OMB Circular A-122, “Cost Principles for Non-Profit Organizations,” or OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments.

The Cost Allocation Plan process involves: 1) defining its purpose, 2) establishing an allocation methodology, 3) identifying how costs are to be allocated monthly, 4) a quarterly reconciliation of budget to actual, and 5) the annual process for reviewing the methodology.

A Cost Allocation Plan should include the following:

- Cost Allocation Purpose and Procedures
- Organization Chart
- Schedule of Federal Awards
- Schedule of Direct and Indirect Costs
- Schedule of Payroll and Related Costs
- Certification of Cost Allocation Plan
- Reconciliation to IRS Form 990, Financial Statement, or approved budget
- Timesheet Example
- Contact Information

Normally, non-profit organizations or agencies elect to charge their programs directly for all costs except those identified as "supporting services" costs. These organizations usually separate their costs into two basic categories:

- "Program Services," which include direct functions such as community service activities, research, education and training; and
- "Supporting Services," which include general administration and general expenses, and fundraising expenses.

Many joint costs, such as depreciation, operation and maintenance of facilities, and telephone expenses, are prorated individually to each activity within program services (including projects performed under federal awards) and to each activity within supporting services. Each joint cost would be prorated by using the most appropriate distribution base. The direct allocation method is acceptable provided each allowable joint cost is prorated on a distribution base which is:

- (1) established in accordance with reasonable and consistently applied criteria,
- (2) adequately supported by current data of the organization, and
- (3) based on benefits received.

The general administration and general expenses are allocated to Federal awards program services, other activities, and to fundraising by an indirect cost rate(s). The process of developing indirect cost rates under the direct allocation method is summarized below.

- Eliminate capital expenditures and unallowable costs identified in Attachment B of OMB Circular A-122.
- Compute the indirect cost rate by dividing the allowable general administration and general expenses by the rate base. The rate base would consist of program services and fundraising costs.
- Any allocations that can be made must be made among the general administrative expenses authorized under the separate funding sources: the various Titles of the Older Americans Act, Centers for Medicare and Medicaid SHIP, Senior Farmers' Market and Nutrition Program, etc. It is to these cost objectives that indirect costs should be directly allocated. For such cost objectives, an area agency on aging seeking reimbursement for its indirect costs should pinpoint each kind of indirect service provided or indirect cost incurred and allocate each cost or base representative of the beneficial or causal relationships of such costs to the underlying activity. For example, such representative indirect cost services and related bases could include:

<b>Type of Indirect Service</b>	<b>Suggested Bases of Allocation</b>
Accounting	Number of transactions processed
Auditing	Direct audit hours
Disbursing service	Number of checks written
Fringe benefits	Salaries using fringe benefit rate
Insurance	Dollar value of insurance premiums
Legal	Direct hours
Motor pool	Miles driven and/or days used
Office machines	Direct hours utilization
Office space use	Square feet of space occupied
Payroll	Number of employees
Personnel	Number of employees
Printing and reproduction	Direct hours, job basis, pages printed, etc.
Local telephone	Number of telephone instruments
Fidelity bonding	Employees subject to bond amount

Other indirect costs such as workers' compensation, office supplies, postage, training, recruiting, etc., shall be allocated in any way the area agency on aging believes to be equitable. See Support for Labor Distribution under the Personnel Management section.

AAAs and other contractors should perform quarterly reconciliations to ensure expenditures are reported rather than budget estimates. The following is an excerpt from OMB A-87.

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that... at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made.

Agencies are reminded that they must, during the quarter-end close process, make adjustments to allocate quarterly costs to reflect actual and current data instead of budgeted data.

## **PROGRAM FUND MANAGEMENT**

The purpose of this section is to describe Area Agencies on Aging requirements pertaining to fiscal management, and to present a few fiscal standards requiring clarification. It also sets forth those fiscal-related policies pertaining to personnel, fringe benefits and travel reimbursement.

### **Catalog of Federal Domestic Assistance (CFDA)**

The Catalog of Federal Domestic Assistance (CFDA) is a listing of all federal programs available to State and local governments as well as public, quasi-public, and private profit and non-profit organizations and institutions; specialized groups; and individuals.

### **Funding Allocations**

Funding allocations are issued after the General Assembly veto session that normally occurs in April for the year that begins October 1.

### **Contract Revisions**

When an area agency on aging requests an amendment to the contract, the amendment must be approved in writing by DARS and signed by both parties. A contract amendment must be executed if the contractor intends to: (1) change the scope of work, (2) change the arrangements by which a service is delivered or an activity is conducted, (3) allowable fund transfer from one funding category to another in excess of ten (10) percent of the original budget, or (4) make any other substantive change in the scope of work or expenditure of funds awarded under the contract.

DARS staff review the amendment request for compliance with applicable laws, regulations, standards and contract conditions. Deficiencies are noted and must be corrected. After the

amendment is corrected, DARS staff forward the amendment to the Commissioner with a recommendation to approve or disapprove.

### **Availability of Title III and Title VII Funds**

Awards are made available annually. AAAs have up to two additional years (subject to carry-over limits) to liquidate federal obligations. Therefore, in any given year, multiple years of funding are being used to provide services statewide.

### **Match/Matching Funds**

Defined: The non-federal share of the total program costs are called Matching Funds, or Match, and are in cash or in-kind. The non-federal share is provided by State or local sources, such as city or county governments, or other third-party supports or contributions (e.g. in-kind contributions, private contributions, and state and local tax money). Match is equal to the value of third party cash or in-kind contributions and that portion of the costs of a grant-supported project or program that is not borne by the federal government. Program income cannot be used as match.

A contribution may only be counted once as match for one federal program, unless specifically authorized in the grant award. A contribution may be divided and portions allocated to match several grants.

Expenditures of the non-federal cash funds (state and local funds) used for match must be allowable project or program costs and must be expended within the time period of the grant. Each area agency on aging must provide for meeting the nonfederal share requirement, except for any amount which the Commonwealth of Virginia provides in lieu thereof.

### ***In-Kind Match***

In-Kind represents the value of non-cash contributions provided by non-Federal third parties. Third party in-kind contributions may be in the form of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program such as space for senior meals, utilities paid for a senior center by a local government, and printing done for a senior program by a local business. In-kind match is reported in dollars, at market value.

Information on in-kind expenditures is required for federal reporting, your agency audit, and IRS reporting. The amount attributed to in-kind could be used to match a grant, and it allows easier comparability across agencies.

The contributions used as match must meet federal requirements for match and in-kind resources as stated in 45 CFR Section 74.23. The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented. Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees, including time records. Volunteer services should be valued at the same rate as is ordinarily paid for similar work in the recipient's organization or other organizations in the community. A reasonable amount for fringe benefits may be included in the valuation.



## **Required State and Local Match Under Various Titles of the Older Americans Act**

An area agency on aging shall arrange and properly account for a state or local matching share under the various titles of the Older Americans Act, as follows:

- Title III Parts B and C Services: The federal share of incurred costs under Title III Parts B and C may not exceed 85% of total costs. Match for supportive services (Title III-B) and nutrition services (Titles III C-1 and C-2) must equal or exceed 15%. The match requirement is at the federal fund level (e.g.: all of Title III-B), not at the service level. Match is computed separately for each title, (e.g.: Title B, C-1, and C-2). One third of the minimum match (5%) must come from state general funds.
- Title III Area Plan Administration Costs: The federal share may not exceed 75% of total costs. Match must equal or exceed 25%.
- Title III Part E Services: The federal share of the total program costs provided under Title III-E, the National Family Caregiver Support Program, cannot be more than 75%. Match must equal or exceed 25%.
- Title VII Elder Abuse and Ombudsman: There is no match requirement.

### **Priority Services**

At least 15% of its Title III-B allotment for services associated with access to other services: care coordination, communication, information, assistance and referral, transportation.

At least 5.0% of its Title III-B allotment for in-home services: adult day care, checking, chore, homemaker, personal care, residential repair and renovation.

At least 1.0% of its Title III-B allotment for legal assistance.

An area agency on aging, whose spending in a priority service category exceeds the minimum proportional expenditure level specified above, shall spend in each such category of services at least the same amount of actual funds as it spent in such category for the previous fiscal year (Virginia Administrative Code 22VAC30-60-100.D).

### **Use of Other Federal Funds for Match**

Match may be from federal sources if received as fees, payments, or reimbursements for the provision of a specific service, such as patient care reimbursements received under Medicare or Medicaid; or from other program income. Otherwise, unless there is specific statutory authority, federal funds may not be used to match HHS grant funds (*HHS Grants Policy Statement*, page I-24).

### **Definition of Area Plan Administration Expenditures**

All costs for the operation of the area agency on aging approved in its annual plan shall be considered preparation and administrative and may not exceed 10% of the total of its combined allotments for Title III funds and the federal share may not exceed 75% of total Area plan

administration costs. See the section 'Preparation & Administration Funding' for more information on calculating preparation & administration expenditures.

In general, the following list of costs which are considered necessary for the overall administration of the agency shall be included in this category:

- The personnel expenses of administrative secretarial staff, the agency director, and fiscal and planning staff to the extent they are involved in activities of a general nature related to the overall operation of the area agency on aging. Such activities include personnel management or supervision by administrative staff that is not traceable to any specific service.
- Staff time devoted to planning activities, which are of a general nature and not assignable or allocable to a service such as: preparing testimony, addressing public hearings, conducting public hearings, overall agency program performance reviews and analysis of program effectiveness, and revision of agency objectives and plans as necessary.
- Staff time spent in researching and acquiring other resources to be used for the development and expansion of services provided through the Area Plan.
- Providing travel expenses, meal allowances, etc., necessary in support of Governing Board or governing body and Advisory Council activities.
- Staff travel expenses for personnel activities charged to the area agency on aging administration cost center.
- General agency personnel management and record keeping related to employee benefits, as well as developing and implementing agency personnel policies and such activities as staff orientation and training of a general nature.
- Financial management of the entire agency operation such as maintaining necessary journals, ledgers and accounts, making requisite bank deposits and withdrawals, invoicing and payment processing, payroll administration and preparing periodic financial reports that encompass the overall agency financial status. The cost of project accounting for grant/contract activities may be treated as an allocable cost.
- Activities involved in providing advocacy for older adults.
- Costs of office furniture, supplies, and equipment designated specifically for the administrative staff.
- The portion of the agency's annual audit relating solely to the audit of its administrative functions. The portion of the agency's annual audit cost allocable to its program activities may be allocated on a rational basis.
- The costs of general liability insurance, fidelity bonds, etc.

### **Program Development and Coordination**

In general, DARS will not fund program development and coordination activities as a cost of supportive services, until it has first spent 10% of the total of its combined allotments for supportive and nutrition services on the administration of Area Plans. Moreover, DARS and an area agency on aging will, consistent with their budgeting cycles, submit the details of its proposals to pay for program development and coordination as a cost of supportive services to the general public for review and comment.

Program development is defined as those activities that entail the planning and development of services that actually result in implementation of a new service approach or new program. Coordination entails those series of discussions and meetings with other agencies or groups which achieves the acceptance of any new service approaches or new programs. Activities that lead toward, but do not actually result in, new service approaches or programs should be considered Area Plan administration.

### **Authority to Transfer Funds Among the Titles of the Older Americans Act**

With the prior written approval of DARS, an area agency on aging may transfer funds between the Titles of the Older Americans Act, as amended. Area agencies may request transfers of up to 15% of Title III-C(1) funds to Title III-C(2). Area agencies may transfer a portion of Title III-C to Title III-B as determined annually by DARS.

### **Carry-over**

Carry-over is determined by grant fund, i.e.: Title III-B, III-C1, III-C2, III-D, III-E, Title VII, and NSIP. It is the amount of federal funds awarded minus expenditures including accruals for the contract year. Any remaining carry-over federal funds from the prior year must be expended first in the new year's budget.

Carry-over of state general funds from one state fiscal year into the next state fiscal year is not allowed. All state general fund monies must be obligated by June 30<sup>th</sup> of the state year covered by the award. All state general funds must be liquidated by September 30<sup>th</sup>.

Obligations are binding commitments for payment for services that have been performed. If the obligation is for a service, the majority of the work should occur prior to the date of obligation.

Liquidation means that the cash has been physically disbursed to pay the obligation.

Excess carry-over is defined as more than 10% of Title III-B, III-C1, III-C2, III-D, III-E, Title VII, and NSIP of the most recent federal award. Excess carry-over is discouraged. Generally, DARS deducts carry-over from the subsequent year's AAA allotment, if the AAA has excess carry-over, and redistributes the funds according to the funding formula.

However, section 22VAC30-60-440 of the Virginia Administrative Code (DARS Regulations) state, "In general, carry-over balances.... should not exceed 10% of the federal obligation for the

new fiscal year.” If an AAA requests to carry-over funds above the 10%, several factors used in the review process including, but not limited to the following:

- Whether there was a prior year carry-over request.
- If there was a prior year carry-over request, is this year’s amount higher or lower – indicating a trend.
- The size of the percentage requested.
- How many Titles is a carry-over requested along with the amounts and percentage.
- Specific agency circumstances identified in the request.

Excess carry-over is determined by the amount of funds from the audited Schedule A, “Unencumbered Funds on Hand September 30, 201X” by grant fund plus the sum of 9/30/1X Remittance ‘Balance’ across the years for each grant fund. From this total, the ‘Maximum Federal Funds Which Can Be Carried Over’ is subtracted. Any difference that is positive is excess carry-over.

Remember, funds are to be used for services provided in the period in which the funds were awarded. Subsequent year funds cannot be used to pay for prior year service expenses. Likewise, prior year funds cannot pay for services which are provided in the new fiscal year unless DARS approves of the carry-over.

The waiver request be received prior to the beginning of the new Area Plan year beginning October 1, 201X. If a request is not received, and the agency has more than the maximum amount allowed to be carried over, the funds will be deobligated after receipt of Schedule A, “Status of Funds”, “Unencumbered Funds on Hand September 30, 201X.”

Routine requests from the same agency to carry-over funds above the 10% limit are normally not allowed. The funds are recaptured and redistributed.

**Final carry-over will be determined by reviewing Schedule A, “Status of Funds”, “Unencumbered Funds on Hand September 30, 201X” plus the amount of funds available at DARS. Balances that exceed 10%, should be deobligated unless the AAA has an approved waiver.**

State general funds cannot be carried over. All state general funds must be obligated by June 30<sup>th</sup> of the fiscal year in which they are *obligated* and *liquidated* by September 30<sup>th</sup> of that year.

## **PERSONNEL MANAGEMENT**

To protect all personnel and safeguard the assets of agencies in the Virginia aging network, this section presents a code of conduct to serve as a guide for an area agency on aging to adopt for procurement matters.

### **Conflict of Interest and Self-Dealing**

An area agency on aging may not be organized and operated for the benefit of an affiliated or unaffiliated organization or an individual in his or her own private capacity, unless the private benefit is considered merely incidental. This private benefit preclusion shall extend to: (1) sale or exchange, or leasing, or property between an area agency on aging and an affiliated or unaffiliated organization or a private individual; (2) lending of money or other extension of credit between an area agency on aging and an affiliated or unaffiliated organization or a private individual; (3) furnishing of goods, services or facilities between an area agency on aging and an affiliated or unaffiliated organization or a private individual; (4) payment of compensation, unless authorized by the board of directors or its governing body, by an organization to an affiliated or unaffiliated organization or a private individual; and (5) transfer to, or use by or for the benefit of a private individual of the income or assets of an organization. Thus, an area agency on aging shall be guided by the principle of arms-length standards with all affiliated or unaffiliated organizations or with a private individual(s).

The Board & Advisory Council Handbook for Virginia's AAAs contains a sample Conflict of Interest Policy.

### **Code of Conduct for Procurement Matters**

An area agency on aging shall adopt a written code of conduct that is no less stringent than the following: "No employee, officer, member of the Board of Directors or agent of the area agency on aging shall participate in selection or in the award or administration of a contract or competitively awarded grant supported by federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when:

- The employee, officer, member of the Board of Directors or agent,
- Any member of his or her immediate family,
- His or her partner, or
- An organization that employs, or is about to employ, any of the above, has a financial or other interest in the organization selected for award.

The area agency on aging's officers, employees, members of the Board of Directors or agents shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors or potential contractors, grantees or potential grantees, or parties to subagreements. Area agencies on aging may set minimum rules where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value, provided such level is not above \$25. To the extent permitted by Chapter 22 §2.1-601 et seq. of Title 2.1 of the *Code of Virginia* or local law or regulations, such standards of conduct shall provide for penalties, sanctions or other disciplinary actions for violation of such standards by the area agency on aging's officers, members of the Board of Directors, employees or agents, or by contractors or grantees or their agents."

### **Participation on the Area Agency on Aging Policy Board by Members of a Subgrantee's Board of Directors or by Its Staff**

If the Area Agency is not a unit of a local governing body or a joint exercise of powers, no officer or member of the governing board or Board of Directors or employee of the Area Agency shall with the exception of elected officials and the Executive Director may at the same time be a member of a funded subgrantee's board of directors or one of its staff.

### **Contingent Fees**

The area agency on aging will make no payment of as commission, percentage, brokerage or contingent fee, to a person or selling agency or other organization to solicit or secure any contract with DARS. For breach or violation of this provision, DARS shall have the right to annul any and all contracts, or, at its discretion, the right to deduct from any or all contracts or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee, or such other remedies as legally may be available.

### **Clearance of Key Personnel**

The Board of Directors of the area agency on aging has the authority to hire and otherwise supervise the activities of the Area Agency on Aging Executive Director. All recruitment efforts should be guided by a description of duties and a list of recruitment criteria promulgated by the area agency on aging.

### **Salary Administration Plan and Compensation Survey**

The area agency on aging shall have an overall Salary Administration Plan. The plan can be a section within the Personnel Manual. It should provide compensation guidance for all of the agency's positions based on regional comparisons of similar positions.

The Executive Director's compensation must be based on documentation, that every non-profit should have on file, which provides a comparison to other Executive Directors in similar organizations taking into account regional differences.

Many agencies have employees in high profile positions that are compensated at a rate higher than the Executive Director. There are many reasons this occurs such as education, specialized training, skills, job duties, years of service, etc.

Comparability of high profile positions to similar positions in other organizations becomes more important when a position is compensated at a rate higher than the Executive Director. For these positions, a focused compensation comparison is advised. Additional documentation should include the individual factors cited above that can impact compensation. The process of investigating and analyzing this information is an important reference point in justifying salary decisions.

The compensation review should be performed periodically, every four (4) years. Comparable compensation information can be obtained from a survey of the comparability of Fair Labor Standards Act-exempt position-holders in the local labor market. This survey data should be obtained from comparable human service organizations, with the appropriate same number of

employees and funding level in the local geographic area. This survey should especially seek to obtain salary data from counterpart human service organizations similar as the non-profit agencies such as: community action agency, housing and community development agency, local health and department of social service agency, etc. The results of this salary survey should be used in periodically adjusting the agency's salaries and be maintained on file.

### **Compliance with the Federal Hatch Act**

5 U.S.C. §1501-1508 relates to prohibitions on state or local governmental employees from influencing elections and taking part in political campaigns. Nonpartisan candidates and persons who exercise no functions in connection with the activity as well as individuals employed by an educational or research institute are exempt.

### **Taking Security Deposits and Making Payments on Behalf of Clients**

Unless an area agency on aging has an approved program for such purposes and any such security deposits and payments are explicitly covered under the agency's fidelity bond coverage, all officers, employees, volunteers and agents shall be precluded from and be periodically instructed from taking security deposits or from making payments on behalf of participants of programs funded under the Older Americans Act. In situations where such programs are provided for and explicitly covered under the agency's fidelity bond coverage, adequate safeguards shall be set in place and periodically policed.

### **Reimbursement for Overtime Premium for Professionals**

For Fair Labor Standards Act - exempt personnel, nothing higher than straight time at the regular rate of pay in the form of pay or compensatory time in lieu of pay shall be paid for overtime. For nonexempt personnel, a premium of 50% of the regular rate of pay for time worked in excess of 40 hours in a designated 7-day pay period shall be paid.

### **Payment for Volunteer Services**

Offering stipends to volunteers can get tricky because by doing so, you may inadvertently convert your "volunteer" into an "employee." According to the Department of Labor, if a volunteer is paid a stipend of over \$500 a year or 20% more than what an employee would be paid, they must be treated as paid staff and are subject to the laws that govern employees.

Volunteers who receive stipends must be treated the same as paid staff, and payroll tax contributions must be withheld from their pay. This goes for in-kind benefits as well, which must be assigned fair market value.

Reimbursements for expenses incurred while volunteering are also, surprisingly, considered taxable income. Volunteer recognition gifts of limited value, fortunately, are considered a "de minimus benefit" and are not taxed.

If you offer stipends to volunteers, keep the following in mind:

- Never pay more than a nominal 20% of what an employer would otherwise pay for the same service
- Do not offer benefits that other employees receive

- If a volunteer receives more than \$500 a year in compensation, they will no longer be protected from liability claims by the Federal Volunteer Protection Act.

### **Support for Labor Distribution**

Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible supervisory official of the area agency on aging. The distribution of time worked must be supported by personnel activity reports.

Labor distribution reporting should be prepared and controlled according to the following minimum standards:

- Employees, including subcontracted employees, performing in-house work are responsible for preparing their own timesheets.
- Employees must be provided clear instructions of the work to be performed and the grant to be charged.
- Timesheets must be filled out as work is performed.
- Timesheets must be signed or clearly traceable to employees and the supervisor only after they are filled out.
- If manual, corrections are to be made by cross-out and new entry, with no erasures or whiteouts.
- Corrections are to be approved by the employee and supervisor.
- An explanation must be provided for corrections.
- Timesheets must be controlled.
  - a. There should be only one timesheet per employee per period.
  - b. Timesheets must be turned in to a designated timekeeping office or collected by an authorized person.
- Responsibility for distribution and collection of timesheets should be segregated from that for:
  - Preparation and approval of time and attendance records.
  - Preparation and distribution of the payroll.
  - Monitoring performance to budgets.



- New employees must be fully indoctrinated on proper timesheet procedures.
- Employees must be made aware of their independent responsibility for accurate timesheet preparation.
- Periodic internal reviews are to be performed of the timekeeping system to assure compliance with system controls.
- Overtime hours are to be approved in advance and justification provided.
- The supervisor authorized to approve timesheets should correspond to the agency's organizational chart.

### **Reasonable Fringe Benefit Elements**

Individual fringe benefit elements are considered allowable provided that total compensation is reasonable for the service rendered. Besides those fringe benefits (i.e., Old-Age, Survivors, Disability and Health Insurance (OASDHI), unemployment compensation and workers' compensation), which employers in the Commonwealth of Virginia must maintain, the cost of pensions, medical care, term life insurance premiums, paid sick leave, vacation and holidays will be considered allowable, if reasonable in amount.

### **Up-to-Date Job Descriptions for all Positions**

For all paid and volunteer positions funded by Title III and Title VII of the Older Americans Act, area agencies on aging shall maintain an up to date and complete job description. This job description should cover the scope of each position holder's duties and responsibilities and minimum entry level standards of performance. These job descriptions should be updated as job content changes or any reorganization of duties or jobs.

## **PROCUREMENT**

### **Summary of Procurement Procedures**

A fundamental tenet of sound procurement practice is the guarantee of open and free competition. In general, all purchases of goods and services shall be based, where possible and practical, on competitive bids. Evidence of competition, or documentation of the reasons for a lack of competition, shall be maintained in the procurement and contracting records of the agency.

The Virginia Public Procurement Act (VPPA) governs the procurement of purchases over \$50,000. The Department for Aging and Rehabilitative Services requires Area Agencies on Aging to establish Minimum Procurement Guidelines. The Department for Aging and Rehabilitative Services has issued Minimum Procurement Guidelines.

The Agency Procurement Policy must identify the when to obtain competitive bids, the process including the number of competitive bids to be obtained based on the dollar threshold, and the manner in which the bids are to be obtained (telephone, written, etc.) and required documentation to show evidence open procurement. The Procurement Policy must be reviewed and approved by the agency's Governing Board or governing body every four (4) years. Either as part of the Procurement Policy or as separate policy, the Agency shall have a Credit Card Policy that is reviewed and approved by the agency's Governing Board or governing body every four (4) years.

The Agency Procurement Policy *must* include the following:

- State all procurement will be conducted competitively to the widest extent possible.
- Identify by dollar threshold the manner and minimum number of competitive bids that must be obtained such as telephone quote, written/fax quote, request for proposal.
- For Requests For Proposals (RFPs) and Invitation For Bid (IFB) how the solicitation will be advertised, the minimum length of time it must be made available for vendors to respond, and how it is reviewed by the agency.
- The required documentation to show evidence open procurement.

### **Virginia Procurement Act**

An area agency on aging should adhere to the procurement policies of the Commonwealth of Virginia as contained in the *Code of Virginia*, Chapter 7, §11-35 to §11-80 and 11-41 D & E, or, in the case of area agencies on aging sponsored by governmental entities, those procurement practices adopted by their sponsoring agency to the extent that they are more stringent than the Commonwealth of Virginia's procurement code.

According to the *Code of Virginia*, Section 11-41, all public contracts with non-governmental contractors for the purchase of goods or nonprofessional services for \$10,000 or more should be made by competitive sealed bidding, except that:

- Upon a determination in writing that competitive sealed bidding is either not practicable or not advantageous to the public, goods or nonprofessional services may be procured by competitive negotiation. The writing shall document the basis for this determination.
- Upon a determination in writing that only one source is practicably available for the goods or nonprofessional service to be procured, a contract may be negotiated and awarded to that source without competitive sealed bidding or competitive negotiation. The writing shall document the basis for this determination. A written notice shall be issued stating that only one source was determined to be practicably available and identifying the goods or service being procured, the contractor selected, and the date on which the contract was or will be awarded. This notice shall be posted in a designated public area or published in a newspaper of general circulation on the day the award or the decision to award the contract is made, whichever occurs first.

In case of emergency, a contract may be awarded without competitive sealed bidding or competitive negotiation. The procurement shall be made with such competition as is practicable under the circumstances. A written determination of the basis for the emergency and for the

selection of the particular contractor shall be included in the contract file. A written notice shall be issued stating that the contract is being awarded on an emergency basis and identifying the goods or service being procured, the contractor selected, and the date on which the contract was or will be awarded. This notice shall be posted in a designated public area or published in a newspaper of general circulation on the day the award or the decision to award the contract is made, whichever occurs first, or as soon thereafter as practicable.

In general, an area agency on aging will adopt their procurement practices to conform to the following standards:

***Purchases of Goods and Non-Professional Services Greater Than \$50,000***

Area Agencies on Aging are contractually bound by the Virginia Public Procurement Act when making purchases of goods and non-professional services greater than \$50,000. In order to determine if the \$50,000 threshold is met, contracts that are multiyear or have options to renew must be aggregated. For example, a contract for \$12,000 per year with 4 renewal years at \$12,000 each has a value of \$60,000. There are generally two acceptable procurement methods for purchases greater than \$50,000, **Competitive Sealed Bidding** (Invitation to Bid) and **Competitive Negotiation** (Request for Proposal). Sole source and emergency procurement are the exception.

***Competitive Sealed Bidding (IFB)***

Competitive sealed bidding is the preferred method. The Invitation For Bid (IFB) must include written specifications and requirements capable of being described, so that bids can be evaluated based upon the requirements in the IFB. All general and special terms and conditions must be included, the pricing scenario and the due date and time for the return of the bid. The IFB must be advertised and publicly posted for a minimum of ten (10) days. It will be mailed to a minimum of 4 sources and should be expanded to 8 sources in order to include 4 minority or women owned businesses. A bidder solicitation list will be prepared and included in the file, noting which bidders are minority vendors.

Sealed bids shall be stamped with the date and time received. Sealed bids shall only be received until the date and time specified in the IFB. Bids received after the due date and time specified must not be considered and will be returned unopened to the bidder.

All bids will remain sealed until publicly opened. The name of the bidder, price, and discount terms will be read aloud. After bid opening, each bid will be evaluated to determine if it is responsive by meeting all the requirements included in the IFB. Responsive bids are evaluated to determine the lowest bidder.

The lowest responsive bidder will be evaluated to determine if the firm is responsible. References will be checked, insurance coverage verified (if applicable), licenses confirmed and bidder's financial condition evaluated (if required). The lowest responsive and responsible bidder will be awarded the contract.

A Notice of Award shall be posted for ten (10) days. After the ten-day period, an award document (purchase order or contract) shall be issued. Area Agencies on Aging are encouraged to have legal review and representation when issuing and signing contracts.

The area agency on aging should assign a contract administrator to monitor contract compliance by the vendor and the agency.

***Competitive Negotiation (RFP)***

Competitive negotiation shall be used when a requirement exists, but definitive specifications cannot be described. The Request for Proposal (RFP) shall include background information needed by the Offeror and a Statement of Needs. Proposal instructions should state exactly what the Offeror is to submit as a complete proposal. There should be 3 to 5 evaluation criteria and the criteria weights should equal 100. Price should always be evaluation criteria for goods and nonprofessional services. The RFP shall also include General and Special Terms and Conditions, method of payment and pricing schedule. The date and time that the response is due should be included.

The RFP must be advertised and publicly posted for ten (10) days. It will be mailed to 4 sources and should be expanded to include 4 minority or women-owned businesses (noting which vendors are minority on the vendor solicitation list).

Proposals shall be stamped with the date and time received. Proposals may be opened and recorded privately after closing date. Late proposals shall not be considered and will be returned unopened to the vendor. After opening the proposal, it should be evaluated for missing information. If information is missing, prompt submission of the missing information may be requested. If the vendor does not provide the missing information, the vendor's score should be lowered.

Proposals should be distributed with evaluation instructions to the Evaluation Committee member. Each Evaluation Committee member will award points based upon the evaluation criteria. A consensus evaluation will be prepared showing the names of the committee members, names of all offerors, evaluation and point values for each and the consensus score for each proposal. Based upon the scoring, two or more offerors will be selected for negotiation. The consensus evaluation sheet scoring should be double checked before selection of the two offerors for negotiation is made. Confirmation of any changes agreed to during negotiation shall be obtained in writing. Upon selection of the vendor, the contract shall be developed incorporating the RFP and negotiated changes.

A Notice of Award shall be posted for ten (10) days. After the ten-day period, the contract can be executed. Area Agencies on Aging are encouraged to have legal review and representation when issuing and signing contracts. The area agency on aging shall assign a contract administrator in writing to monitor contract compliance by the vendor and the Agency.

***Professional Services Greater Than \$30,000***

The purchase of professional services greater than \$30,000 is also subject to the Virginia Public Procurement Act. Professional services are defined as accounting, actuarial, architecture, land

surveying, landscape architecture, law, dentistry, medicine, optometry, pharmacy, and professional engineering. Competitive negotiation (RFP) is the **only** procurement method that may be used to procure professional services. Although similar to the RFP process for goods and non-professional services, there are significant differences. The RFP **cannot** ask for pricing and only one vendor can be negotiated with at a time in order of ranking.

After evaluation of all the proposals, the best respondent is selected for negotiation. If a fair and reasonable contract is negotiated, an award can be made. If not, negotiations with Offeror I are terminated and negotiations with Offeror II begin. Once negotiations with an Offeror are terminated, they cannot be resumed subsequently. If negotiations with all Offerors fail, the RFP will have to be reissued.

***Purchases of Goods and Non-Professional Services, \$50,000 or Less, and Professional Services, \$30,000 or Less***

Purchases of Goods and Non-Professional Services, \$50,000 or less, and Professional Services, \$30,000 or less are not subject to the Virginia Public Procurement Act. However, to attain the objective of obtaining high quality goods and services at a reasonable cost, the following Best Practice Guidelines are adopted.

***Purchases of \$5,000 or Less***

A single quotation may be used for purchases of \$5,000 or less. The quote may be obtained verbally or in writing. Whether the quote is obtained verbally or in writing, the following data should be documented:

1. Item description or service offered;
2. Price quoted;
3. Date the quote was obtained;
4. FOB point & freight terms;
5. Delivery date; and
6. Names of the persons giving and receiving the quote. In the event a catalog is used to order goods, a telephone quote should still be obtained in order to verify the catalog price. A quotation may be requested by fax with response returned by fax-back. If the quotation does not seem fair or reasonable, additional quotations should be sought. Shipping costs are to be included in determining total price.

***Purchases Greater Than \$5,000, But Not Exceeding \$15,000***

Three quotations from valid sources are required for purchases greater than \$5,000, but not exceeding \$15,000. A valid source is a vendor that is capable of providing the goods or services. The number of quotations should be expanded to include a minimum of two minority or women-owned businesses. Either telephone or written quotations may be used, but they should be documented as in the case of purchases of \$5,000 or less.

***Purchases Greater Than \$15,000, but Not Exceeding \$50,000***

Four written quotations are required for purchases greater than \$15,000, but not exceeding \$50,000. The request for quotation should include a description of the goods or services to be provided, the due date and time that the quotation is due and to whom the quotation should be returned. All general and special terms should be included and any special requirements such as

insurance or license. The request for quotation can be mailed or faxed and a fax-back form should be included. The number of quotations should be expanded to include 4 minority or women-owned businesses.

Written quotations may be received until the specified due date and time. The quotations should be tabulated upon receipt. The low quote should be selected and checked for responsiveness and responsibility of bidder. If okay, the purchase may be awarded. If not okay, the next lowest bidder should be selected. An award notice should be posted for ten (10) days.

### ***Emergency Purchases***

An emergency purchase is an occurrence of a serious and urgent nature that demands immediate attention. An emergency purchase can only be made in a quantity sufficient to resolve the emergency. Subsequent requirements must follow normal purchasing procedures.

If the emergency affects personal safety or property, a source should be located, a fair and reasonable price negotiated and the purchase may proceed. The emergency and the resulting procurement action must be documented.

If the emergency does not affect personal safety or property, competition should be sought to the maximum extent practicable, vendor qualifications should be checked, and a fair and reasonable price negotiated. The emergency and the resulting procurement action must be documented.

After directing the contractor to proceed, the award document (contract or purchase order) should be prepared as soon as practicable. The Executive Director should sign a written emergency determination memorandum that includes the nature of the emergency and the reason for contractor selection.

If the emergency purchase exceeds \$15,000 an award notice should be posted. The notice should include a statement that the procurement was an emergency, the goods or services procured, the selected vendor and the date of the award.

In instances when securing professional services, the volume of which is expected to exceed \$10,000, an area agency on aging may use competitive negotiation procedures contained in the *Code of Virginia* 11-41A. For an area agency on aging sponsored by governmental entity, the prevailing procurement practices of the governmental entity shall be used in securing professional services.

An area agency on aging will adopt policies and procedures, approved by the Board of Directors or the governing body, relating to the acquisition of supplies, equipment and services (including construction) to include: (1) procurement procedures, (2) contracting with small and minority businesses, (3) code of conduct for employees, (4) methods of procurement, (5) selection procedures, (6) records, and (7) protest procedures.

### **Contract Awards to Area Agencies on Aging**

DARS is authorized under Section 309(a) of the Older Americans Act to award grants or contracts, or a combination of both, to a designated area agency on aging to administer programs

under an approved Area Plan. DARS has determined that the contracts mechanism is the appropriate vehicle for making awards to area agencies on aging in furtherance of its purpose under its approved Area Plan. Even though the procuring mechanism is called a contract, for purposes of interpreting federal regulations, the provisions for grants and grantees shall apply to an area agency on aging rather than the provisions for contracts.

### **Use of Contracts and Grants by Area Agencies on Aging**

An area agency on aging is authorized to award grants or contracts, or a combination of both, to further the goals under its approved Area Plan. All grant or contract awards above \$10,000 shall be competitively awarded.

The Federal Grant and Cooperative Agreement Act of 1977, as amended, should be consulted for guidance on when to award a grant or financial assistance award versus those instances where a contract or a procurement action would be preferable. In general, under a financial assistance award, its purpose is to advance the capacity or interests of the recipient, not the granting agency; the awarding agency does not direct work or approve deliverables; and the granting agency acts as a resource and provides advice and guidance to the recipient. Under grants, cost to the awarding party is not a controlling evaluation factor, provided total cost is within an acceptable range. Under a procurement action, they are always entered into to meet an awarding party's need for a particular product or service and such agreements establish mutual rights and obligations of the awarding party as buyer and the contractor as the seller. Cost under contracts is usually the controlling factor in determining the successful bidder.

To the extent practical, an area agency on aging should preclude mixing cost-reimbursement and fixed-price or fixed rate awards to the same provider for the same or similar service.

### **Prior Approval of all Noncompetitive Grant or Contract Awards**

All subgrant and contract awards exceeding \$10,000 must be competitively awarded unless the area agency on aging obtains prior written approval in connection with the annual plan or afterwards from DARS.

All proposed sole-source contracts or where only one bid or proposal is received in which the aggregate expenditure is expected to exceed \$10,000 shall be subject to prior approval of DARS.

### **Authorized Types of Contracts and Solicitation Methods**

Area agencies on aging may award grants and/or contracts for the provision of services under Title III and Title VII of the Older Americans Act. Irrespective of the type of any contract awarded, area agencies on aging shall provide, to the maximum extent practical, open and free competition. Area agencies on aging may use fixed-price contracts, cost-reimbursement contracts, purchase orders or incentive contracts, or a combination of each, based on a determination by the area agency on aging of the contract type most appropriate for the procurement and for promoting the best interests of the program involved.

In soliciting interest from potential contractors, area agencies on aging may use an Invitation For Bid (IFB), a Request For Proposal (RFP), or a Request For Quotation (RFQ). Under an

invitation for bid, it is anticipated that the area agency on aging has a precise specification of the product or service to be rendered, does not intend to engage in discussions with potential bidders before the award, contemplates a fixed price contract and will make the award to the "lowest qualified bidder."

Under an RFP, the area agency on aging may make a fixed price or a cost reimbursement award, intends to engage in negotiations or discussions with potential proposers, has a precise set of criteria of which price is secondary to technical factors and the specifications to which the proposer will be required to adhere are not that precise or specific.

Under certain circumstances, an area agency on aging may request potential contractors to respond to an RFQ. Under an RFQ, the area agency on aging would not only want to know the proposer's price, but how the proposer intends to conduct the project and the staffing the proposer intends using. Unlike an IFB, the award would be based on technical factors, but price would still be uppermost in the award decision. Unlike an RFP, the technical factors for award are not as numerous or important.

### **Restriction on Purchase or Order-Splitting**

In attempting to circumvent the thresholds for required competition and advertising of bids or proposals, area agencies on aging shall not resort to breaking an entire product or service into its component parts and securing each through other-than-competitive means. The product or service should be bought "whole."

### **Prior Approval of Contracts with For-Profit Organizations**

Section 212 of the Older Americans Act requires prior approval from DARS of all contracts awarded by area agencies on aging with for-profit or commercial organizations. This statutory requirement does not apply to contracts with private or public non-profit agencies or organizations.

Case management services must be provided by public or non-profit agencies 306(a)(8)(C).

### **Allowability of Profit on Contracts**

On contracts, profit as well as loss may be earned in addition to incurring direct and indirect costs. For a cost-reimbursement contract, in order to charge for such a profit, it must have been originally bid. Nothing precludes a non-profit as well as a for-profit organization from earning a profit on a contract.

### **Reasonableness of Contractor Profit**

The level of profit to be earned by a contractor shall be determined by the area agency on aging and depend on a contract-by-contract negotiation.

### **Cost or Price Analysis of All Contract Awards**

Some form of price or cost analysis should be made in connection with every contract. Price analysis may be accomplished in various ways, including the comparison of price quotations



submitted, market prices and similar indices, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

Support for all price or cost analyses conducted for contracts of over \$10,000 should be retained in the contract file for a period of three years from final contract payment.

### **Unauthorized Awards to Debarred, Suspended or High-Risk Grantees or Contractors**

Area agencies on aging will make awards only to responsible grantees or contractors possessing the ability to perform successfully under the terms and conditions of the proposed grant or procurement. Consideration will be given to such matters as the integrity of the grantee or contractor, compliance with public policy, record of past performance and financial and technical resources.

Area agencies on aging must not make any award or permit any award (subgrant or contract) at any tier to any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs.

Area agencies on aging will require their proposed subrecipients and contractors at any tier to certify whether they have been excluded from participation in Federal assistance programs.

If an area agency on aging believes that there are compelling reasons for making an award to a debarred, suspended or voluntarily excluded person in a particular area, the recipient may apply to DARS for a waiver from this requirement. Such waivers will be granted only in unusual circumstances upon the written determination, by an authorized DARS official, of the compelling reasons justifying the participation.

### **Authority for Multiyear Awards**

Nothing precludes an area agency on aging from making a multiyear award provided it requests subsequent year's prices in the original solicitation and the resulting contract has a satisfactory performance clause and a funds availability clause. An optional-year contract is the preferred contracting mechanism for multi-year awards.

The maximum period of time for a multiyear contract from the effective date of the contract to close-out shall be five years. Any contracts for periods longer than five years shall be reproposed at the end of the fifth-year period through normal competitive processes.

### **Use of Bid, Payment, Performance Bonds or Retainage**

Awards should only be made with responsible contractors. In instances where area agencies on aging would be taking undue risk to award a contract without such assurances, provided the imposition of such a bonding requirement would not unduly limit the number of small or minority firms bidding, an area agency on aging should consider the requirement for bid, payment or performance bonds.

To ensure the adequacy of performance of a product over an extended period, an area agency on aging should also consider a retainage in circumstances where the cost of a performance bond would be prohibitively expensive.

### **Credit Card Policy**

If the area agency on aging uses credit cards, the Agency shall establish a Credit Card Policy. The policy shall include the following:

- Credit card limits
- Description of the types of purchases
- Who is authorized to use the card
- Credit card purchase log
- Reconciliation of purchases to credit statement
- Timeframes for submitting supporting documentation and reconciling the statement
- Supervisor approval of the credit card purchase log
- Action taken when unauthorized purchases are encountered

### **Preference for Small Business and Minority Firm Awards of Grants and Contracts**

It is national policy to award a fair share of contracts to small and minority business firms. Grantees shall take similar appropriate affirmative action to support of women's enterprises and are encouraged to procure goods and services from labor surplus areas. Accordingly, affirmative steps must be taken to assure that small and minority businesses are utilized when possible as sources of supplies, equipment, construction and services. Refer to 45 CFR Part 92.36.e as guidance on the kind of affirmative steps area agencies on aging should consider in their contracting activities.

### **Contract and Competitive Grants Appeals Process**

An area agency on aging shall establish an appeals and hearing process to resolve disputes, claims or appeals involving contracts and competitively awarded grants. As a minimum, this process should describe:

- Applicable procurement rules to be used in the process.
- Designation of an impartial officer to hear and pass on the dispute, claim or appeal.
- Form and timing of the claim to be filed.
- Right of the claimant to counsel.
- Hearing procedures.
- Manner and timing of the hearing officer's opinion.
- Record retention and disposal of the hearing's record.

## **PROPERTY MANAGEMENT**

This section presents rules for the definition, inventory and disposition of equipment, furnishings and property.

### **Equipment Purchase**

OMB Cost Principles require that equipment purchases over \$5,000 per item of federal funds by any non-federal entity must receive specific approval by the awarding agency. To gain approval for a purchase over \$5,000, the AAA must write to the OAS Contract Administrator formally requesting authorization. This requirement extends to equipment purchased by subcontractors/service providers.

The AAA or service provider does not need to request permission to purchase equipment with donated funds or funds that are not program income, grant funds, or funds used for match. The AAA or service provider is then the owner and may charge depreciation or usage fees to the appropriate grants.

### **Property Control and Disposal Policy**

The Agency shall have written policies and procedures approved by the Board of Directors or governing body, for managing property and equipment to include: (a) accurate and complete property records, (b) regular physical inventory of equipment, (c) adequate maintenance procedures, and (d) disposal of property and equipment.

### **Separate Fund for Equipment, Fixtures and Property**

Fixed assets should be recorded in a self-balancing group of accounts separate and distinct from the regular General Ledger accounts.

To be classified as a fixed asset, a specific piece of property must possess three attributes: (1) tangible nature, (2) a useful life of one or more years, and (3) a value of \$5,000 or more.

All fixed assets acquired, either by purchase from DARS or local funding or donated to the area agency on aging, should be immediately recorded in the Fixed Assets Account Group.

Purchased fixed assets are valued at cost. Donated fixed assets are recorded at their estimated fair value at the time received by the agency. All fixed assets owned by the area agency on aging should be substantiated with adequate records.

Balance in the separate Fixed Assets Account Group is provided by the various asset accounts with their debit balances, offset by equity accounts with credit balances that show by their respective titles the sources from which the assets were acquired.

An example of the Fixed Assets Account Group is as follows:

Land;

Buildings;  
Equipment;  
Investment in Fixed Assets – Federal;  
Investment in Fixed Assets – State; and  
Investment in Fixed Assets - Local.

### **Inventorizing Acquired Equipment**

Area agencies on aging shall conduct or have conducted on an annual basis an inventory of all equipment acquired with funds granted by DARS.

An area agency on aging shall maintain information on their subgrantees of all equipment acquired with funds granted by DARS. This subgrantee information may be in the form of the original equipment purchase lists, periodic inventories or data maintained in a separate manual or automated database.

### **Auditor Review of Agency Inventory**

In the course of the annual audit, the independent public accountant retained by the area agency on aging shall make provision in its audit procedures for test-checking the agency's inventory of transferred, acquired or leased equipment and property using Title III and Title VII of the Older Americans Act funds.

### **Treatment of Equipment and Property Acquired with Older Americans Act Funding**

Older American Act funds may be used to acquire (in fee simple or by lease for 10 years or more), alter, or renovate existing facilities or to construct new facilities to serve as multi-purpose senior centers for not less than 10 years after acquisition, or 20 years after completion of construction, unless waived by the Assistant Secretary for Aging (42 USC 3030b).

An area agency on aging shall include in any grant or contractual agreements with its subrecipients provision for the AAA title or lien interest for **all** directly costed equipment or property acquired with Older Americans Act funds, and of their subrecipient's responsibility to return such equipment or property promptly upon grant/contract close-out or termination.

## **FINANCIAL REPORTING**

The purpose of this section is to specify DARS rules on the financial reports to be submitted and their due dates.

### **Fiscal Reporting Requirements**

Agencies shall prepare and submit reports required by DARS.

Agencies shall submit the Aging Monthly Report (AMR) and if necessary, the Aging Monthly Report – Other Contractor (AMR-OC) the 12<sup>th</sup> day following the end of the reporting month.

### **Overview of the Funding**

- Funds:
  - Fed Funds: Title III-B, C1, C2, D, E, Title VII, NSIP and VICAP
  - State General Funds: OAA General, Community Based Services, Transportation, Home Delivered Meals, Supplemental Nutrition, and Ombudsman
- Priority Services: Must spend 15% for Access, 5% for In-Home, and 1% for Legal.
- No more than 10% can be used for the Preparation & Administration of the Area Plan. Out of OAA General Funds, only 5% can be used for Preparation & Administration.
- Transfer Limits
  - Fed Funds: 40% between Title III-C(1) and C2; 30% between C and B. Prior to the preparing funding allocations, the state transfers 15% from Title III-C(1) to Title III-C(2) funds and 20% from Title III-C1 to Title III-B. You can request up to the limit or any portion of the transfers made by OAS by reversed.
  - State General Funds: 40% between categories (Community Based, Transportation, and HDM only).
- State general funds cannot be carried over. The funds must be obligated in the State fiscal year in which they are awarded (June 30), but can retain for ninety (90) days to liquidate (September 30).
- Match
  - Match is computed on the total funds. A 25% match on \$100 is \$34 (rounded up), for a total of \$134.
  - Federal funds cannot be used to match other federal funds.
- Amendments
  - State General Fund Transfer Amendment requests are allowed through May 31<sup>st</sup> each year.
  - Federal Fund Transfer Amendment requests are allowed through July 31<sup>st</sup> each year.
- Requests for approval to purchases capital equipment and computers with a cost of over \$5,000 and a useful life of more than one year (including vehicles). All requests should contain the following information:
  - Identify the amount and the source of funds;
  - If a vehicle the anticipated make, style, year, budget amount requested, projected use of the vehicle; and

If other capital equipment, a description of the item procured.

### **Proposed Funding Allocations**

- Maximum Federal Funds Which Can Be Carried Over
  - The carry-over amount is 10% of the funds you will be awarded next year.
  - When you look at carry-over, it is total carry-over. Not just what you have on hand, but also what you have not drawn down from DARS-OAS.
  - Waivers above 10% can be requested, however, DARS-OAS would rather not allow waivers.

- FY 201X Federal Funding Allocations
  - This is the award amount you will receive next year.
- General Funds Monies
  - Divided into two federal fiscal years (July 1, 201X through September 30, 201X and October 1, 201X through June 30, 201X).
- Nutrition Services Incentive Program (NSIP) Funds
- Care Coordination for Elderly Virginians Program (CCEVP)
- Respite Care Initiative Program

### **Area Plan Budget FY'1X**

The Area Plan Budget is found on the DARS-OAS website under [www.vda.virginia.gov](http://www.vda.virginia.gov), click on 'Providers', on the left-hand side. Then scroll down and find 'Area Plan for Aging'.

The Excel Workbook tabs indicate worksheet names.

Information can be entered in blue cells. The form highlights yellow for areas that are not within requirements. For example, if units are missing, that is highlighted and enter UNITS appears.

### Program Worksheets such as Title III and Title III-E:

The amount of funds budgeted by service (columns) are totaled to the right of the worksheet.

The AAAs have tremendous flexibility with the ability to transfer funds. Both federal and state general funds can be transferred.

Transfers can be made between federal Title III-B, C1 and C2. Prior to the preparing funding allocations, the OAS transfers 20% of Title III-C to Title III-B and 15% of Title III-C(1) to Title III-C(2). See Transfer Limits above.

There are seven categories of state general funds that can be used with the Older Americans Act (OAA) program. They are: OAA General, Community Based Services, Transportation, Home Delivered Meals, Supplemental Nutrition, Care Coordination for Elderly Virginians (CCEVP) and Ombudsman.

There are two types of funds. Those that can be transferred and those that cannot. The three funds where transfers are allowed include: Community Based, Transportation, and Home Delivered Meals funds, which represents more than three quarters of the state general fund allocation. Transfers of up to 40% of each fund to be transferred to any other state fund. For example, 40% of the Home Delivered Meals dollars can be transferred to Transportation service.

The four funds where transfers are not allowed include: OAA General, Supplemental Nutrition, CCEVP, and Ombudsman. These categories represent less than one quarter of the state general funds. OAA General funds can be used for Titles III-B (Supplemental Services), Title III-C1 and C2 (nutrition programs, congregate and home delivered), and Title III-D (Disease Prevention). Supplemental Nutrition can only be used in Congregate, Home Delivered and Fee

For Service Meals. CCEVP funds can be used for Service Coordination Level 1 and 2, Care Transitions, S.O.S., and Options Counseling. Ombudsman is restricted for the Ombudsman program.

Transfers in state general funds can only be made in between Community Based, Transportation, and Home Delivered Meals. Transfers can only occur in the timeframe the funds were awarded. For example, the state year is divided between two-time periods (October 1, 201X through June 30, 201X and July 1, 201X through September 30, 201X) to match the federal years to correspond to the Area Plan contract.

There should be some state general funds in fee collecting services. DARS-OAS has a Cost Sharing Fee for Service Guidance on our website.

Statistics such as units, persons served, caregivers, are normally derived from PeerPlace.

Title III services are grouped by In-Home, Access, Nutrition, Disease Prevention, Client Services, Legal, Elder Rights and Administration.

Title III-E services are grouped by Counseling, Information, Respite, Supplemental, Access Assistance, and Administration.

#### Spending Requirements Review Page:

The Spending Requirements Review Page has formulas that check whether the information provided is in compliance with federal and state requirements.

The Excel spreadsheet has checks on:

- Priority Services
- Prep & Admin
- Title III Services
- Sliding fee scale waiver
- Title III-E
- Title III-E Categories
- Supplemental Services limit of up to 20%
- Grandparents
- Ombudsman Title III-B expenditures

Review and correct cells highlighted in yellow.

Other grant funding such as discretionary grants are on the AMR-OC.

Once the budget is approved, it appears on the Summary of Obligations.

#### **Checking the Area Plan Budget for Completion**

1. On the Area Plan Summary page (Summary Tab) check the 'Estimated Unencumbered Cash-on-Hand on 10/1/1X' against the Proposed Funding Allocations table titled

“Maximum Federal Funds Which Can Be Carried Over into the Year Beginning October 1, 201X (FY 201X). If the estimate exceeds the 10% allowed, you may want to consider requesting an allowable transfer amendment or requesting a carry-over waiver.

To request a waiver to carry-over federal funds in excess of the 10% allowed, you must submit a written request showing all the funds covered by the request along with an explanation as to why the waiver is being requested. Waivers above 10% can be requested, however, DARS-OAS would rather not allow waivers.

Check the ‘Estimated Unencumbered Cash-on-Hand on 10/1/1X’ to make sure the proposed amount does not exceed the FY’0X (July 1, 201X through September 30, 201X) state general fund award amount.

2. Check the ‘FY’1X Obligation’ against the various Proposed Funding Allocations table. For State General Funds, The allocations for FY’1A and FY’1B funds should be shown on individual lines. They should not be combined and shown on the FY’1A obligations line.
3. Check to make sure ‘FY’1X Transfers’ are within allowable limits. The state makes the following transfers prior to preparing funding allocations: 15% from Title III-C(1) to Title III-C(2) and 20% of the total of Title III-C into Title III-B from C(1). Agencies can request the following additional Federal transfers:
  - 25% of Title III-C(1) to Title III-C(2)
  - 10% of the total of Title III-C to Title III-B
  - Agencies can also request that any part of the transfers made by OAS be reversed.

State General Fund transfers of up to 40% can be made between Community Based, Transportation, and Home Delivered Meals. Transfers are not allowed across two state fiscal years. Transfers within the two state time periods, October 1, 201X through June 30, 201X and July 1, 201X through September 30, 201X, are to be shown separately.

4. Review the [Spending Requirements Review page \(Requirements Tab\)](#) page. Make sure all percentages are being met. There should be no highlighted areas.
5. Priority Services Waiver – See Waiver to Provide Priority Services Form in the Area Plan Program. If you are requesting a waiver to the priority services requirement, you must submit a completed waiver request with your Area Plan.
6. Enter the planned expenditure of state general funds to be used for services under a non-Older Americans Act alternative sliding fee scale. These funds cannot be used as match for Older Americans Act Programs.

Check to see if any state general funds are being shown in the Fee for Service Home Delivered Meals Program. At a minimum, state general funds budgeted in the Fee for Service Home Delivered Meals Program must be shown, along with any State General Funds in services where an alternative fee scale is requested. If you have requested a



waiver to use an alternative sliding fee scale, any state general funds in these programs must also be included.

7. Enter the FY 2000 Title III-B Expenditures in the LTC Ombudsman Program. The Older Americans Act requires that at a minimum the amount of Title III-B expenditures reported for FY 2000 continue to be spent in the ombudsman program. OAS checks your information against what was reported in your FY 2000 audit report.
8. Title III service pages – check to make sure for every service that shows expenditures that the number of service units and persons served is provided.
9. Title III-E and Title III-E Grandparents and Older Individuals Who Are Relative Caregivers of Children pages – check to make sure for every service that shows expenditures that the number of service units, Actual Persons Served with a Caregiver, Actual Caregivers Served and Number of Caregivers Benefited is provided.
10. Check to make sure that the Number of Caregivers Benefits is equal to or greater than the number of Caregivers Served.
11. Check all Title III and Title III-E service pages where state general funds are being spent to see if fees are being budgeted.

Note: The General Assembly requires state general funds received since FY'96 must be used in a fee for service program. OAS cannot waive this requirement. Another way of looking at this is that 44% of the FY'07 state general funds allocated for Community Based Services and Transportation must be spent in a fee for service program. If you apply the State General Fund reduction to the fee for service funds received since FY'96, you still must spend at least 29% of your Community Based Services and Transportation General Funds in a fee for service program.

12. Check the services shown on the Area Plan Budget with the applicable program service page in the Area Plan.
13. Check the Area Plan service pages to see that there is a completed page for every service shown on the Area Plan Budget.
14. On the Area Plan service pages check to see that Waiver B - Cost Sharing Fee for Service has been completed. Both questions must be marked either yes or no. If an Alternative Cost Sharing / Fee for Service Scale is requested, is the fee scale included? Check to see if an explanation for both waivers is provided.
15. Review budget. Does the budget show client fees? Review Program Operations and Purchase of Service limits.
16. Respite Care Initiative Program page – review budget. Does the budget show client fees? Are the funds shown under “Other” allowable matching funds?

## **Summary of Obligations**

The top half down to the double line is prior year carry-over funds. This is unspent or the left-over money at DARS your agency has spent that DARS has not reimbursed your agency.

The 'Unadvanced Balance from FY'1X Funds at OAS on 9/30/1X' comes from the Remittance Advice – 'Balance 9/30/1X'. At the beginning of the Area Plan contract period, we make the assumption the difference is 'Estimated Unencumbered Cash on Hand as of 10/1/1X' and enter the difference there.

'Total Carry-over from FY'1X for use in FY'1X' is a formula line. It is the sum all the rows above. The exception is if 'Audited Unencumbered Cash on Hand as of 10/1/1X' is a larger negative number than 'Unadvanced Balance from FY'1X Funds at OAS on 9/30/1X' is positive, the formula is adjusted to zero.

## **Remittance Advice**

The Remittance Advice is used to:

- Identify all of the funds your agency is contracted to receive from DARS-OAS;
- Identify the funds that comprise your payment; and
- Reconcile your accounting records to DARS-OAS's records.

The first column list the fund. The second column lists DARS-OAS's internal project code. The third column lists the timeframe of the funds.

The AMR Summary Obligations 'New Obligation FY'1X – 10/1/1X' plus 'Transfer' plus any other changes pertaining to the 10/1/1X year, including deobligations, equals the Remittance Advice – Obligation column.

The AMR Summary Obligations 'Unadvanced Balance from FY'1X Funds at OAS on 9/30/1X' plus 'New Obligations of FY'1X – 9/30/1X' equals the Remittance Advice – 'Balance 9/30/1X'.

The last column is the amount of funds available for your agency to request.

The Remittance Advice should be reviewed monthly for any changes that occurred in obligations.

## **Aging Monthly Report - AMR**

The Aging Monthly Report - AMR is found on the DARS-OAS website under [www.vda.virginia.gov](http://www.vda.virginia.gov), click on 'Providers', on the left-hand side. Then scroll down and find 'Forms, Reports and Instructions'.

All information is cumulative. In other words, all dollars and statistics are reported on a Year-To-Date basis. If you make a mistake in one month, the following month should correct itself.

Similar to the budget, information can be entered in blue cells. White and gray cells are locked so information cannot be entered. The form highlights yellow for areas that are not within requirements. For example, if units are missing, that is highlighted and enter UNITS appears.

### ***The Monthly Payment Request (Payment Tab)***

This is the first worksheet/tab. Select from the drop-down menu with your agency name, PSA number, and reporting month.

### ***Program Worksheets such as Title III and Title III-E***

When reporting expenses, be sure to include payments, invoices received for services provided, and accrued expenses such as payroll. All expenses are to be reported on an accrued basis.

These worksheets have row totals on the far-right end of the spreadsheet totaling the expenses for the fund line.

Make sure the last column, 'Approved Area Plan Spending' or 'Approved Budget' cell on other worksheets is entered accurately. It should equal the 'Total Obligation for Fiscal Year' line from the most recent Summary of Obligations which includes contract amendments. This column or cell is used on the Monthly Payment Request Page in the calculation of the 'Cash Required for X0 Days of Program Operations'. In other words, it is used to determine how much money you can request on your AMR.

### ***Spending Requirements Review (Requirements Tab)***

Checks federal and state reporting requirements such as spending requirements and match ratios.

Review and correct cells highlighted in yellow.

### ***Monthly Request for Funds (Request Tab)***

The instructions for the Monthly Request for Funds has can be found in the AMR in a separate instruction tab.

'Cash Requested' should generally be the same as the 'Cash Required for X0 Days of Program Operations' calculated line. You can request a lower amount if you don't want to receive the full cash advance. You can request a higher amount, but you need to state in the email transmitting the AMR the reason for the additional cash. For example, you may say, "AAA is requesting additional cash to make an advance payment of \$amount to (vendor name) for (program name)."

During the last few months of either the State or Federal fiscal year it is advisable to review the amount requested with the balances available on the Remittance Advice. Your request will be limited by the available balance.

The AMR is due to [reports@dars.virginia.gov](mailto:reports@dars.virginia.gov) the 12<sup>th</sup> of the month unless the 12<sup>th</sup> falls on day when state offices are closed. In that case, the AMR is due the next business day.

Spending Requirements Review (Requirements Tab):

Review to ensure compliance with criteria. Review and correct cells highlighted in yellow.

**Match Requirements**

Services – 85% federal funds / 5% state general funds / 10% other non-federal resources (can include other state general funds).

Preparation & Administration – 75% federal funds / 25% non-federal resources

Title III-E – 75% federal funds / 25% non-federal resources

Note: The federal share is computed on the total budget. If you have \$100 federal dollars and the match is 75% / 25%, the total budget would be \$134 (rounded up).

There are no match requirements for Title VII. There is however, a maintenance of effort provision that states you must spend on Ombudsman from Title III-B no less than the Title III-B expenditures for FY'2000.

Voluntary Contributions and Cost Sharing funds may not be used to meet match requirements.

**Voluntary Contributions**

Title III requires that all participants be allowed to contribute (make a donation) to the cost of the service they receive. Voluntary contributions collected are to be used to support the service from which it is generated.

**Cost Sharing / Fee for Service Policy**

The Older Americans Act permits fee for service/cost sharing for all services except: care coordination, information & assistance, congregate meals, home delivered meals, long-term care coordinating activity, public information & education, legal assistance, elder abuse and ombudsman.

Income is based on a self-declaration of income by the individual. Fee for service/cost sharing is not allowed for individuals whose income is at or below the poverty line. The fee should be set at the cost of providing the service. Fees charged should be based on the Federal Poverty/ DARS Sliding Fee Scale or an alternative accepted with the Area Plan. Under the Older Americans Act, no service can have a minimal fee that everyone is required to pay regardless of income.

If your agency does not wish to have a fee for service program for allowable fees, you must opt out in the Area Plan.

For Title III, Older Americans Act, funded services, the Area Agency assures that it and any other service provider shall:

- Charges shall be reasonably based on the cost of the service, recognizing that programs may need to estimate the costs of service delivery or round off fees to simplify their pricing strategy. Charges shall be established to reasonably cover the full cost of the service being provided;
- Protect the privacy and confidentiality of each older individual with respect to the declaration or non-declaration of individual income and to any share of costs paid or unpaid by an individual;
- Establish appropriate procedures to safeguard and account for cost share payments;
- Use each collected cost share payment to expand the service for which such payment was given;
- Not consider assets, savings, or other property owned by an older individual in determining whether cost sharing is permitted;
- Not deny any service for which funds are received under Title III for an older individual due to the income of such individual or such individual's failure to make a cost sharing payment;
- Determine the eligibility of older individuals to cost share solely by a confidential declaration of income and with no requirement for verification;
- Widely distribute written materials in languages reflecting the reading abilities of older individuals that describe the criteria for cost sharing and the sliding scale; and
- Adopt written cost sharing / fee for service – policies and procedures, approved by the governing board or governing body.

### **Preparation & Administration Funding**

No more than 10% of your Title III federal funds can be used for preparation & administration. Funds awarded under Title VII or NSIP may not be used to compute the amount of funds available for preparation & administration. The preparation & administration percentage is calculated by summing funds in Titles III-B, III-C(1), III-C(2), III-D and III-E. AAAs can only charge the expense to Titles III-B, III-C(1), III-C(2) and III-E. Title III-D, Title VII and NSIP funds may not be used for preparation & administration are prohibited. The only State General Fund that may be used for preparation & administration is Title III Match Funds. Then only up to 5% can be used for preparation & administration.

### **Priority Services Spending**

You must spend at least the following percentages from your **Title III-B funds**:

**15% on access services** (care coordination, information & assistance and transportation)

**5% on in-home services** (checking, adult day care, chore, home health, homemaker, personal care, residential repair and renovation)  
**1% on legal assistance**

### **Transfers**

Prior to allocation of funds to the area agencies, OAS makes the following transfer of federal funds:

15% of Title III-C(1) to Title III-C(2)  
20% of the total of Title III-C from III-C(1) to Title III-B

Agencies can request additional transfers of:

25% of Title III-C(1) to Title III-C(2)  
10% of the total of Title III-C to Title III-B

Or you can request any portion of the transfers made by OAS by reversed.

Agencies can request state general funds transfers of 40% between Community Based, Transportation, and Home Delivered Meals.

### **Timeframes**

Amendments can be submitted to change funding levels (transfer requests) between programs.

- State General Fund Amendments can be requested up to April 31<sup>st</sup>.
- Federal Fund Amendments can be requested up to July 31<sup>st</sup>.

The Older Americans Act is advance funded. DARS makes payments in advance for services. Through the AMR you have a 30 or 60 day advance built into your request for payment.

The AMR is due the 12<sup>th</sup> of the month unless the 12<sup>th</sup> falls on day when state offices are closed. In that case, the AMR is due the next business day.

The Advisory Board must be given the opportunity to review and discuss the plan. The Advisory Board often fulfills the agency's requirement to receive public input. Amendments to adjust funding are not required to go through the Advisory Board, however significant amendments such as the closing or addition of a new service must be presented to the Advisory Board.

Quarterly, DARS-OAS distributes the AMR Expenditures to Budget report.

All expenses are to be reported on an accrued basis. If estimates or budgeted amounts are used to allocate expenses, they must be reconciled no less than annually. Also, funds can only be used for expenses during the period for which the funds are awarded.

### **13<sup>th</sup> Month Close Out Report**

The final (13<sup>th</sup> Month) Report and Schedules A, B, & C are normally due November 15.

- AMR 13<sup>th</sup> Month Report: Generally this is a restatement of the September AMR Report. Expenditures by services should be updated for any year-end adjustments. Finally, “Cash-on-Hand at End of Report Month” needs to mirror Schedule A, “Status of Funds”, column entitled, “Unencumbered Funds on Hand September 30, 201X.”
- Schedule A, Status of Funds: This schedule provides an accounting of grant funds on hand at the beginning of the period, and receipt and expenditures of grant funds during the period. Although state general fund awards for the fiscal year ending on June 30, 201X needed to be obligated by June 30, 201X, you have until September 30, 201X to liquidate the obligations. If a cash balance exists on September 30, 201X from any state general fund award for the Program Year (PY) ending on June 30, 201X, you need to send the balance to DARS with a copy of Schedule A as your remittance advice.
- Schedule B, Costs by Program Activity: This schedule accounts for the expenditure of funds by activity rather than grant. Schedules A & B should tie where appropriate. Again, Schedule B corresponds to the Aging Monthly Report. It has separate sections to report Title III activity (Except III-E) and a section to report Title III-E activity. If there are no audit adjustments, the data reported on your final AMR should be the same as reported on Schedule B.
- Schedule C, Status of Inventories: Tangible personal property purchased with funds from a Federal or State grant should be included. Generally, equipment or large quantities of food would be the main items reported. Equipment with a fair market value of less than \$5,000 per unit should not be reported.
- Contractor Certification Form: This form should be prepared on Agency letterhead and signed by the Executive Director. The form is available on the DARS/OAS website.

(Virginia Administrative Code 22VAC30-60-470)

### **Other Funds and Discretionary Grant Close Out**

Discretionary Grants and other reports are normally closed out not more than forty-five (45) days after the end of the Contract period. Until then, reporting for all discretionary and/or formula grants should remain and be updated on the monthly AMR/AMR-OC until the grant period has ended and/or a closeout report has been requested. In cases where a no cost extension has been granted, reporting should continue until the period of extension has ended. The amounts on the AMR/AMR-OC must be on an accrual basis and should include the cumulative budget, expenses and match for the entire grant period even if no further activity will occur. DARS-OAS uses the information on the AMR/AMR-OC for monthly internal and external reporting.

## **AUDITS**

### **Single Audit Act or an Agency-Wide Audit**

For fiscal years beginning on or after January 1, 2015 the threshold for a Single Audit has been increased to \$750,000. In Virginia most AAAs receive \$750,000 or more in federal funds during the fiscal year and are subject to the Single Audit Act of 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The Area Agency shall contract with an accounting firm or independent Certified Public Accountant to perform an annual audit. The accounting firm or auditor may perform the Area Agency audit for up to five (5) consecutive years. After five (5) consecutive years, the Area Agency, except for Area Agencies that are units of local government, is required to obtain the services of a different accounting firm or independent Certified Public Accountant. The new accounting firm or independent Certified Public Accountant shall be selected in accordance with procurement requirements.

The auditing firm must provide an opinion on the three schedules required by the Department for Aging and Rehabilitative Services: A - Status of Funds, B – Costs by Program Activity, and C – Status of Inventories, pursuant to 22VAC30-60-470.D. of the Virginia Administrative Code. In addition, OAS requires auditors to submit a Report on Internal Control, however, OAS at this time, does not require AAA audits to follow GASB 34 that requires a Management, Discussion and Analysis and Budgetary Comparison report. However, AAAs are encouraged to review the section on Basis of Accounting to assess their applicability to GASB.

### **Audit Due Date**

Audit Reports are due December 15. Agencies can request an extension. In no case will an extension be granted more than ninety (90) days.

### **Scope of Audit Report**

Ref: OMB Circular A-133 Subpart E.500.

- 1) The audit shall be conducted in accordance with the generally accepted accounting principles.
- 2) The auditor shall determine whether the financial statements are fairly stated.
- 3) The auditor will obtain an understanding of the internal controls and then perform testing to assess the risk for federal programs.
- 4) The auditor shall determine through transaction testing whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on its major programs.
- 5) The auditor shall follow-up procedures on prior audit findings.
- 6) The auditor shall complete and sign specified sections of the data collection form.

### ***Management Letter***

Management letters offer valuable suggestions for improvement in financial management and internal controls of an AAA or sub-grantee. They are not a required part of the audit, unless



there is a finding, but are matters that the auditor wants to bring to the attention of management. These letters may contain advice on efficiency improvements, improvements in internal control or compliance. These letters are intended to assist the agency with improvements and should be treated seriously. **If the AAA receives a management letter, the letter must be submitted with the audit along with a corrective action plan on how the matters contained in the management letter will be addressed.**

### **Area Agencies on Aging Procure Own Independent Public Accountants**

Ref: OMB Circular A-133 Subpart C.305 - Auditor Selection.

Auditees shall whenever possible to make efforts to utilize small businesses; minority-owned firms and women's business enterprises when procuring audit services. Factors to be considered in evaluating each proposal for audit services include responsiveness to the request proposal, relevant experience, availability of staff professional qualifications and technical abilities, the results of external quality control review, and price.

### **Frequency of Audits and Due Date for Submission of Audit Reports**

The current year audit shall be submitted to the DARS-OAS no later than December 15 of each year. If, for reasons not within the control of the area agency on aging, the audit cannot be submitted by this time, the area agency on aging shall make a written request for an extension of time. A justifiable extension for an audit or agency-wide financial review may be granted. The request for an extension must be received by December 15. Submission of an audit or review report beyond the granted extension or an audit report that does not meet specific state and federal requirements may result in withholding of payments until the audit or independently reviewed financial statements is received and found to be consistent with all requirements.

When making the request please be aware of the following:

- The Federal Audit Clearinghouse normal due date to submit the audit is within thirty (30) days after receipt of the report or 9 months after the end of the fiscal year.
- DARS-OAS must receive the audit, review the report, examine the financial statements, and verify schedules A, B, and C. If there are discrepancies between our records and the report, DARS-OAS may ask for the audit to be corrected. This process takes time, often months. As stated in the contract above and DARS regulations, payment may be withheld until the audit is received and found to be consistent with all requirements.
- Finally, good accounting practices should ensure the agency's records are closed shortly after the year-end and the records provided to the auditor.

If an acceptable audit is not received by June 30<sup>th</sup> of the following year, DARS will correspond with the Executive Director of the area agency on aging to assess the situation. Normally DARS will not begin review of the Area Plan for the following year until the audit is received and accepted. This will likely result in a delay in the agency receiving an approved plan from DARS. As a result, the agency will not be able to access any new funding until the new plan is approved. See below

### **Oversight of Service Provider Audits**

Each AAA must monitor all service providers to ensure that services are being provided to eligible persons, per the AAA/service provider contract, and that the program reports are accurate. This will meet the monitoring requirements for the Single Audit Act and OMB Circular A-133 for service providers who spend less than \$750,000 of federal funds in a year. There is no federal requirement for fiscal audits of service providers who spend less than \$750,000 of federal funds in a year.

### **Audit Resolution**

Schedule for responding to AAA audit findings. To ensure a timely resolution of audit findings from AAA audits, the auditor will send a copy of the AAA audit to DARS immediately upon its completion.

Ref: OMB Circular A-133 Subpart C.315 - *Audit findings follow-up*.

The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility the auditee shall also prepare a summary of prior audit findings and a corrective action plan for current year audit findings.

## **SUBCONTRACTOR OVERSIGHT RESPONSIBILITIES**

Presents the role of the Department for Aging and Rehabilitative Services – Office for Aging Services and the responsibility of area agencies on aging in the fiscal assessment of area agencies on aging and their subgrantees.

### **Access to Service Providers Records**

The AAA is required to include in all subcontracts or other agreements for the purchase of goods and services a provision that the AAA and its authorized agents shall have access to any books, documents, papers, and records of the subcontractor that are directly pertinent to that specific agreement.

### **Written Policies on Subcontractor (Subrecipient) Monitoring**

The AAA shall have written policy and procedures, approved by the Board of Directors or governing body, for monitoring subcontractors and for follow-up on any findings.

## **OAS MONITORING**

OAS conducts periodic monitoring of the Area Agencies on Aging and other Contractors. This is formally called Governance, Financial, and Program Compliance Reviews (GFPCR) in the contract.

The purpose of monitoring:

- Fulfill one of OAS’s primary roles - Assuring the Integrity of the System;
- Prepare the agency for the external auditor;
- Check accuracy of AAA/Contractor reporting to OAS (PeerPlace, AMR, Schedules A, B, & C);
- Provide technical assistance; and
- Identify agencies best practices.

OAS will issue a monitoring report. The report will identify Findings, Observations, Recommendations and Best Practices. If a correction action plan is needed, the agency is required to submit one for review.

### **Monitoring Report Definitions**

The following is a listing of terms used in this report.

Findings: A process or procedure that is not compliant with the requirements found in the Older Americans Act, State Law, Federal or State Regulations, OAS Service Standards, Generally Accepted Accounting Principles and internal agency policies. This includes compliance requirements with federal, state or local funding of other programs not funded through DARS. All findings require a Corrective Action Plan.

Corrective Action Plan (CAP): The agency is required to submit a CAP for every finding within sixty (60) days of receiving the monitoring report, however, if the issue involves a matter of safety or time is of the essence, a shorter response time may be given. Often the finding states the required corrective. The agency must follow the required action or propose an alternative action with the CAP that will bring the finding into full compliance. The corrective action plan must be fully implemented with all corrections addressed within 8 months of receiving the monitoring report. DARS- OAS will review the proposed CAP.

Observation: Observations may be positive, neutral, or negative. Negative observations involve one of the following: 1) a process or procedure (or lack thereof) not specified in any authoritative pronouncement or not a direct violation; or 2) a new requirement where OAS has discretion in the timeframe of its implementation. If a negative observation is not corrected by the following monitoring review, the observation will generally become a finding. Neutral observations describe a process or situation that was examined during the course of the review.

Recommendation: Recommendations are provided for negative observations. Suggested actions that can improve a management practice or unregulated activity, service program, and/or improve agency operations. Agencies are not required to follow recommendations, however, the agency should seriously consider the recommendation or identify an alternative action to correct a negative observation.

Best Practice: A project or practice worthy of recognition and sharing with other agencies for replication.

Background: Additional description of situations reviewed or observed. It can also include citation of regulations, code, or guidelines.

## **REMEDIES FOR NONCOMPLIANCE (SANCTIONS)**

### **General Guidance on Noncompliance (Sanctions)**

The process to notify AAAs and other contractors on issues of noncompliance with any Area Plan or contract with DARS can take a variety of forms and timeframes. Issues of noncompliance can arise from monitoring reports such as the Governance, Financial, and Program Compliance Reviews (GFPCRs), failure to respond to the monitoring report, failure to correct issues identified in the monitoring report or information received or collected that identifies an issue of noncompliance.

Certain emergency issues such as those involving life, health, safety, breach of data, or other sensitive issues will be escalated and handled more quickly than other concerns of noncompliance. The normal process for remedying routine concerns involves the following steps:

- 1) The Agency Executive Director will receive written notification of the noncompliance issue. Generally, this will be issued by DARS staff via email. The email does not need to use the words noncompliance, but must clearly identify the problem and should provide a timeframe for corrective action. If no deadline is provided and the issue is not urgent, a response within ten (10) business days is expected with corrective action taken within thirty (30) days. For example, monitoring reports normally have a sixty (60) day response time for a corrective action plan. If the plan is not received within the timeframe, step two should occur.
- 2) If the Executive Director does not provide a status update within ten (10) business days or the issue of noncompliance is not resolved within thirty (30) days, the Executive Director will be notified by either the Director of Programs and Director of Aging Operations. The correspondence, generally via email, shall restate the problem with a date on which a corrective action plan is required and/or a date to resolve the noncompliance issue. The email will also state the sanctions that could result if no response is provided or no progress has been identified as determined by DARS. Sanctions can vary, however, the Code of Federal Regulations, Title 45 CFR Subpart 75.371 states required sanctions for federal funds. For state funded programs, DARS will follow similar requirements.
- 3) If a corrective action plan is requested for an issue other than monitoring, DARS will review it within seven (7) business days and communicate to the Executive Director DARS' approval, disapproval, or required changes that DARS will unilaterally require to the plan.
- 4) If the agency does not respond to the correspondence in step 2 or the agency does not comply with the corrective action plan if required, and substantial progress to correct the issue of noncompliance is not identified as determined by DARS, the Executive Director

will be notified that one or more of the sanctions identified in 45 CFR Subpart 75.371 below will be imposed in five (5) business days.

Title 45 CFR Subpart 75.371 states if a non-Federal entity fails to comply with Federal statutes, regulations, or the terms and conditions of a Federal award, the HHS awarding agency or pass-through entity may impose additional conditions, as described in §75.207. If the HHS awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the HHS awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:

- (a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the HHS awarding agency or pass-through entity.
- (b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
- (c) Wholly or partly suspend (suspension of award activities) or terminate the Federal award.
- (d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and HHS awarding agency regulations at 2 CFR part 376 (or in the case of a pass-through entity, recommend such a proceeding be initiated by a HHS awarding agency).
- (e) Withhold further Federal awards for the project or program.
- (f) Take other remedies that may be legally available. Be aware, of the Area Plan contractual conditions concerning the Designation of an Area Agency.

### **Delaying Payment of Funds**

The Area Plan contract states, “The State Agency may withhold or delay payment (advance) if the Area Agency is delinquent in submitting any required reports or data especially those listed below.” The reports are identified in the contract include the following.

#### ***Delinquent Aging Monthly Report Submission***

A delinquent Aging Monthly Report may not be processed for reimbursement until the following month. Please contact DARS should an extension be needed.

#### ***Audit Submission***

The board approved final audit is not received by June 30<sup>th</sup> of the year. See Audit Due Date above. May result in a delay in a delay in the July advance. Please contact DARS if there will be a problem with timely submission.

#### ***Year-End Requirements Compliance***

The Requirements Tab identifies various parameters that must be met by year-end. DARS-OAS reviews these parameters when the September AMR is submitted in October. DARS-OAS will ask that the required parameters be met before October advance is made.

### ***National Aging Program Information System Annual Summary Report***

Normally Due November 15. A delinquent report may result in a delay in the November advance. Please contact DARS if there will be a problem with timely submission.

### ***Final (13<sup>th</sup> Month) Report and Schedules A, B, & C***

Normally Due November 15. A delinquent report may result in a delay in the November advance. Please contact DARS if there will be a problem with timely submission.

## **MISCELLANEOUS**

This section covers important topics that are of a financial nature not categorized elsewhere in the DARS-OAS Grants Management Manual. Topics include insurance and unclaimed property.

### **Travel Policy**

The Virginia Department of Accounts Travel Regulations Policy Number [20335](#) states, all monetary travel reimbursements for meals, lodging, airfare, etc. funded solely from grants and contracts are governed by the terms and conditions of the individual grant or contract. **If the grant or contract is silent regarding these monetary reimbursements, the limitations in the Virginia Travel Regulations Policy Number [20335](#) and Agency Travel Processing Policy Number [20336](#) apply.**

Per diem (Latin for "per day" or "for each day") is a daily allowance for expenses – a specific amount of money an organization gives an individual, often an employee, per day to cover living expenses when traveling for work. Fixed per diem (and per mile) rates eliminate the need for employees to prepare, and employers to scrutinize, a detailed expense report with supporting receipts to document amounts spent while travelling on business. Instead, employers pay employees a standard daily rate without regard to actual expenditure. See below for establishing per diem limits.

The *HHS Grants Policy Statement* further states, in all cases, travel costs are limited to those allowed by formal organizational policy. In the case of air travel, the lowest reasonable commercial airfares must be used. For-profit recipients' allowable travel costs may not exceed those established by the Federal Travel Regulation, issued by General Services Administration (GSA), including the maximum per diem and subsistence rates prescribed in those regulations. Information about federal rates is available at <http://www.gsa.gov/portal/content/105307>. If a recipient organization has no formal travel policy, those regulations will be used to determine the amount that may be charged for travel costs.

Virginia travel policy is set each October to mirror the federal travel limits. **To summarize, when an agency or its subcontractor uses any federal or state general funds, or local funds that are counted as match, the state travel limits must be followed.** Agencies and subcontractors are permitted to set limits lower or more restrictive rates than those allowed by the state. For travel outside of the Commonwealth, please refer to Virginia's Travel Regulations

Policy Number [20335](#) (pages 24-27) or the GSA website at <http://www.gsa.gov/portal/category/21287>.

The state policy does allow limited flexibility with a few exceptions. For example, in state government, the Agency Head or designee is authorized to approve reimbursement in advance, for lodging up to 50% over the guidelines when circumstances warrant. **Approval of the justification must be provided and made in advance of the travel.** An explanation of the circumstances justifying the lodging exception must be attached to the voucher. As an example, this exception may be justified for conference hotels where it can be shown that the additional lodging cost will be offset by reduced local travel costs incurred for travel (e.g., taxi or rental car expense avoided) between a non-conference hotel and the conference location.

The following travel expenses are usually not reimbursable:

- Spouses or guests
- Telephone calls not related to business including personal
- Expenses in excess of the state's meal and incidental travel rate
- Travel to and from the evening meal (not part of the conference agenda) is not a justifiable exception and the cost of a taxi is not a reimbursable expense.
- Round-trip mileage between an employee residence and the office

### **Types of Insurance**

The Virginia Department of the Treasury Division of Risk Management as a program that is available to some AAAs. This program provides many of the insurance types that AAAs normally require in one package including:

- Political officers (directors and officers)
- Medical malpractice (counselors, nurses, etc.)
- Physical exposures
- General liabilities

### **Benefits**

- Streamlined procurement process
- Continuity of coverage
- Ability to cover contractual programs
- Coverage beyond employee or contractor separation for incidents that occurred while in service to AAA
- Malpractice for all program professionals
- Can be tailored to AAA needs
- Substantial savings

AAAs are encouraged to investigate this program. Several AAAs are currently participating.

In addition, the Department of Treasury offers Liability Protection for Drivers for Qualified Non-profit Organizations. Pursuant to §2.2-1839, *Code of Virginia*, the Division of Risk Management offers liability protection to volunteer drivers for any non-profit organization that provides transportation for elderly, disabled or indigent persons to receive medical treatment and services. In addition, liability protection is available to volunteer drivers for any local chapter or program

of the Meals on Wheels Association of America or any area agency on aging that provides meal and nutritional services to persons who are elderly, homebound or disabled. This protection is available regardless of whether the organization itself is covered through Division of Risk Management.

### **Virginia Unclaimed Property Report**

The Uniform Disposition of Unclaimed Property Act §§55-210.1-55.210.30 of the *Code of Virginia*, protects unclaimed property until it is returned to its rightful owners or their heirs. Unclaimed Property is money or intangible property owed to an individual or business. Property is considered unclaimed after it is held for an extended period of time with no owner contact and a “good faith” effort has been made to locate the owner. Abandoned property is turned over to the Department of the Treasury, Division of Unclaimed Property. Examples of unclaimed property include: deposits at financial institutions, uncashed checks, wages, account credits, refunds, and overpayments.

Non-profit organizations are required to report. Reports and remittances are due before November 1, and must include all property that has remained unclaimed for the required dormancy period, as of the preceding June 30.

Examples of unclaimed property includes payroll checks for prior employees and payments to businesses.



## APPENDIX A: HHS ALLOWABLE AND UNALLOWABLE COSTS

Item	Description
Advertising	Allowable only for recruitment of staff or trainees, procurement of goods and services, disposal of scrap or surplus materials, and other specific purpose necessary to meet the requirements of the grant-supported activity.
Alcoholic Beverages	Unallowable as an entertainment expense. Allowable if within the scope of an approved project.
Alteration and Renovation	<p>A&amp;R costs are allowable unless the program legislation, implementing regulations, or other terms and conditions of the award specifically exclude such activity. A&amp;R must be consistent with the following criteria and documentation requirements:</p> <p>The building has a useful life consistent with program purposes and is architecturally and structurally suitable for conversion to the type of space required.</p> <p>The A&amp;R is essential to the purpose of the grant-supported project or program.</p> <p>The space involved will be occupied by the project or program.</p> <p>The space is suitable for human occupancy before A&amp;R work is started except where the purpose of the A&amp;R is to make the space suitable for some purpose other than human occupancy, such as storage.</p> <p>For minor A&amp;R, if the space is rented, evidence is provided that the terms of the lease are compatible with the A&amp;R proposed and cover the duration of the project period.</p> <p>If the A&amp;R will affect a site listed in (or eligible for inclusion in) the National Register of Historic Places, the requirements specified in "Preservation of Cultural and Historic Resources" have been followed.</p> <p>Routine maintenance and repair of the organization's physical plant or its equipment, which is allowable and is ordinarily treated as an indirect cost, is not considered A&amp;R.</p> <p>Work necessary to obtain an initial occupancy permit for the intended use is not an allowable A&amp;R cost. Certain allowable costs of installing equipment, such as the temporary removal and replacement of wall sections and door frames to place equipment in its permanent location, or the costs of connecting utility lines, replacing finishes and furnishings, and installing any accessory devices required for the equipment's proper and safe utilization, may be considered either equipment costs or A&amp;R costs, depending on the recipient's accounting system.</p>
Animals	Allowable for the acquisition, care, and use of animals for use in research and research-related activities, contingent upon compliance with the applicable requirements of the <i>PHS Policy on Humane Care and Use of Laboratory Animals</i> . Otherwise not allowable.
Audiovisual Activities	<p>Allowable for the production of an audiovisual. "Audiovisual" means any product containing visual imagery, sound, or both, such as motion pictures, films, videotapes, live or recorded radio or television programs or public service announcements, slide shows, filmstrips, audio recordings, multimedia presentations, or exhibits where visual imagery, sound, or both are an integral part. "Production" refers to the steps and techniques used to create a finished audiovisual product, including, but not limited to, design, layout, scriptwriting, filming or taping, fabrication, sound recording, and editing.</p> <p>A recipient with in-house production capability must determine whether it would be more efficient and economical to use that capability or to contract for the production of an audiovisual.</p> <p>If an audiovisual intended for members of the general public (i.e., people who are not researchers, health professions, or service delivery personnel or who are not directly involved in project activities as employees, trainees, or participants, such as clients, volunteers or patients) is produced under an HHS grant-supported project or program, the recipient must submit two prints or tapes of the finished product along with its annual or final progress report. The costs of such prints or tapes are allowable costs.</p> <p>Audiovisuals produced under a grant-supported project or program must bear an acknowledgment and disclaimer, such as the following:</p> <p>The production of this [type of audiovisual (motion picture, television program, etc.)] was supported by Grant [number of grant] from [name of OPDIV]. Its contents are solely the responsibility of [name of recipient] and do not necessarily represent the official views of [name of OPDIV].</p>

Audit Costs	Allowable (as specified in Section 230 of OMB Circular A-133). The charges may be treated as a direct cost when the audit's scope is limited to a single HHS grant-supported project or program, as specified in 45 CFR 74.26(d), or when it includes more than one project but the costs can be specifically identified with, and allocated to, each project on a proportional basis, and this practice is followed consistently by the recipient. Otherwise, charges for audits should be treated as indirect costs. In addition, a pass-through entity may charge an HHS award for the cost of a limited scope audit to monitor a subrecipient provided the subrecipient is not required to have a single audit and the other conditions of Section 230(b) (2) of OMB Circular A-133 are met.
Bad Debts	Unallowable.
Bid and Proposal Costs	Allowable as an indirect cost. See 45 CFR 74.27(b)(1) for policy for non-profit organizations covered by OMB Circular A-122.
Bonding	Allowable. See 45 CFR 74.21, 74.48(c) and 92.36 for policies and requirements concerning bonding.
Books and Journals	Allowable. If an organization has a library, books and journals generally should be provided as part of normal library services and treated as indirect costs.
Capital expenditures for land or buildings	See "Land or Building Acquisition" in this exhibit.
Child-Care Costs	Allowable if within the scope of an approved project or program or as incidental costs of a project or program if incurred to enable individuals to participate as subjects in research projects or to receive health services. Such costs also may be allowable as a fringe benefit for individuals working on a grant-supported project (see "Fringe Benefits" in this exhibit).
Communications	Allowable. Such costs include local and long-distance telephone calls, telegrams, express mail, postage, messenger, and electronic or computer transmittal services and usually are treated as indirect costs.
Compliance with Historic Preservation Requirements	Allowable. May include hiring special consultants to research and document the historic value of proposed performance sites and costs associated with preparation and presentation of required materials to inform the public and others.
Construction/Modernization	Allowable only when program legislation specifically authorizes new construction, modernization, or other activities considered major A&R, and the OPDIV specifically authorizes such costs in the NoA. When authorized, construction activities may include construction of a new facility or projects in an existing building that are considered to be construction, such as relocation of exterior walls, roofs, and floors; attachment of fire escapes; or completion of unfinished shell space to make it suitable for human occupancy.
Consultant Services	<p>Allowable. A consultant is an individual retained to provide professional advice or services for a fee but usually not as an employee of the requiring organization. The term "consultant" also includes a firm that provides paid professional advice or services. Recipients must have written policies governing their use of consultants that are consistently applied regardless of the source of support. Such policies should include the conditions for paying consulting fees. The general circumstances of allowability of these costs, which may include fees and travel and subsistence costs, are addressed in the applicable cost principles under "professional services costs."</p> <p>In unusual situations, a person may be both a consultant and an employee of the same party, receiving compensation for some services as a consultant and for other work as a salaried employee as long as those separate services are not related to the same project and are not charged to the same project. For example, consulting fees that are paid by an educational institution to a salaried faculty member as extra compensation above that individual's base salary are allowable, provided the consultation is across departmental lines or involves a separate or remote operation and the work performed by the consultant is in addition to his or her regular departmental workload.</p> <p>For employee consulting costs to be allowable under grant-supported projects (including subawards or contracts under the grant), recipients, subrecipients, and contractors must establish written guidelines permitting such payments regardless of the source of funding and indicating the conditions under which the payment of consulting fees to employees is proper. Unless subject to OMB Circular A-21, the</p>

	<p>recipient, subrecipient, or contractor also must document that it would be inappropriate or infeasible to compensate the individual for those services through payment of additional salary. Under no circumstances can an individual be paid as a consultant and an employee under the same HHS grant. Authorization for consulting fees paid to individuals serving as both employees and consultants of the same party must be provided in writing, on a case-by-case basis, by the head of the recipient, subrecipient, or contractor organization incurring the costs, or his/her designee. If the designee is personally involved in the project, the authorization may be given only by the head of the organization. This authorization must include a determination that the required conditions are present and that there is no apparent or actual conflict of interest.</p> <p>Recipients, subrecipients, and contractors under grants are encouraged to obtain written reports from consultants unless such a report is not feasible given the nature of the consultation or would not be useful. Documentation maintained by the receiving organization should include the name of the consulting firm or individual consultant; the nature of the services rendered and their relevance to the grant-supported activities, if not otherwise apparent from the nature of the services; the period of service; the basis for calculating the fee paid (e.g., rate per day or hour worked or rate per unit of service rendered); and the amount paid. This information may be included in the consultant's invoice, in the report, or in another document.</p>
<p>Consumer/ Provider Board Participation</p>	<p>Allowable in accordance with applicable program regulations. When not specifically authorized by program regulations, only the following costs are allowable with OPDIV prior approval: Reasonable and actual out-of-pocket costs incurred solely as a result of attending a scheduled meeting, including transportation, meals, babysitting fees, and lost wages. The reasonable costs of necessary meals furnished by the recipient to consumer or provider participants during scheduled meetings if not reimbursed to participants as per diem or otherwise.</p> <p>Where programmatic regulations permit such payments but establish a maximum annual income for eligibility for reimbursement of consumer/provider board members for wages lost by reason of their participation in board activities, the determination of eligibility will be made on the basis of gross rather than net income.</p> <p>Members of consumer/provider boards are not considered employees or consultants of the recipient. Therefore, they may not be compensated for their services other than as above, nor are they eligible for associated fringe benefits. Although not eligible for individual insurance coverage, board members may be covered by an organizational insurance policy while acting in their official capacities as board members.</p>
<p>Contingency Funds</p>	<p>Contributions set aside for events whose occurrence cannot be foretold with certainty as to time, intensity, or assurance of their happening are unallowable under nonconstruction grants. Contingency funds do not include pension funds, self-insurance funds, and normal accruals for severance and post-retirement health costs (also see "Reserve Funds" in this exhibit). Construction grants may include a contingency fund in initial construction contract cost estimates to provide for unanticipated charges. These funds will be limited to 5 percent of construction and equipment costs before bids or proposals are received and must be reduced to 2 percent after a construction contract has been awarded.</p>
<p>Depreciation or Use Allowances</p>	<p>Allowable. Such costs usually are treated as indirect costs. Depreciation or use charges on equipment or buildings acquired under a federally supported project are not allowable.</p>
<p>Drugs</p>	<p>Allowable if within the scope of an approved project. Project funds may not be used to purchase drugs classified by FDA as "ineffective" or "possibly effective" except in approved clinical research projects or in cases where there is no alternative other than therapy with "possibly effective" drugs. Recipient acquisition practices for drugs used in outpatient treatment must meet Federal requirements regarding cost-effectiveness and reasonableness as found in 42 CFR part 40, Subpart E, and OMB Circulars A-122 and A-87.</p>
<p>Dues or Membership Fees</p>	<p>Allowable as an indirect cost for organizational membership in business, professional, or technical organizations or societies. Payment of dues or membership fees for an individual's membership in a professional or technical organization is allowable as a fringe benefit or an employee development cost, if paid according to an established organizational policy consistently applied regardless of the source of funds.</p>

Entertainment Costs	Unallowable. This includes the cost of amusements, social activities, and related incidental costs.
Equipment	<p>Allowable for purchase of new, used, or replacement equipment as a direct cost or as part of indirect costs, depending on the intended use of the equipment. OPDIV prior approval may be required as specified in "Prior-Approval Requirements." Funds provided under a conference grant may not be used to purchase equipment.</p> <p>For policies governing the classification, use, management, and disposition of equipment, see "Property Management." For policies governing the allowability of costs for rental of equipment, see "Rental or Lease of Facilities and Equipment" in this exhibit.</p>
Fines and Penalties	<b>Unallowable except when resulting from violations of, or failure of the organization to comply with, Federal, State, or local laws and regulations and incurred as a result of compliance with specific provisions of an award, or when such payments are authorized in advance in writing by the GMO. (Generally disallowed).</b>
Fringe Benefits	<p>Allowable as part of overall employee compensation in proportion to the amount of time or effort an employee devotes to the grant-supported project or program, provided such costs are incurred under formally established and consistently applied policies of the organization (see "Salaries and Wages" in this exhibit).</p> <p>Tuition or tuition remission for regular employees is allowable as a fringe benefit. For organizations subject to OMB Circular A-21, tuition benefits for family members other than the employee are unallowable. For policies applicable to tuition remission for students working on grant-supported research projects, see "Salaries and Wages" in this exhibit.</p>
Fundraising Costs	<b>Unallowable.</b>
Hazardous Waste Disposal	Allowable. Usually treated as an indirect cost.
Honoraria	<b>Unallowable when the primary intent is to confer distinction on, or to symbolize respect, esteem, or admiration for, the recipient of the honorarium.</b> A payment for services rendered, such as a speaker's fee under a conference grant, is allowable.
Hospitalization	See "Research Patient Care" in this exhibit.
Incentive Costs	<b>Incentive payments to volunteers or patients participating in a grant-supported project or program are allowable.</b> Incentive payments to individuals to motivate them to take advantage of grant-supported health care or other services are allowable if within the scope of an approved project. See "Salaries and Wages" in this exhibit for incentive payments to employees.
Indemnification	Allowable to the extent expressly provided in the award for indemnification against liabilities to third parties and any other loss or damage not compensated by insurance or otherwise. The Federal government is obligated to indemnify the institution only to the extent expressly provided for in the NoA.
Independent Research and Development Costs	Unallowable, including their proportionate share of indirect costs.
Insurance	<p>Allowable. Insurance usually is treated as an indirect cost. In certain situations, however, where special insurance is required as a condition of the grant because of risks peculiar to the project, e.g., provision of health services, the premium may be charged as a direct cost if doing so is consistent with organizational policy. If so, the insurance should be treated as a direct cost and assigned to individual grants based on the manner in which the insurer allocates the risk to the population covered by the insurance. Medical liability (malpractice) insurance is an allowable cost of research programs at educational institutions only if the research involves human subjects.</p> <p>The cost of insuring equipment, whether purchased with grant funds or furnished as federally owned property, normally should be included in indirect costs but may be allowable as a direct cost if this manner of charging is the normal organizational policy.</p>

Interest	Allowable as an indirect cost for certain assets as specified in the applicable cost principles. Unallowable for hospitals.
Invention, Patent, or Licensing Costs	Unallowable as a direct cost unless specifically authorized in the NoA. May be allowable as indirect costs provided they are authorized under applicable cost principles and are included in the negotiation of indirect cost rates. Such costs include licensing or option fees, attorney's fees for preparing or submitting patent applications, and fees paid to the U.S. Patent and Trademark Office for patent application, patent maintenance, or recordation of patent-related information.
Land or Building Acquisition	Not allowable unless acquisition or construction is specifically authorized by program legislation and provided for in the NoA. Under those programs that have authority to permit recipients to acquire facilities, considerations such as the type of program being supported and the Federal interest in purchased property will be taken into account by the awarding office in determining whether property should be leased or purchased. For real property acquired with grant support, the cost of title insurance may be charged to the grant in proportion to the Federal share of the acquisition cost. Filing fees incurred with the recordation in appropriate official records of the applicable jurisdiction of the Federal interest in the real property also may be charged to the grant. Use allowance or depreciation on buildings that were not acquired under a Federal project are allowable, usually as an indirect cost.
Leave	Allowable for employees as a fringe benefit (see "Fringe Benefits" in this exhibit). See program guidance or Part IV for policy on leave for fellows and trainees.
Legal Services	Allowable. Generally treated as an indirect cost but, subject to the limitations described in the applicable cost principles, may be treated as a direct cost for legal services provided by individuals who are not employees of the recipient. Before a recipient incurs legal costs that are extraordinary or unusual, the recipient should make an advance agreement regarding the appropriateness and reasonableness of such costs with the GMO. <b>Legal costs incurred in defending or prosecuting claims, whether equitable or monetary, including administrative grant appeals, are unallowable charges, except as provided in the applicable cost principles.</b>
Library Services	General library support is not allowable as a direct cost but may be included in a recipient's indirect cost pool. These services are allowable as a direct cost when specifically required for the conduct of the project and when identifiable as an integral part of the grant-supported activity (e.g., in those programs designed to develop and support such services).
Lobbying	Generally unallowable, including costs of lobbying activities to influence the introduction, enactment, or modification of legislation by the U.S. Congress or a State legislature. Under certain circumstances, as provided in the applicable cost principles, costs associated with activities that might otherwise be considered "lobbying" that are directly related to the performance of a grant may be allowable. The recipient should obtain an advance understanding with the GMO if it intends to engage in these activities.
Meals	Generally unallowable except for the following: Subjects and patients under study Where specifically approved as part of the project or program activity, e.g., in programs providing children's services When an organization customarily provides meals to employees working beyond the normal workday, as a part of a formal compensation arrangement As part of a per diem or subsistence allowance provided in conjunction with allowable travel Under a conference grant, when meals are a necessary and integral part of a conference, provided that meal costs are not duplicated in participants' per diem or subsistence allowances.  Guest meals are not allowable. (See "Consumer/Provider Board Participation" in this exhibit regarding the allowability of the cost of meals for consumer and provider board participants in grant-supported activities.)
Moving	See "Recruitment Costs," "Relocation Costs," and "Transportation of Property" in this exhibit.
Overtime	See "Salaries and Wages" in this exhibit.
Patients or Service Beneficiaries	If patient care, including research patient care, or other direct health or social services are approved activities of the grant-supported project or program, the costs of transporting individuals participating in

	the program or project to the site where services are being provided, including costs of public transportation, are allowable. The purchase of motor vehicles for this purpose also may be allowable.
Pension Plan Costs	<p>Allowable. For institutions of higher education and non-profit organizations, the following applies: Such costs must be incurred according to the established policies of the organization consistently applied regardless of the source of funds.</p> <p>The organization's policies must meet the test of reasonableness.</p> <p>The methods of cost allocation must be equitable for all activities.</p> <p>The amount assigned to each fiscal year must be determined in accordance with generally accepted accounting principles.</p> <p>The cost assigned to a given fiscal year must be paid or funded for all plan participants within 6 months after the end of that fiscal year.</p> <p>State, local, or Indian tribal governments or hospitals may use the "pay-as-you-go" cost method (i.e., when pension benefits are paid by the recipient directly to, or on behalf of, retired employees or their beneficiaries) in lieu of the method described above. Under this method, the benefits may be charged in the recipient's fiscal year in which the payments are made to, or on behalf of, retired employees or their beneficiaries, provided that the recipient follows a consistent policy of treating such payments as expenses in the year of payment.</p> <p>See the applicable cost principles for additional information on the allowability of costs associated with pension plans.</p>
Pre-Award (Pre-Agreement) Costs	<p>Allowable. Where authorized by the OPDIV as an expanded authority (see Part IV of the HHS GPS), a recipient may, at its own risk and without OPDIV prior approval, incur obligations and expenditures to cover costs up to (and including) 90 days before the beginning date of the initial budget period of a new or competing continuation award if such costs are necessary to conduct the project or program, and would be allowable under the grant, if awarded.</p> <p>However, even if authorized as an expanded authority, if a specific expenditure would otherwise require prior approval, the cost or activity must meet the same tests of allowability as if incurred after award.</p> <p>If not authorized as part of expanded authorities, the applicant/recipient must seek OPDIV prior approval before incurring pre-award costs. OPDIV prior approval is required for any costs to be incurred more than 90 days before the beginning date of the initial budget period of a new or competing continuation award.</p> <p>Recipients may incur pre-award costs before the beginning date of a non-competing continuation award without regard to the time parameters stated above and without prior approval. The incurrence of pre-award costs in anticipation of a competing or non-competing award imposes no obligation on the OPDIV either to make the award or to increase the amount of the approved budget if an award is made for less than the amount anticipated and is inadequate to cover the pre-award costs incurred.</p> <p>Recipients are expected to be fully aware that pre-award costs result in borrowing against future support and that such borrowing must not impair the recipient's ability to accomplish the project or program objectives in the approved timeframe or in any way adversely affect the conduct of the project or program.</p>
Public Relations Costs	Allowable only for costs specifically required by the award or for costs of communicating with the public and the press about specific activities or accomplishments under the grant-supported activity or other appropriate matters of public concern. Such costs may be treated as direct costs but should be treated as indirect costs if they benefit more than one sponsored agreement or if they benefit the grant and other work of the organization.
Publications	<p><b>Allowable.</b> Page charges for publication in professional journals are allowable if the published paper reports work supported by the grant and the charges are levied impartially on all papers published by the journal, whether or not by government-sponsored authors. The costs of reprints and publishing in other media, such as books, monographs, and pamphlets, also are allowable.</p> <p>Publications and journal articles produced under an HHS grant-supported activity must bear an acknowledgment and disclaimer, as appropriate, as provided in "Intellectual Property—Publications."</p>
Recruitment Costs	Allowable subject to the conditions and restrictions contained in the applicable cost principles. These costs may include help-wanted advertising costs, costs of travel by applicants for interviews for prospective employment, and travel costs of employees while engaged in recruiting personnel. Grant

	<p>funds may not be used for a prospective trainee’s travel costs to or from the recipient organization for the purpose of recruitment. However, other costs incurred in connection with recruitment under training programs, such as advertising, may be allocated to a grant-supported project according to the provisions of the applicable cost principles (also see “Travel” and “Relocation Costs” in this exhibit).</p>
Registration Fees	<p>Allowable for attendance at conferences, symposiums, or seminars if necessary to accomplish project or program objectives.</p>
Relocation Costs	<p>Allowable—in other than change of grantee organization situations—when such costs are incurred incidental to a permanent change of duty assignment (for an indefinite period or for a stated period of no less than 12 months) for an existing employee working on a grant-supported project, or when a new employee is recruited for work on the project, provided that the move is for the recipient’s benefit rather than the individual’s and that payment is made according to established organizational policies consistently applied regardless of the source of funds. Relocation costs may include the cost of transporting the employee and his or her family, dependents, and household goods to the new location and certain expenses associated with the sale of the former home. If relocation costs have been incurred in connection with the recruitment of a new employee, whether as a direct cost or an indirect cost, and the employee resigns for reasons within his or her control within 12 months after hire, the recipient must credit the grant account for the full cost of the relocation charged to the grant.</p> <p>When there is a change in the grantee organization, the personal relocation expenses of the PI/PD and others moving to the new recipient are not allowable charges.</p>
Rental or Lease of Facilities and Equipment	<p>Allowable subject to the limitations below. Rental costs are allowable to the extent that the rates are reasonable at the time of the decision to lease in light of such factors as rental costs of comparable property, if any; market conditions in the area; the type, life expectancy, condition, and value of the property leased; and available alternatives. Because of the complexity involved in determining the allowable amount under certain types of leases, recipients are encouraged to consult the GMO before entering into leases that will result in direct charges to an award. In general, the rental costs for facilities and equipment applicable to each budget period should be charged to that period. However, see “Property Management” for an exception to this general rule.</p> <p>Rental costs under leases that create a material equity in the leased property, as defined in the applicable cost principles, are allowable only up to the amount that would be allowed had the recipient purchased the property on the date the lease agreement was executed. This would include depreciation or use allowances, maintenance, taxes, and insurance, but would exclude unallowable costs.</p> <p>When a recipient transfers property to a third party through sale, lease, or otherwise and then leases the property back from that third party, the lease costs that may be charged to an HHS grant generally may not exceed the amount that would be allowed if the recipient continued to own the property.</p> <p>Rental costs under “less-than-arms-length” leases are allowable only up to the amount that would be allowed under the applicable cost principles had title to the property been vested in the recipient. A less-than-arms-length lease is one in which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to, those between divisions of an organization; between organizations under common control through common officers, directors, or members; and between an organization and its directors, trustees, officers, or key employees (or the families of these individuals), directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest.</p>
Research Patient Care	<p>The costs of routine and ancillary services provided by hospitals to individuals, including patients and volunteers, participating in research programs are allowable if included in the NoA or approved as a post-award change as specified in “Prior-Approval Requirements—OPDIV Prior Approval.”</p> <p>“Routine services” include the regular room services, minor medical and surgical supplies, and the use of equipment and facilities for which a separate charge is not customarily made. “Ancillary services” are those special services for which charges customarily are made in addition to routine services, e.g., x-ray, operating room, laboratory, pharmacy, blood bank, and pathology. See “Research Patient Care Costs” for policy concerning reimbursement of these costs.</p> <p>The following otherwise allowable costs are not classified as research patient care costs: items of personal expense reimbursement, such as patient travel; consulting physician fees; and any other direct payments to individuals, including inpatients, outpatients, subjects, volunteers, and donors.</p>

Reserve Funds	Contributions to a reserve fund for self-insurance are allowable as specified in the governing cost principles (also see “Contingency Funds” in this exhibit).
Salaries and Wages	Allowable. Compensation for personal services covers all amounts, including fringe benefits, paid currently or accrued by the organization for employee services rendered to the grant-supported project or program. Compensation costs are allowable to the extent that they are reasonable, conform to the established policy of the organization consistently applied regardless of the source of funds, and reflect no more than the percentage of time actually devoted to the OPDIV-funded project or program. Where restricted by language in the HHS appropriations act, OPDIVs will not reimburse recipients for the direct salaries of individuals at a rate in excess of the level specified. Direct salary is exclusive of fringe benefits and indirect costs. If there is a salary limitation, it does not apply to consultant payments or to contracts for routine goods and services, but it does apply to subrecipients (including consortium participants). Specific considerations are addressed below.
Payroll Distribution	<p>Salary and wage amounts charged to grant-supported projects or programs for personal services must be based on an adequate payroll distribution system that documents such distribution in accordance with generally accepted practices of like organizations. Standards for payroll distribution systems are contained in the applicable cost principles (other than those for for-profit organizations). Briefly summarized, acceptable systems are as follows:</p> <p><i>Hospitals</i></p> <p>Monthly after-the-fact reports of the distribution of time or effort for professional staff members. Time and attendance and payroll distribution records for non-professional employees.</p> <p><i>Non-profit organizations</i></p> <p>Monthly after-the-fact reports, including a signed certification, by the employee, or by a responsible supervisory official having first-hand knowledge of the work performed, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the period covered by the report. Each report must account for the total activity required to fulfill the employee’s obligations to the organization as well as the total activity for which he or she is compensated. For non-professional employees, additional supporting reports, indicating the total number of hours worked each day, must be maintained in conformance with DoL regulations implementing the Fair Labor Standards Act (29 CFR part 516). The distribution of salaries and wages must be supported by personnel activity reports as described above, except when a substitute system has been approved, in writing, by the Federal cognizant agency designated under OMB Circular A-122.</p> <p><i>State, local, and Indian tribal governments</i></p> <p>Time and attendance or equivalent records for all employees. Time distribution records for employees whose compensation is chargeable to more than one grant or other cost objective.</p> <p><i>Non-profit organizations</i></p> <p>Monthly after-the-fact reports, including a signed certification, by the employee, or by a responsible supervisory official having first-hand knowledge of the work performed, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the period covered by the report. Each report must account for the total activity required to fulfill the employee’s obligations to the organization as well as the total activity for which he or she is compensated. For non-professional employees, additional supporting reports, indicating the total number of hours worked each day, must be maintained in conformance with DoL regulations implementing the Fair Labor Standards Act (29 CFR part 516). The distribution of salaries and wages must be supported by personnel activity reports as described above, except when a substitute system has been approved, in writing, by the Federal cognizant agency designated under OMB Circular A-122.</p> <p><i>State, local, and Indian tribal governments</i></p> <p>Time and attendance or equivalent records for all employees. Time distribution records for employees whose compensation is chargeable to more than one grant or other cost objective.</p>



Overtime Premiums	Premiums for overtime generally are allowable; however, such payments are not allowable for faculty members at institutions of higher education. If overtime premiums are allowable, the categories or classifications of employees eligible to receive overtime premiums should be determined according to the formal policies of the organization consistently applied regardless of the source of funds.
Bonuses/ Incentive Payments	Allowable for employees as part of a total compensation package, provided such payments are reasonable and are made according to a formal policy of the recipient that is consistently applied regardless of the source of funds.
Payments for Dual Appointments	For investigators with university and clinical practice plan appointments, compensation from both sources may be considered the base salary if the following criteria are met: Clinical practice compensation must be guaranteed by the university. Clinical practice effort must be shown on the university appointment form and must be paid through the university. Clinical practice effort must be included and accounted for on the university's effort report.
Student Compensation	Tuition remission and other forms of compensation paid as, or in lieu of, wages to students (including fellows and trainees) under research grants are allowable, provided the following conditions are met: <ul style="list-style-type: none"> <li>• The individual is performing activities necessary to the grant.</li> <li>• Tuition remission and other forms of compensation are consistently provided, in accordance with established institutional policy, to students performing similar activities conducted in non-sponsored as well as in sponsored activities.</li> <li>• During the academic period, the student is enrolled in an advanced degree program at a recipient or affiliated institution and the activities of the student in relation to the federally sponsored research project are related to the degree program.</li> <li>• The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work.</li> <li>• It is the institution's practice to similarly compensate students in non-sponsored as well as sponsored activities.</li> </ul> <p>Charges for tuition remission and other forms of compensation paid to students as, or in lieu of, salaries and wages are subject to the reporting requirements in Section J.10 of OMB Circular A-21, or an equivalent method for documenting the individual's effort on the research project. Tuition remission may be charged on an average rate basis.</p> <p>Payments made for educational assistance (e.g., scholarships, fellowships, and student aid costs) are allowable only when the purpose of the grant is to provide training to selected participants and the charge is approved by the OPDIV. These costs are unallowable charges to research grant funds even when they would appear to benefit the research project.</p>
Service Charges	Allowable. The costs to a user of organizational services and central facilities owned by the recipient, such as central laboratory and computer services, are allowable and must be based on organizational fee schedules consistently applied regardless of the source of funds.
Severance Pay	Allowable only to the extent that such payments are required by law, are included in an employer-employee agreement, are part of an established policy effectively constituting an implied agreement on the part of the organization, or meet the circumstances of the particular employment. The amount of severance pay to be provided should be determined according to established organizational policy consistently applied regardless of the source of funds and should be reasonable, taking into consideration the practice of similar types of organizations and the extent of the organization's dependence on federal funds. The applicable cost principles should be consulted regarding the different treatment of severance pay in regular and mass termination situations.
Stipends	Allowable as cost-of-living allowances for trainees and fellows if permitted by a program's statute authorizing or implementing regulations. The specific amounts may be established by policy. Generally, these payments are made according to a pre-established schedule based on the individual's experience and level of training. (See "Traineeships, Fellowships, and Similar Awards Made to Organizations on Behalf of Individuals—Allowable Costs.") A stipend is not a fee-for-service payment and is not subject to the cost accounting requirements of the cost principles. Stipends are not allowable under research grants even when they appear to benefit the research project.

Subawards/ Contracts under Grants	Allowable to carry out a portion of the programmatic effort or for the acquisition of routine goods or services under the grant. Such arrangements may be in the form of consortium agreements or commercial contracts and may require OPDIV approval (see “Prior-Approval Requirements”).
Supplies	Allowable.
Taxes	Allowable. Such costs include taxes that an organization is required to pay as they relate to employment, services, travel, rental, or purchasing for a project. Recipients must avail themselves of any tax exemptions for which activities supported by federal funds may qualify. State sales and use taxes for materials and equipment are allowable only when the State does not grant a refund or exemption on such taxes.
Termination or Suspension Costs	Unallowable except as follows. If a grant is terminated or suspended, the recipient may not incur new obligations after the effective date of the termination or suspension and must cancel as many outstanding obligations as possible. The awarding office will allow full credit to the recipient for the Federal share of otherwise allowable costs if the obligations were properly incurred before suspension or termination—and not in anticipation of it—and, in the case of termination, are not cancelable. The GMO may authorize other costs in, or subsequent to, the notice of termination or suspension. See 45 CFR 74.62(c) and 92.43.
Trailers and Modular Units	<p>Allowable only if considered equipment as provided below. A “trailer” is defined as a portable vehicle built on a chassis that is designed to be hauled from one site to another by a separate means of propulsion and that serves, wherever parked, as a dwelling or place of business. A “modular unit” is a prefabricated portable unit designed to be moved to a site and assembled on a foundation to serve as a dwelling or a place of business. The determination of whether costs to acquire trailers or modular units are allowable charges to HHS grant-supported projects depends on whether such units are classified as real property or equipment. The classification will depend on whether the recipient’s intended use of the property is permanent or temporary.</p> <p>A trailer or modular unit is considered real property when the unit and its installation are designed or planned to be installed permanently at a given location so as to seem fixed to the land as a permanent structure or appurtenance thereto. Units classified as real property may not be charged to an HHS grant-supported project unless authorizing legislation permits construction or acquisition of real property and the specific purchase is approved by the OPDIV.</p> <p>A trailer or modular unit is considered equipment when the unit and its installation are designed or planned to be used at any given location for a limited time only. Units classified as equipment may be charged to HHS grant-supported projects only if the terms and conditions of the award do not prohibit the purchase of equipment and OPDIV prior approval is obtained, as appropriate.</p> <p>A trailer or modular unit properly classified as real property or as equipment at the time of acquisition retains that classification for the life of the item, thereby determining the appropriate accountability requirements under 45 CFR 74.32 or 74.34 or 92.31 or 92.32, as applicable.</p>
Trainee Costs	Allowable if permitted by statute, regulation, or program policy, as defined in the authorizing document, and included in the NoA.
Transportation of Property	Allowable for freight, express, cartage, postage, and other transportation services relating to goods either purchased, in process, or delivered, including instances when equipment or other property is moved from one recipient to another. In a change-of-grantee situation, the cost of transportation may be charged to the grant at either the original or the new organization, depending on the circumstances and the availability of funds in the appropriate active grant account.
Travel Employees	<p>Allowable as a direct cost where such travel will provide direct benefit to the project or program. Consistent with the organization’s established travel policy, costs for employees working on the grant-supported project or program may include associated per diem or subsistence allowances and other travel-related expenses, such as mileage allowances if travel is by personal automobile.</p> <p>Domestic travel is travel performed within the recipient’s own country. For U.S. and Canadian recipients, it includes travel within and between any of the 50 States of the United States and its possessions and territories and also travel between the United States and Canada and within Canada. Foreign travel is defined as any travel outside of Canada and the United States and its territories and possessions. However, for an organization located outside Canada and the United States and its territories and possessions, foreign travel means travel outside that country.</p>

	<p>In all cases, travel costs are limited to those allowed by formal organizational policy; in the case of air travel, the lowest reasonable commercial airfares must be used. For-profit recipients' allowable travel costs may not exceed those established by the FTR, issued by GSA, including the maximum per diem and subsistence rates prescribed in those regulations. This information is available at <a href="http://www.gsa.gov">http://www.gsa.gov</a>. If a recipient organization has no formal travel policy, those regulations will be used to determine the amount that may be charged for travel costs.</p> <p>Recipients are strongly encouraged to take advantage of discount fares for airline travel through advance purchase of tickets if travel schedules can be planned in advance (such as for national meetings and other scheduled events).</p> <p>Recipients must comply with the requirement that U.S. flag air carriers be used by domestic recipients to the maximum extent possible when commercial air transportation is the means of travel between the United States and a foreign country or between foreign countries. This requirement must not be influenced by factors of cost, convenience, or personal travel preference. The cost of travel under a ticket issued by a U.S. flag air carrier that leases space on a foreign air carrier under a code-sharing agreement is allowable if the purchase is in accordance with GSA regulations on U.S. flag air carriers and code shares (see <a href="http://www.gsa.gov">http://www.gsa.gov</a>). (A code-sharing agreement is an arrangement between a U.S. flag carrier and a foreign air carrier in which the U.S. flag carrier provides passenger service on the foreign air carrier's regularly scheduled commercial flights.)</p>
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