
Learner Manual – Module 7 Accounting Policies and Procedures

TRIBAL, U.S. TERRITORIES AND INSULAR AREAS ADMINISTRATIVE AND FINANCIAL GUIDANCE MANUAL FOR ASSISTANCE AGREEMENTS

*“A Nation is a stable, historically developed community of people
who share territory, economic life, distinctive culture, and language.”*

Office of Environmental Justice, U.S. EPA

U.S. Environmental Protection Agency
Updated August 2013



This manual was originally developed by the U.S. Environmental Protection Agency for Tribal Nations, but content also pertains to U.S. Territories and Insular Areas. Exception: U.S. Territories and Insular Areas are treated as states under Part 31 (and also under Part 35, Subpart A for PPGs, unlike Tribes that are covered under Subpart B).

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Module 7: Accounting Policies and Procedures

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Tribal, U.S. Territories and Insular Areas Administrative and Financial Guidance for Assistance Agreements

Module 7:
Accounting Policies and Procedures

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- Are able to prepare and keep accurate and timely assistance agreement records and files
- Are able to produce financial reports that can be compared with the award work plan and the budget

The Tribal Nation is ultimately held accountable for any discrepancies, *not* the accountants.

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The Grants Management Process

• Module 9: Disadvantaged Business Enterprise (DBEs)
• Module 10: Assistance Agreement Monitoring and Closeout

• Module 1: The Grant Application Process
• Module 2: Assistance Agreements
• Module 3: Federal Funding Accountability and Transparency Act (FFATA)

• Module 6: Financial System Requirements
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What is Accounting?

Accounting is the recording of financial data for all receipts, expenditures, assets, liabilities and net worth for the entire Tribal Nation and includes analysis and measurement of this information.

- Accounting information is reported to decision makers.

Keep separate records for each federal assistance agreement award.

- Records must be separated by funding source.

Accounting Requirements

What is accounting?

Accounting is the recording of financial data for all receipts, expenditures, assets, liabilities and net worth for the entire Tribal Nation and includes analysis and measurement of this information.

The Tribal Nation’s accounting department must keep separate records for each federal assistance agreement award. Records must be separated by funding source, such as the Environmental Protection Agency, Bureau of Indian Affairs, Indian Health Service, and United States Department of Agriculture. The Tribal Nation’s accounting records must be accurate, current, and complete.

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Accounting Personnel

Auditor
Grants Manager
Office Manager
Accountant
Accounts Manager

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Whom does the Tribal Nation need to employ?

For any Tribal Nation to be able to provide accurate, current, and complete disclosure of finances under federal awards, Tribal Nations have personnel who:

- Have experience in accounting and/or an accounting education
- Have education or experience with federal assistance agreements and award requirements

Accounting Procedures Manual



•The organization's Accounting Procedures Manual must describe in writing the accounting policies and procedures for all its operations including federally-issued awards.

•Be sure to provide training to your program staff.

•Review the manual and determine the strengths, limitations and inconsistencies.

If you have an established policy or procedure, auditors and EPA expect you to follow it!

Do we need an accounting manual?

The Tribal Nation must have an accounting manual. This manual should describe in writing the Tribal Nation's accounting policies and procedures for all its operations including federally-issued awards. For example, a general financial policy might read:

The following policies and procedures provide a framework and structure as to how the Tribal Nation's financial accounting system will be managed and operated. The objective of this system is to provide management with reasonable but not absolute assurances that assets are safeguarded against loss from unauthorized use or disposition; that the Tribal Nation is managing its state and federal programs in compliance with laws and regulations; transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The system will also provide management and the Tribal Council the data necessary to maximize the beneficial use of financial resources available.

Accounting Policies and Procedures



- Internal Controls
- Documentation
- Budget Controls
- Cost Principles
- Cash Management

What must be addressed in accounting policies and procedures?

Authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income must be documented within a Tribal Nation's accounting system.

Accounting policies and procedures must address:

- Internal Controls
- Documentation
- Budget Controls
- Cost Principles
- Cash Management

Internal Controls

Internal Controls:

- Establish policy for effective communication and transition consistency
- Write a manual
- Develop procedures for review and monitoring



Internal Controls

What should an internal control policy include?

Internal control policies should be written for all financial functions performed by and for the Tribal Nation.

For example, a general policy statement controlling internal communications might read:

Policy

To promote a professional working environment for staff and the Tribal

Council, it is the policy of the Tribal Nation to maintain and respect proper “chain-of-command” in terms of staff to staff and staff to Tribal Council communications.

A general procedure statement for controlling internal communications might read:

Procedure

This means that all direct communications with the Tribal Council should generally be made by staff through the General Manager (GM), Chief of Staff, or Administrator.

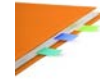
The exception to this may be those communications between the Financial Officer (FO) and the Tribal Council Chair, Chief, Governor, or the Tribal Council as a whole sitting in an official meeting, where the FO has been delegated certain duties and responsibilities that require such direct communications, or where the Tribal Council has asked to speak with, or receive reports from other particular staff at official meetings.

Individual Tribal Council members other than the Chair, Chief, or Governor should refrain from direct communications with staff. Where the Tribal Council members other than the Chair, Chief, or Governor has a need to communicate to staff directly such communications should be made through the General Manager, Chief of Staff, or Administrator where possible, or where not possible or practical, the General Manager or Chief of Staff should be informed of such communications after the fact. This policy is intended to apply to substantive, business related communications and not merely incidental conversations or communications on a personal level.

Internal controls ensure consistency, continuity during transitions, and training of new staff. These benefits to the system are known as “desk procedures”.

Accounting Principles

- Generally Accepted Accounting Principles (GAAP)
- The Government Accounting Standards Board (GASB)



All recipients of federal funds must follow GAAP guidelines

Are we required to follow Generally Accepted Accounting Principles (GAAP)?

All recipients of federal funds must follow GAAP guidelines. Good internal controls assure that reliable accounting data is generated and is consistent with applicable federal laws and regulations (GAAP) as well as Tribal Nation policies and procedures. Good internal controls also safeguard assets against theft and unauthorized use, acquisition, or disposal.

Find out more about Generally Accepted Accounting Principles (GAAP) at <http://www.fasab.gov/accepted.html>.

The **Government Accounting Standards Board (GASB)** is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. Find out more at <http://www.gasb.org/>.

Oversight Measures

- Establish policies and procedures.
- Conduct frequent and continuous review and monitoring.
- Make an integral part of the internal control structure.
- Internal controls:
 - help Tribal Nations make comparisons to actual recorded amounts of a project, and
 - determine any deviations and issues that need to be addressed.

What oversight measures does EPA require?

Tribal Nations need policies and procedures for reviewing and monitoring project budgets and rectifying deviations that may occur. Frequent and continuous review and monitoring of all project budgets must be an integral part of the Tribal Nation’s internal control structure. Internal controls

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help Tribal Nations make comparisons to actual recorded amounts of a project and determine any deviations and issues that need to be addressed to fix problems. For example:

The contracted Certified Public Accountant (CPA) reviews the monthly financial statements from a working disk sent from the Tribal Nation by the Finance Officer. Appropriate month end journal entries are then prepared and faxed to the Finance Officer for entry. Ideally this is completed prior to the monthly Tribal Council meeting.

Internal Control Measure	Who	When
Communication	Accounting Team	Daily
Meeting	Financial and Accounting Team	Every other week
Meeting	All project team members	Monthly
Communication	EPA regional office	Monthly



Documentation

- Determine what needs to be documented.
- Make sure reports are accurate.
- Use disadvantaged business enterprises (DBEs).
- Documentation examples:
 - Cancelled checks
 - Invoices
 - Purchase orders
 - Receiving reports
 - Time and attendance records
 - Contract and subcontract award documents

Documentation

What needs to be documented?

Source documents are critical components of “allowable” costs under federal assistance agreements for both federal and required nonfederal match, if applicable. Tribal Nations are required to keep accurate source documents for each grant (receipts). If a Tribal Nation cannot provide these source documents, costs based on those documents may be deemed “unallowable”.

You need to provide records that adequately identify where the funds come from and how they are spent (balance sheets). Record the source and application of all federally-funded activities, such

as authorizations, obligations, unliquidated obligations, assets, outlays, income, and interest. These records must be supported by documents, such as:

- Cancelled checks
- Invoices
- Purchase orders
- Receiving reports
- Time and attendance records
- Contract and subcontract award documents

Not maintaining adequate records increases a Tribal Nation’s risk level. Mismanaged accounting may open the Tribal Nation to accusations of fraud and may prevent them from receiving future awards. They may even have to pay back funds that were transferred but not documented.




Report Accuracy

- Reports need to provide:
 - accurate,
 - current, and
 - complete
- disclosure of any and all financial transactions.

How accurate must the reports be?

Reports need to provide accurate, current, and complete disclosure of any and all financial transactions of each federally-funded project or program. Providing accurate, current, and complete disclosure of the financial transactions of federally-funded projects or programs assures management and the funding agency that assets are being properly controlled and the Tribal Nation has the necessary administrative capabilities to properly manage the federal funds awarded.



Disadvantaged Business Enterprises

- When Tribal Nations receive federal funds, they agree to:
 - Try to contract for supplies and services with disadvantaged firms whenever possible
 - Report use of DBEs to EPA on an annual basis

...more in Module 9...

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Does this include Disadvantaged Business Enterprises (DBEs)?

A Disadvantaged Business Enterprise (DBE) includes Minority Business Enterprises and Women Business Enterprises (MBE/WBE).

When Tribal Nations receive federal funds, they agree to try to contract for supplies and services with disadvantaged firms whenever possible. Recipients follow basic steps outlined in the DBE instructions.

Table 1: Sample Balance Sheet

Balance Sheet Summary	
December 31, 2011	
ASSETS	
Current Assets	
Bank Checking/Savings	50,000.00
Accounts Receivable	<u>40,000.00</u>
Total Current Assets	<u>90,000.00</u>
TOTAL ASSETS	<u>90,000.00</u>
LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	3,500.00
Salaries Payable	3,000.00
Salary Benefits Payable	600.00
Deferred Revenue	<u>1,000.00</u>
Total Current Liabilities	<u>8,100.00</u>
Equity	81,900.00
TOTAL LIABILITIES & EQUITY	<u>90,000.00</u>

Tribal Nations should have written policies and procedures about contracting with DBEs and tracking this activity in order to report it to EPA on an annual basis. If a disadvantaged business enterprise is not available or acceptable, the Tribal Nation may contract with or assign subawards to other businesses.

Disadvantaged Business Enterprise (DBE) (formerly addressed as MBE/WBE) instructions are provided in the **Appendix** and available online at http://www.epa.gov/osbp/dbe_team.htm.

Module 9 explains the DBE requirements in greater detail.



Budget Controls



- Make sure reports accurately reflect project expenses.
- Equipment must be maintained in good working order through the entire award period.
- Actual expenditures or outlays must be compared with budgeted amounts for each award or subaward monthly, quarterly and yearly.

Budget Controls

Why do we need to have budget controls?
Budget controls are necessary to avoid excess expenditures. Budget control is critical so that Tribal Nations know the financial status of a project when comparing budgeted line items with

funds expended. Actual expenditures or outlays must be compared with budgeted amounts for each award or subaward*.

For example, the award usually includes budgeted costs for personnel, travel, equipment, supplies, and contracts. Tribal Nations include these line items in their fund accounts. The system shows the budgeted and actual costs incurred for each line item in each account.

*Some agreements may include a condition requiring prior EPA approval for revised budgets. In accordance with 40 CFR 31.30, it is usually acceptable to move funds from one budgeted object class category to another, when the amount is under ten percent of the total budget (10% cumulative over the life of the grant).

Table 2: Sample Budgeted and Actual Costs

Line Item	Budgeted	Actual Costs
Personnel		
Name 50% of 50,000		25,000
Name 25% of 40,000		20,000
Total Personnel		<u>45,000</u>
Fringe Benefits		
20% of Personnel Costs		9,000
Total Fringe Benefits		<u>9,000</u>
Travel		
Conference A		
150 per diem x 3 days		450
Airline		500
Total Travel		<u>950</u>
Supplies		
Office – 20 per month x 12 months		240
Project –(name or itemize supplies)		300
Total Supplies		<u>540</u>
Other		
Printing		250
Total Other		<u>250</u>
Total Direct Costs		<u>55,740</u>
Indirect Costs @ 8% of direct		<u>4,559</u>
Total Costs		<u>60,299</u>

Moving Funds

Movement of less than 10% of the total EPA project budget over the life of the grant from one object class category to another is usually acceptable.

Ask the Project Officer
Document the Movement

<10%

For each award, a separate cost center or “fund” must be maintained in the Tribal Nation’s accounting system. This “fund” cannot include more than one award. A policy statement might read:

It is the policy of the Tribal Nation to expend program and service funding only upon securing Council approved budgets, and within approved budget limitation. Deficit spending is strongly discouraged. Grant and contract expenses may not be incurred until an official award has been made and the funds either received, or an alternate source of reimbursable funding has been approved by the Council.

Question

Your Tribal Nation has received two assistance agreement awards this year. The first award only has enough money to complete the first two of seven project objectives. The second award came with enough money to complete all of its objectives and still have funds left over.

Can you use money from the second award to complete the objectives remaining in the first award’s project plan?

Select your answer.

- A. Yes
- B. No
- C. It depends on how much money is involved
- D. It depends on whether you are using award funds or income generated by activities conducted under the second award project
- E. None of the above



Internal Controls and Accountability

- Real and personal property must be:
 - Safeguarded
 - Used solely for authorized purposes

Check the award "terms and conditions" for details.

Which accounting activities need internal controls?

Effective internal controls and accountability must be maintained for all assets including cash and real and personal property. Tribal Nations and subgrantees must adequately safeguard all such assets and must also assure they are used solely for authorized purposes.

Real Property

All real property purchased under the award must be used for the project's originally authorized purpose. The Tribal Nation cannot dispose of or assign title to other interests until close-out of a project.

For instance, real property purchased under an award should not be used to secure a loan from a bank. This is described under 40 CFR 31.31 in the [Appendix](#).



Internal Controls and Accountability (continued)

- Equipment must be:
 - Numbered
 - Inventoried
 - Appraised at market value

Check the award "terms and conditions" for details.

Equipment

Equipment purchased under the award is only to be used by the recipient in the program or project for which it was acquired, or as long as it is needed, whether or not the project or program continues to be supported by federal funds. **Negotiate disbursement with the original plan.**

When equipment is no longer needed for the original project, it may be used in other activities, currently or previously supported by a federal agency. Check the "terms and conditions" of the award for your negotiated arrangement.

Typically, items of equipment with a current fair market value of less than \$5,000 may be retained, sold, or disposed-of with no further obligation to the awarding agency. If the fair market value is in excess of the \$5,000 the awarding agency shall have a right to an amount of the agency's share of the value of the equipment. This rule is described under 40 CFR 31.32 in the [Appendix](#).

For equipment purchased under the award, property records must be maintained. These records need to include:

- A description of the property, including the serial number or other identifying number:
 - Tagged
 - Bar coded
 - Inventoried
- The award for which the equipment was purchased
- A description of the entity who is holding the title
- The date the equipment was acquired
- The cost of the equipment, including the:
- Percentage of the federal funds used to purchase the equipment
- Location of the equipment
- Use and condition of the equipment
- The date the equipment was disposed of, or sold, and the amount of the selling price
- A reconciliation of inventory and property records every two years

For example, an internal control policy for equipment might read:

Responsibility for maintaining an inventory control system shall rest with the Accounting Department. The inventory control system will enable the Tribal Nation to verify actual physical inventories against book inventories. As part of this system, all the Tribal Nation's equipment, furniture, and hard supplies with an expected life span of one (1) year or more shall be labeled and recorded in the inventory system. A complete organizational inventory shall be conducted at least annually, the results of which shall be reconciled to the property records.

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Safeguards

- Prevent:
 - Loss
 - Damage
 - Theft of property



Equipment must be maintained in good working order through the entire award period.

Furthermore, a control procedure must be established to ensure there are adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated by the Tribal Nation and/or local police departments. **Report loss of equipment to EPA immediately.** Inventory equipment on a regular basis, preferably every year, or every two years at a minimum. Property that is liable to disappear (be lost or stolen) is considered “pilferable,” like supplies. Keep your supply cabinets locked and the keys in a secure location.

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Expenditures

- Timely and accurate “budget versus expenditure” reports are:
 - Often the basis for program decisions
 - The source of information for Standard Form 425, Federal Financial Reports
 - Related to performance or productivity

Which expenditures do we report?

Tribal Nations must report and provide for comparison of outlays or grant project expenditures, with budget amounts for each project/award. Timely and accurate “budget versus expenditure” reports prepared by the Tribal Nation’s finance staff are often the basis for program decisions. They are the source of information for Standard Form 425, Federal Financial Reports (FFRs) submitted to the Las Vegas Finance Center (LVFC).

Only financial status information is required by EPA. Recipients are no longer required to submit Federal Cash Transaction information, formerly reported on the SF 272 (now lines 10a through 10c on the FFR). Therefore, all fields on the FFR need to be filled out except for 10a, 10b, and 10c.

EPA often asks that financial information be related to performance or productivity information. The financial department should ask the department that is responsible for a specific project to provide this information at the time that it is requesting to expend funds. Some environmental programs require each cost to match an objective in the work plan. Financial information must be monitored and included in the records.


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Question

Your Tribal Nation purchased a solar-powered, water-pumping system for \$5775 last year with award funds. The award period has expired and the project has been closed out.

What happens to the system now, if the equipment is still needed for the project for which it was acquired?




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Select your answer.

- A. The Tribal Nation pays EPA the market value at the time of close-out for the used system.
- B. The system must be shut down; the project is over.
- C. You keep the system only as long as you assign operating costs to another federally funded project.
- D. Assuming it’s paid for, you keep the system and continue to use the system for the project for which it was acquired.
- E. All of the above are possible.



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Cost Principles



Written policies and procedures are necessary to ensure that costs are reasonable, allocable, and allowable.

Cost Principles

Reasonable, Allocable, and Allowable Costs

Clearly define in writing policies and procedures that ensure alignment with federal cost principles.



Cost Principles (continued)

- Document expenditures.
- Differentiate direct costs from indirect costs.
- Monitor allowable costs for use within the specified time period.
- Conduct internal annual audits.

Why do we need to have written policies and procedures?

Written policies and procedures are necessary to ensure that costs are reasonable, allocable, and allowable. OMB Circular A-87 and EPA “terms and conditions” require all costs (including cost share or matching costs) claimed under an award to be reasonable, allocable, and allowable.



Unallowable Costs

EPA Grant	Other Grant	Personnel Compensation
<ul style="list-style-type: none"> • Direct Costs • Office Manager 	<ul style="list-style-type: none"> • Indirect Costs • Office Manager 	<ul style="list-style-type: none"> • Liquor • Entertainment • Lobbying

Costs must be given consistent treatment.

Unallowable

Unallowable costs are personnel compensations rather than costs needed to fulfill the terms of the award. Claims developed under approved cost allocation plans will be based on allowable costs as identified in OMB Circular A-87. Where unallowable costs have been claimed and reimbursed, they will be refunded to the program that reimbursed the unallowable cost using one of the following methods:

- cash refund
- offset to a subsequent claim
- credits to the amounts charged to individual awards

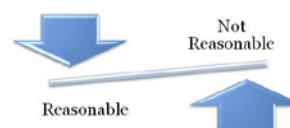
Unallowable costs include liquor, entertainment, contributions and donations, costs related to criminal or civil proceedings, lobbying, items for personal use, and contingencies except for self-insurance reserves, pension plan reserves, and post-retirement health, and other benefit reserves. The cost of governing, fundraising, pre-award costs, investment management, idle facilities, advertising, interest, and bad debts, fines, and penalties have many restrictions.

Also, costs may not be assigned as direct costs if any other cost incurred for the same purpose in like circumstances has been allocated to an award as an indirect cost. Supplanting and cost-shifting are unallowable practices.



Reasonable Costs

A cost is reasonable if it does not exceed what a prudent person would pay, under the circumstances prevailing at the time the decision was made to incur the cost.



Reasonable

A cost is reasonable if it does not exceed what a prudent person would pay, under the circumstances prevailing at the time the decision was made to incur the cost. In other words, the most expensive item should not be purchased or used unless there are other compelling reasons (such as it is more accurate, reliable, or manufactured to be integrated as part of a system) when an item of equivalent quality is available at lower costs. If the same item can do the job just as well as a more expensive item, the less expensive item should be purchased.

Use good judgment. Document decisions!

Table 3: Sample Budget versus Expenditures Report

BUDGET VS. ACTUAL			
December 31, 2011			
	Budget	Actual	Remaining
Income			
Income	45,000.00	40,000.00	5,000.00
Total Income	<u>45,000.00</u>	<u>40,000.00</u>	<u>5,000.00</u>
Expense			
Personnel	22,000.00	20,500.00	1,500.00
Fringe Benefits	3,700.00	3,500.00	200.00
Travel	7,000.00	5,000.00	2,000.00
Equipment	5,000.00	4,800.00	200.00
Supplies	1,200.00	1,200.00	0.00
Contractual	600.00	400.00	200.00
Construction	900.00	800.00	100.00
Other	1,900.00	1,300.00	200.00
Indirect	<u>2,700.00</u>	<u>2,500.00</u>	<u>200.00</u>
Total Expense	<u>45,000.00</u>	<u>40,000.00</u>	<u>5,000.00</u>
Net Income	<u>00.00</u>	<u>00.00</u>	<u>00.00</u>

Allowable Costs

For costs to be allowable, they must:

- Be in accordance with the grant agreement
- Comply with cost principles in OMB Circular A-87 including Attachment A and B
- Adhere to Generally Accepted Accounting Principles (GAAP)
- Include all applicable credits
- Be completely documented

Allowable

Tests of allowability require that the cost:

- Conform to any limitations or exclusions set forth in the Cost Principles found in OMB Circular A-87 or in the “terms and conditions” of the federal award, or other Tribal regulations.
- Be consistent with policies, procedures, and regulations that apply uniformly to both federal awards and other Tribal government units.
- Be given consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost, for the same purpose within the Tribal Nation, under like circumstances, has been allocated as an indirect cost.

- Be determined in accordance with generally accepted accounting principles (GAAP), except as otherwise provided for in OMB Circular A-87.
- Include all applicable credits, such as discounts given by an equipment manufacturer.
- Be adequately documented.
- Moving funds from one budget category to another within a single grant is usually acceptable if the total movement over the life of the grant does not exceed ten percent (10%) of the total project budget.

Allocable Costs

A cost is allocable to a specific cost objective in an award if the goods or services purchased are required and budgeted for that project.



In the budget



Required for the project

Allocable

A cost is allocable to a specific cost objective in an award if the goods or services purchased are required and budgeted for that project.

Allocation methodologies are the ways in which a Tribal Nation determines which costs to assign to which objective. Allocation methodologies for costs, such as space rental, must be in writing and revised as they change. Allocation methodologies must be adequately documented in a Tribal Nation’s policies and procedures.



Cost Shifting is *not* Allowed

EPA Grant		GGP Grant	
Supplies Budget	\$5,000	Supplies Budget	\$15,000
\$1,500 ea. x 4 computers =	\$6,000	\$1,500 ea. x 2 computers =	\$3,000
2 personnel use computers		4 personnel use computers	
\$1,500 x 2 computers =	\$3,000	\$1,500 x 4 computers =	\$6,000
Allocable	\$3,000	Allocable	\$6,000
Not allocable	\$3,000	Not allocable	\$0
Need	\$3,000	Balance Remaining	\$3,000



Under the principles of OMB Circular A-87, Attachment A, any cost allocable to a specific EPA award may not be charged to other federal awards. Using the same charges on different awards is prohibited practice and is unallowable. Such a practice constitutes unallowable cost shifting*.

For instance, cost overruns under an award that has no more funds available may not be charged to another award or placed in indirect cost pools. The cost overrun would have to be funded by unrestricted Tribal funds.

Just because an expense is allowable under the OMB cost principles does not mean they are allocable to the grant award.

For example, you purchase four computers. They are charged to the budget under the supply line, which is an allowable cost. Only two employees are supporting the grant. Costs for the two additional computers are not allowable, because they are not allocable to the grant.

*Cost shifting between budgets for different grants is not allowed unless negotiated with EPA.

Allocability is about justification. The project manager is responsible for oversight and keeping cost allocations accurate. If the project needs it, then document – justify those reasons in writing.



Document Expenditures



How should we document expenditures?

Expenses to programs must be properly documented, which includes justification that the expense is allowable. The following check list may be attached to purchase orders or check requests to explain why the purchase was made. Auditors and regulators look for the justification.



Learner Notes

Learner Notes

Activity 7.a (online at www.petetribal.org) provides you with the opportunity to practice identifying which costs are allowable and which costs are not.

Novices: If you are new to EPA assistance agreement awards, try the Allowable Costs activity.

Possible categories for Allowable Costs include:

- Administrative systems
- Policies and procedures

Experts: If you are already familiar with accounting principles, try something a little more challenging. Play “Stump the System”.

Management Fees or Similar Charges

Are expenses added to direct costs in order to accumulate and reserve funds for ongoing business expenses, unforeseen liabilities, or other similar costs (otherwise known as a slush fund or petty cash).

Management Fees

According to the regulations stated in Functional Requirements Letter (FRL) 8569-3, the term “management fees or similar charges” is not allowable under EPA assistance agreements. The term “management fees or similar charges” refers to expenses added to direct costs in order to accumulate and reserve funds for ongoing business expenses, unforeseen liabilities, or other similar costs (otherwise known as a slush fund or petty cash).

EPA has decided that the public’s interest is best served by ensuring that EPA financial assistance is used only to pay for costs that are allocable and necessary for the performance of the specific project. EPA will not allow recipients of EPA awards to charge management fees to their agreements unless the management services are devoted entirely to a single EPA-funded project. Management fees or similar charges may not be used to improve or expand the capacity of organizations carrying out EPA funded projects, except to the extent authorized by the terms of the agreement as a direct cost of carrying out the scope of work.

Complete language for FRL-8569-3 is provided in the [Appendix](#).

Direct versus Indirect Costs

- Develop a Cost Policy Statement for classifying costs as direct or indirect.
 - Direct costs can be readily assigned to a particular project.
 - Indirect costs are those that cannot be readily assigned to a particular project.

Direct vs. Indirect Costs

OMB Circular A-87 makes clear that for classifying costs under every accounting system as direct or indirect, there is no universal rule. For this reason, it is very important for a Tribal Nation to develop a Cost Policy Statement for classifying costs as direct or indirect.

For example, an indirect cost policy statement might read:

It shall be the responsibility of the Finance Officer, working in consultation with the General Manager, to monitor indirect cost recoveries and to ensure that indirect (i.e., central administrative) costs are fully recovered in each fiscal year. All federal, state, private, and tribal sources of funding shall be required to contribute the required prorated share of costs per the federally negotiated indirect cost rate. No agreement for any grant, contract or other funding source that becomes available to the Tribal Nation but which does not allow for the full recovery of indirect shall be entered into or accepted by the Tribal Nation until a source of any projected indirect shortfall has clearly been identified and obligated.

Within the limits of any budgetary authority established by the Tribal Council, the Finance Officer shall propose, and the General Manager approve such reprogramming or budget modifications as may be necessary to accomplish this objective.

Module 7: Accounting Policies and Procedures

Table 4: Sample Checklist

<ul style="list-style-type: none"><input type="checkbox"/> Reasonable: Is the use of program dollars reasonable?<input type="checkbox"/> Necessary: Is it necessary in performing the requirements of the program?<input type="checkbox"/> Allowable: Is the use of program dollars allowable?<input type="checkbox"/> Is it within the scope of the program project as proposed to EPA?<input type="checkbox"/> Is the purchase allowable under OMB A-87, Attachment A?<input type="checkbox"/> Clear business purpose: Is there a clear business purpose? It is evident to a third party that the purchase is not for personal use.<input type="checkbox"/> Budgeted: Is the purchase properly budgeted for?<input type="checkbox"/> Funding available: Is there funding still available in the budget? If a budget revision needs to be done in accordance with the program regulations, the Project Officer has been contacted.<input type="checkbox"/> Coded: Is the purchase order or check request properly coded with the correct fund, program, year, and account codes?<input type="checkbox"/> Approved: Has the purchase order or check request been properly approved by supervisors?<input type="checkbox"/> Conflict of interest: Do any of the supervisors have a conflict of interest in making this purchase? Do any of the supervisors have a personal relationship or stand to gain personally by making this purchase?<input type="checkbox"/> Processed within deadlines: Have you followed policy and allowed enough time for the paperwork to be processed within established deadlines?<input type="checkbox"/> Policy followed: Each check request and purchase order must be documented to stand on its own as to what, where, why, when, and how the funding was used.<input type="checkbox"/> Documented: If you do not think it would be clear to an outside third party, such as an auditor, then please take a moment and document the reasons for the purchase. Remember, at the end of the year or two years from now, you might not be here to explain the purchase.<input type="checkbox"/> Comfortable: Would you be comfortable with making this purchase if it was reported on the front page of the daily newspaper with photos of you?
--

Developing a Cost Policy Statement will greatly reduce, but not necessarily eliminate, any future disagreements over the allowability of costs, whether they are direct or indirect.

The basic difference between direct and indirect cost is how easily a cost can be identified and assigned with a high degree of accuracy to a particular project.

- Direct costs can be readily assigned to a particular project.
- Indirect costs are those that cannot be readily assigned to a particular project.

Regulations permit minor direct cost items to be treated as indirect costs for practicality, as long as all such items receive consistent treatment.

Discussion

Discussion

- Does your organization have a written cost policy statement?
- If so, does it comply with 2 CFR Part 225, OMB Circular A-87 regulations?
- Which expenses are categorized as direct costs?
- Which expenses are categorized as indirect costs?

Direct Costs

Examples of direct costs include:

- Personnel
- Supplies
- Equipment
- Travel

Only when directly involved in or needed to meet the award project objectives.

Direct Costs

Direct costs are costs that can be identified specifically for accomplishing the work under the award. Examples of direct costs include:

- Compensation of employees for the time devoted to the performance of the award
- Cost of materials acquired, consumed, or expended specifically for the purpose of the award
- Equipment used specifically to perform the work under the award
- Travel expenses incurred specifically to carry out the award

Which project expenses are *not* usually categorized as direct costs?

- A. Environmental impact measuring devices
- B. Water, power, and communication bills (Unless used for a dedicated project funded facility)
- C. Employee compensation
- D. Travel to work sites
- E. All of the above



Indirect Costs

- Indirect costs are:
 - Not readily identifiable with a particular project or program
 - Necessary to success of the award project
- An indirect cost rate is:
 - Negotiated in advance of the assistance agreement
 - You can only charge indirect costs if you have an approved indirect cost rate.
 - Applied consistently to all grant programs

Indirect Costs

Indirect costs are negotiated in advance. Indirect costs are the costs incurred by a Tribal Nation that are not readily identifiable with a particular project or program but are nevertheless necessary to the Tribal Nation's operation and the performance of its programs.

Indirect costs are paid out of the total grant amount; it is not a separate financial responsibility.

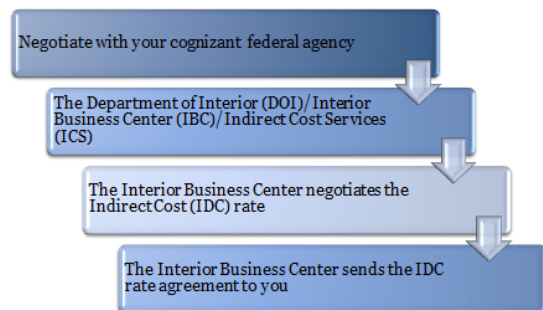
Types of costs that are usually treated as indirect costs include:

- Operating and maintaining facilities
- Electricity
- Rent
- Phone service
- Depreciation
- Administrative salaries
- Secretary for travel

In theory, all such costs might be charged directly. When it is not practical to charge them directly, costs are grouped into a common pool and distributed to the organization's programs through a cost allocation process.

An indirect cost rate is applied to each assistance agreement award. Assistance agreements are charged for an item directly or indirectly, but not through both methods. Charging with both methods is called double charging and is not allowed.

Indirect Cost (IDC) Rate



Indirect costs rates for Tribal Nations may be negotiated with their cognizant federal agency. The cognizant federal agency for all recognized Indian tribal governments is the U.S. Department of the Interior. The Interior Business Center (IBC;

formerly the National Business Center) approves the indirect cost rate (IDC). An indirect cost rate proposal should be submitted to IBC annually.

A Tribal Nation should work closely with the Interior Business Center to achieve an equitable rate and keep that rate current. This helps the Tribal Nation maintain a current overhead rate and avoid closeout delays.

For example, an indirect cost rate policy statement might read:

It shall be the policy of the Tribal Nation to submit its annual indirect cost proposal in a timely manner, with submission no later than sixty (60) days after the publication of the annual single audit for each calendar year, or July, whichever shall occur first. Preparation of the proposal shall be considered to be a priority task for both the General Manager and the Finance Officer. Outside technical assistance may be retained by the General Manager as necessary to complete the proposal.

OMB Circular A-87 states:

A Tribal Nation that does not have a previously established indirect cost rate must submit their indirect cost rate proposal to the Interior Business Center, if they want to use an indirect cost or overhead rate on any federal assistance agreement award.

The Tribal Nation will receive an indirect cost rate (IDC rate) agreement from the Interior Business Center stating the negotiated rate along with applicable "terms and conditions".

How do we contact the Interior Business Center?

Interior Business Center
Indirect Cost Services
2180 Harvard Street, Suite 430
Sacramento, CA 95815

**Do it now, before you forget...
Add the Interior Business Center (IBC) contact information to your Contact List.
The Contact Information with Tracking Document is provided in the Appendix.**

Which project expenses are *not* usually categorized as indirect costs?

- A. Payments on office and warehouse space
- B. Maintenance staff
- C. The Tribal Council receptionist's salary and benefits
- D. Travel to a conference for the grant project
- E. All of the above



Learner Notes

Learner Notes

Activity 7.b (online at www.petetribal.org) will help you learn to differentiate between direct and indirect costs. Practice comparing budget line items to the work plan in **Activity 7.b**.



Make Every Penny Count

EPA headquarters and regional offices pay awards through the EPA Las Vegas Finance Center (LVFC).

- Submit financial reports to the LVFC.

If you have an EPA Regional Assistance Agreement, follow the process detailed by the Grants Management Official.

Financial Management Process

How does the financial management process work?

Financial system components used by a Tribal Nation for EPA awards should consider the following:

- Reimbursement from EPA for projected work or work performed under an award.
- The majority of funds paid to a Tribal Nation are received by Electronic Funds Transfer (EFT).
- Recipients can drawdown as many times as they need in order to meet their immediate cash needs.
- Most grantees drawdown funds on a monthly basis. It is easier to match one month's expenses with the corresponding revenues. It also helps to monitor actual versus budget in a timely manner.

EPA headquarters and regional offices pay awards through the EPA Las Vegas Finance Center (LVFC). Submit your financial reports for reimbursement to the LVFC. If a Tribal Nation has an EPA Regional Assistance Agreement, the Tribal Nation will follow the process detailed by the Grants Management Official of that EPA regional office.

**Drawdown when expenses are incurred.
Don't wait!
The money flows both ways;
If you draw down more than you need,
send the excess back.**

What does the Las Vegas Finance Center do?

The Las Vegas Finance Center (LVFC) manages the payment process function:

- Collects SF 3881 Forms from recipients
- Inputs banking data into the finance system allowing recipients to drawdown funds
- Enrolls recipients in the Treasury's Automated Standard Application for Payment (ASAP) system
- Loads grant funds into ASAP as awards/amendments are affirmed
- Processes payment requests and informs recipients of errors/rejections
- Collects SF 425 Federal Financial Reports
- Collects and processes final SF 425 Federal Financial Report for financial closeout of grants

For more information about LVFC, visit their website at

<http://www.epa.gov/ocfo/finservices/payinfo.htm>.

Financial Management Process

There are two methods for managing the financial process with EPA.

1. Automated Standard Application for Payments (ASAP)
2. Electronic Funds Transfer (EFT)

There are two methods for managing the financial process with EPA.

1. Automated Standard Application for Payments (ASAP)
2. Electronic Funds Transfer (EFT)

Las Vegas Finance Center

The Las Vegas Finance Center (LVFC) manages the payment process function.

The screenshot shows the EPA Office of the Chief Financial Officer website. The main heading is "Payment Information for Grants and Fellowships". Below this, it states: "EPA's Las Vegas Finance Center (LVFC) supports payments for all of EPA's grant award offices. The finance center also supports the fellowship program by making all fellowship payments and providing additional services such as maintaining completion of studies and payment enrollments." It also includes a section for "Financial Services" and "Programs".

Please be advised. The Federal Financial Report (FFR) Standard Form (SF) 425 replaced Standard Forms 269, 269A and 272, 272A on October 1, 2009.

How does the Automated Standard Application for Payments process work?

ASAP is an all-electronic payment and information system developed jointly by the Financial Management Service (FMS) and the Federal Reserve Bank of Richmond. ASAP, which functions much like “on-line banking”, is a system through which grantee organizations receiving federal funds can draw from accounts pre-authorized by federal agencies. ASAP provides one stop banking for handling all your federal funding sources.

ASAP is also being used to make timely payments to financial agents that are performing financial services for FMS and other federal agencies.

The ASAP system is the preferred method of payment for EPA grantees. ASAP operates as follows:

- Federal Agencies and organizations receiving Federal funds enroll one time to use ASAP.
- Federal Agencies establish and maintain accounts in ASAP to control the flow of funds to organizations.
- Federal Agencies enter spending authorizations into their ASAP accounts in accordance with their program needs and schedules as awards are affirmed.
- Payment Requestors at organizations initiate payment requests through ASAP to meet immediate cash needs.

How does the Electronic Funds Transfer process work?

The EPA-EFT payment process is an electronic funds transfer process initiated by and unique to EPA in response to the Debt Collection Improvement Act of 1996, Public Law 104-13. This law requires that all federal payments be made via Direct Deposit/Electronic Funds Transfer (DD/EFT). The EFT process limits the amount of cash available to a grant recipient. Recipients should allow five to seven (5-7) days for a transaction to clear the system.

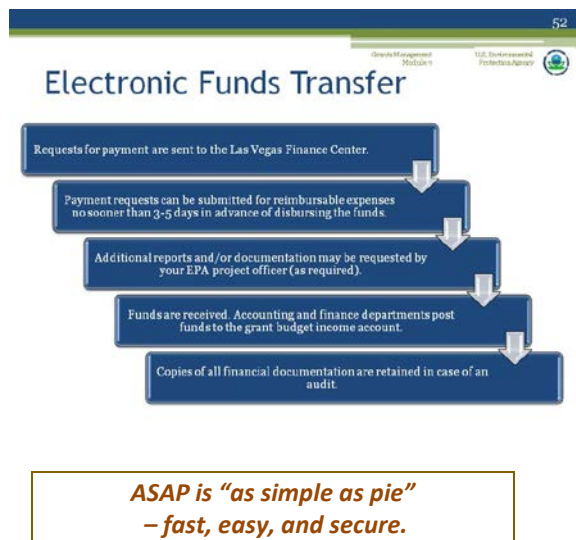
The EPA-EFT is a manual payment process:

- The recipient submits form SF-3881, banking data, to the Las Vegas Finance Center and will be assigned an EFT control number.
- The recipient submits a U.S. EPA Payment Request (EPA Form 190-F-04-001, also referred to as EPA Form 190 or simply a payment request) to the Las Vegas Finance Center (LVFC).
- Payment requests can be submitted for reimbursable expenses no sooner than 3-5 days in advance of disbursing the funds.
- The Las Vegas Finance Center reviews each request. Additional reports and/or documentation may be requested by your EPA Project Officer (as required).
- When the request is approved for payment, EPA electronically transfers funds through the U.S. Department of Treasury and the Federal Reserve for credit to the recipient’s account at their designated financial institution.
- Credit to the account usually occurs within 48 hours (3-5 business days) following receipt and approval of the request.

If the entire request or a portion of the request is rejected, the recipient will be notified by the Las Vegas Finance Center no later than one workday following receipt of the request.

Can we request cash in advance instead of reimbursement?

The recipient can use either EFT or ASAP for advance payments or those requesting reimbursement.



Discussion

Discussion

- Who in your Tribal Nation is authorized to request payment from the federal government?
- What procedure is used to request payment?
- Who monitors how often requests are made?
- What procedure is used to verify that the requests are accurate?

Payment Request (EPA Form 190-F-04-001) are provided on the next few pages, in the **Appendix**, and at <http://www.epa.gov/ogd/forms/forms.htm>. The *EPA Electronic Funds Transfer (EFT) Payment Process Recipients Manual, Exhibit A* is provided at http://www.epa.gov/ocfo/finservices/recipient_manual.pdf and in the **Appendix**.



Electronic Funds Transfer (EFT) Timeline

Enrollment Process for EPA-EFT

- Complete the Automated Clearing House (ACH) Vendor/Miscellaneous Payment Enrollment Form (SF 3881).
- Send the completed SF 3881 to LVFC.

Enrollment Process for EPA-EFT

How do we enroll in the EPA electronic funds transfer process?

The recipient organization must complete the Automated Clearing House (ACH) Vendor/Miscellaneous Payment Enrollment Form (SF 3881) which is generally provided in the award package from EPA. Recipients will send the completed SF 3881 to LVFC.

- The Las Vegas Finance Center receives and reviews the completed SF 3881 form for accuracy.
- If acceptable, the enrollment information is entered into its vendor database for assistance agreements.
- The Las Vegas Finance Center provides the recipient with a letter assigning them an EFT Control Number and the necessary forms.
- Fax the U.S. EPA Payment Request (EPA Form 190-F-04-001) to request an advance or reimbursement from the grant funds account.

Copies of the Vendor/Miscellaneous Payment Enrollment Form (SF 3881) and U.S. EPA

Cash Management

Do we need to have written procedures for drawing grant funds and issuing payments?

There are two ways to request federal funds, by:

- Advance payment
- Reimbursement

Do not draw down the same amount each month. Draw down only what is actually used.

If the Tribal Nation chooses advance payment, there are specific procedures to be followed. Advance payment procedures must comply with the regulations in 40 CFR Part 31. They will minimize the time period between transfer of funds from the U.S. Treasury and disbursement of funds by the Tribal Nation and any subgrantees.

The Tribal Nation should establish reasonable policies and procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time for them to prepare complete and accurate cash transaction reports and send them to EPA.

Module 7: Accounting Policies and Procedures

**ACH VENDOR/MISCELLANEOUS PAYMENT
ENROLLMENT FORM**

OMB No. 1510-0056

This form is used for Automated Clearing House (ACH) payments with an addendum record that contains payment-related information processed through the Vendor Express Program. Recipients of these payments should bring this information to the attention of their financial institution when presenting this form for completion. See reverse for additional instructions.

PRIVACY ACT STATEMENT
The following information is provided to comply with the Privacy Act of 1974 (P.L. 93-579). All information collected on this form is required under the provisions of 31 U.S.C. 3322 and 31 CFR 210. This information will be used by the Treasury Department to transmit payment data, by electronic means to vendor's financial institution. Failure to provide the requested information may delay or prevent the receipt of payments through the Automated Clearing House Payment System.

AGENCY INFORMATION
FEDERAL PROGRAM AGENCY U.S. Environmental Protection Agency
AGENCY IDENTIFIER: LVFC AGENCY LOCATION CODE (ALC): 68128933 ACH FORMAT: <input checked="" type="checkbox"/> CCD+ <input type="checkbox"/> CTX
ADDRESS: PO Box 98515
Las Vegas, NV 89193-8515
CONTACT PERSON NAME: TELEPHONE NUMBER: (702) 798-2485
ADDITIONAL INFORMATION: FAX Number: (702) 798-2423

PAYEE/COMPANY INFORMATION
NAME SSN NO. OR TAXPAYER ID NO.
ADDRESS
CONTACT PERSON NAME: TELEPHONE NUMBER: ()

FINANCIAL INSTITUTION INFORMATION
NAME:
ADDRESS:
ACH COORDINATOR NAME: TELEPHONE NUMBER: ()
NINE-DIGIT ROUTING TRANSIT NUMBER: _ _ _ _ _
DEPOSITOR ACCOUNT TITLE:
DEPOSITOR ACCOUNT NUMBER: LOCKBOX NUMBER:
TYPE OF ACCOUNT: <input type="checkbox"/> CHECKING <input type="checkbox"/> SAVINGS <input type="checkbox"/> LOCKBOX
SIGNATURE AND TITLE OF AUTHORIZED OFFICIAL: (Could be the same as ACH Coordinator) TELEPHONE NUMBER: ()

AUTHORIZED FOR LOCAL REPRODUCTION

SF 3881 (Rev. 2/2003)
Prescribed by Department of Treasury
31 U.S.C. 3322; 31 CFR 210

Figure 1: SF 3881 page 1

Module 7: Accounting Policies and Procedures

Instructions for Completing SF 3881 Form

Make three copies of form after completing. Copy 1 is the Agency Copy; copy 2 is the Payee/Company Copy; and copy 3 is the Financial Institution Copy.

1. Agency Information Section - Federal agency prints or types the name and address of the Federal program agency originating the vendor/miscellaneous payment, agency identifier, agency location code, contact person name and telephone number of the agency. Also, the appropriate box for ACH format is checked.
2. Payee/Company Information Section - Payee prints or types the name of the payee/company and address that will receive ACH vendor/miscellaneous payments, social security or taxpayer ID number, and contact person name and telephone number of the payee/company. Payee also verifies depositor account number, account title, and type of account entered by your financial institution in the Financial Institution Information Section.
3. Financial Institution Information Section - Financial institution prints or types the name and address of the payee/company's financial institution who will receive the ACH payment, ACH coordinator name and telephone number, nine-digit routing transit number, depositor (payee/company) account title and account number. Also, the box for type of account is checked, and the signature, title, and telephone number of the appropriate financial institution official are included.

Burden Estimate Statement

The estimated average burden associated with this collection of information is 15 minutes per respondent or recordkeeper, depending on individual circumstances. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Financial Management Service, Facilities Management Division, Property and Supply Branch, Room B-101, 3700 East West Highway, Hyattsville, MD 20782 and the Office of Management and Budget, Paperwork Reduction Project (1510-0056), Washington, DC 20503.

Figure 2: SF 3881 page 2

Module 7: Accounting Policies and Procedures

U.S. EPA PAYMENT REQUEST

Recipient Name:		Contact Person:		
Fax #:		Phone #:		
		Email address:		
EFT #	Request #	Cash on Hand: \$		
Assistance Agreement	Account No/Activity Code (Superfund Site Specific)	\$ Amount	Mark (X) if Credit	For EPA Internal Use Only
		TOTAL AMOUNT REQUESTED \$		

I certify that to the best of my knowledge and belief the data above are correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.

APPROVALS: _____
 Recipient Approving Official's Signature

 Date Approved

 EPA Certifying Officer Approval

 Date Approved

\$ _____
EPA APPROVED AMOUNT
 For EPA Use Only

EPA 190-F-04-001

Figure 3: U.S. EPA Payment Request Form 190-F-04-001

Module 7: Accounting Policies and Procedures

For example, a cash receipts and deposit policy might read:

Drawdowns for grants are deposited directly into the Tribal Nation's bank account. All records and other cash receipts are received, deposited, and recorded by the Finance Officer. Usually for internal control purposes these duties would be split among three people (separation of duties). It is recommended that a receipt book in triplicate be obtained and a receipt written out for each item that is to be deposited. The payee gets the top copy, the second copy would be attached to the deposit slip and check copies, and the third copy would stay in the receipt book until it is completed, at which time it would be filed. Only one cash receipt book should be in use and in the office at any given time. The Finance Officer would prepare the deposit slip and with checks attached have the General Manager count and sign off on the cash receipts. The Finance Officer then makes copies of the deposit and checks (cash is changed into checks - same as above), sends, and records the deposit.

Advances

When advances are made by electronic transfer of funds, Tribal Nations must make drawdowns as close as possible to the time of making disbursements.



How do we handle cash transactions for advances?

When advances are made by electronic transfer of funds, Tribal Nations must make drawdowns as close as possible to the time of making disbursements. Payment requests should be restricted to immediate needs. Drawing down of funds should occur no more than three to five days in advance of disbursements.

Tribal Nations must monitor cash drawdowns to assure that they conform to the standards of timing of disbursements in accordance with the regulations in 40 CFR Part 31.

Questions? Contact:

U. S. Environmental Protection Agency
Las Vegas Finance Center
P.O Box 98515
Las Vegas, N.V. 89193-8515

Phone: (702) 798-2485 **Fax:** (702) 798-2423

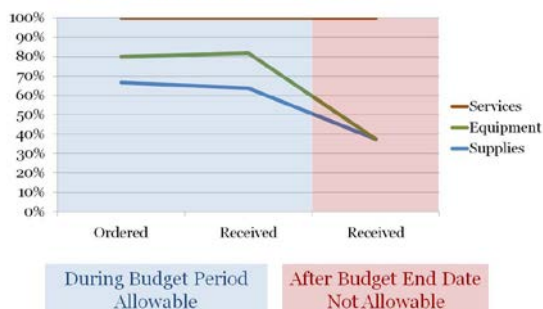
Contact the Las Vegas Finance Center regarding cash transaction questions or issues at <http://www.epa.gov/ocfo/fin services/payinfo.htm> or by mail.

For UPS, Federal Express, or Overnight Mail:
Las Vegas Finance Center
4220 S. Maryland Parkway, Bldg C
Las Vegas, NV 89119

A request for a drawdown of funds should be made to the Las Vegas Finance Center ____ day(s) before the money is dispersed/spent.

- A. 1-3
- B. 3-5
- C. 5-7
- D. 7-14
- E. None of the above

Monitor Allowable Costs



Module 7: Accounting Policies and Procedures

Table 5: Sample Drawdown Record

Document Summary:	General Ledger Entries
Document Type:	General Office
Document Number:	000001
Vendor Code:	987654321A0
Grant Number:	987654321
Budget Start Date:	10/01/2011
Budget End Date:	09/20/2012
Project Start Date:	10/01/2011
Project End Date:	09/30/2012
Order Date:	09/18/11
Effective Date:	10/01/11
Closed Date:	
End Date:	09/30/2012
Servicing Finance Office:	AB01
Order Amount:	\$1,132,297.00
Paid Amount:	\$1,060,000.00
Available Amount:	\$72,297.00
Vendor:	Quality Goods and Services



Document Details:

Line#	Line Amt	Paid Amt	Avail Amt	FY	Fund	Org	Program	Job	BOC
001	\$320,000.00	\$320,000.00	\$0.00	2007	E1	10YT	407XXB15	NA	4183
002	\$336,641.00	\$334,913.92	\$1,727.08	2008	E1	10YT	503B15E	NA	4183
002	\$475,656.00	\$405,086.08	\$70,569.92	2008	E1	10UT	503B15E	NA	4183

Document Activity:

Date	Ref Amount	Related Document	Direction
07/31/11	\$10,000.00	DA 06AS0183361	Forward
07/14/11	\$20,000.00	DA 06AS0180351	Forward
07/11/11	\$30,000.00	DA 06AS0179423	Forward
07/04/11	\$15,000.00	DA 06AS0176777	Forward

Why do we need to monitor allowable costs?

All allowable costs for an award should be monitored to ensure they are charged to the grant by the budget end date. The period of time specified in the agreement is the only time during which the recipient may obligate funds for the purposes specified in the budget; thus the specified period is also known as the budget period. The cost or expense must be incurred—items received—before the end of the budget end date that is stated on the award contract or grant. A cost can be paid and booked *after* the budget end date, as long as it was incurred or received *before* the budget end date.



What is the reason for having internal controls in your accounting system?

- A. Ensuring award funds are used on award project activities
- B. Keeping accounting records separate for each award
- C. Managing draw-downs and payments
- D. Simplifying the audit process
- E. All of the above



Reflection

Reflection

Pause a moment to consider your own situation.

- Does your organization have a manual that spells out your accounting policies and procedures?
- Does it comply with accounting and financial management requirements in 40 CFR 31 and 2 CFR Part 225?
- Does your organization use an automated or computerized accounting system?
- If not, have you considered the possibility?

Attachment to Module 7

Answers to Self-Assessment Questions

Slide	Question (bold font indicates correct answer)	Explanation
15-16	<p>Your Tribal Nation has received two assistance agreement awards this year. The first award only has enough money to complete the first two of seven project objectives. The second award came with enough money to complete all of its objectives and still have funds left over.</p> <p>Can you use money from the second award to complete the objectives remaining in the first award's project plan?</p> <p>A. Yes B. No C. It depends on how much money is involved D. It depends on whether you are using award funds or income generated by activities conducted under the second award project E. None of the above</p>	<p>Award funds may only be used to accomplish objectives described in the project plan. Unused funds and generated income must be used on that same project or returned to the federal government. The U.S. Office of the Chief Financial Officer requires deobligation of all unliquidated funds (per final Federal Financial Report (FFR) from grantee). In other words, if you don't spend it as budgeted, you give the money back. Cost shifting is not allowed.</p>
22-23	<p>Your Tribal Nation purchased a solar-powered, water-pumping system for \$5775 last year with award funds. The award period has expired and the project has been closed out.</p> <p>What happens to the system now, if the equipment is still needed for the project for which it was acquired?</p> <p>A. The Tribal Nation pays EPA the market value at the time of close-out for the used system. B. The system must be shut down; the project is over. C. You keep the system only as long as you assign operating costs to another federally funded project. D. Assuming it's paid for, you keep the system and continue to use the system for the project for which it was acquired. E. All of the above are possible.</p>	<p>Equipment purchased under the award is used by the recipient in the program or project for which it was acquired, for as long as it is needed, whether or not the project or program continues to be supported by federal funds. Disposal "terms and conditions" need to be agreed upon with EPA during project budget negotiations.</p>

Module 7: Accounting Policies and Procedures

Slide	Question (bold font indicates correct answer)	Explanation
39	<p>Which project expenses are not usually categorized as <i>direct costs</i>?</p> <ul style="list-style-type: none"> A. Environmental impact measuring devices B. Water, power, and communication bills (Unless used for a dedicated project funded facility) C. Employee compensation D. Travel to work sites E. All of the above 	<p>Only those costs used solely for the purpose of one EPA-funded project can be categorized as direct. Water, power, and communication services used by other programs/ personnel and facilities would be considered indirect costs.</p>
44	<p>Which project expenses are not usually categorized as <i>indirect costs</i>?</p> <ul style="list-style-type: none"> A. Payments on office and warehouse space B. Maintenance staff, training, and supplies C. The Tribal Council receptionist's salary and benefits D. Travel to a conference for the grant project E. All of the above 	<p>Services generally provided for the Tribal Nation's work on all projects, not specific to a single award, are considered indirect costs. Travel to a conference is charged to a specific award and paid for as direct costs.</p>
57	<p>A request for a drawdown of funds should be made to the Las Vegas Finance Center _____ day(s) before the money is dispersed/spent.</p> <ul style="list-style-type: none"> A. 1-3 B. 3-5 C. 5-7 D. 7-14 E. All of the above 	<p>When advances are made by electronic transfer of funds, grant recipients must make drawdowns as close as possible to the time of making disbursements. Payment requests should be restricted to immediate needs. Drawing down of funds should occur no more than three to five days in advance of disbursements.</p>
61	<p>What is the reason for having internal controls in your accounting system?</p> <ul style="list-style-type: none"> A. Ensuring award funds are used on award project activities B. Keeping accounting records separate for each award C. Managing draw-downs and payments D. Simplifying the audit process E. All of the above 	<p>A. All of the above are helpful strategies. Internal controls help the Tribal Nation to track award funds so that they are used the way they were intended to be used.</p>