
Learner Manual – Module 8

Source Documentation for Procurement and Purchasing

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 8: Source Documentation for Procurement and Purchasing

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

Module 8:
Source Documentation for
Procurement and Purchasing

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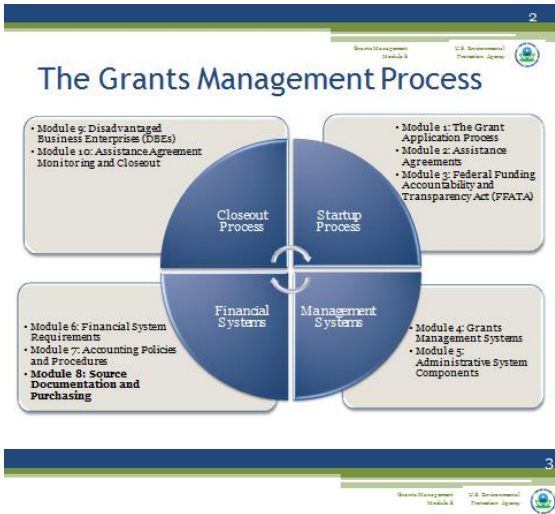
Critical Components of Allowable Costs

Which documents do we need?

Source documents provide the basic evidence needed to support accounting transactions. Examples of source documents include cancelled checks, paid bills, payroll, time and attendance records, contracts, and subaward documents. Accounting records, journal entries and financial

records must all be supported by source documentation. They describe the basic facts of a transaction such as its date, purpose, and amount.

The reason why source documentation is so important for a Tribal Nation is that if a Nation cannot provide source documentation (e.g., journal, ledger, receipts, purchase orders, etc.) for all expenditures under their assistance agreements, costs may be deemed unallowable.



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Source Documentation Required for:

- Travel:
 - Authorizations
 - Vouchers
 - Trip Reports
- Procurement of services
- Purchase of materials
- Cost sharing
- Evidence that proper procurement steps were taken
- Valuation of donated:
 - Services
 - Supplies
 - Equipment (or equipment use)
- Conferences

Remember: In the eyes of the federal government, if you don't have the documentation, it never happened.

A Tribal Nation should keep source documentation to support claims costs on the following:

- Payroll
- Travel authorizations
- Travel vouchers
- Purchases for material and services
- Cost sharing
- Valuation of donated services
- Valuation of donated supplies and equipment (or equipment use)
- Conferences

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Source Documentation

Describe the basic facts of a transaction such as:

- Date
- Justification of the Purpose
- Amount
- Budget code
- Justification of the cost allocation

Examples include:

- Cancelled checks
- Paid bills
- Payroll
- Time and attendance records
- Contracts
- Subaward documents
- Purchase Orders
- Payable Vouchers

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Hours Worked and Documented on Timesheet

100% 40 hrs EPA	20% 8 hrs EPA	50% 20 hrs PPG	30% 12 hrs NSF	10% 4 hrs EPA	90% 36 hrs Tribal
Semi-Annual Reporting	Timesheets		Timesheets		

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Timesheets

Use timesheets NOT estimates.
Record actual hours worked.

Expensing

Payroll

How do we record payroll expenses?

For payroll expenses charged to awards, Tribal Nations follow the documentation rules included in OMB Circular A-87. If an employee worked only on one assistance agreement and did not work on any other projects, charges for the employee's salary or wages, or a percentage thereof, can be claimed.

The employee must submit periodic certification that work was done solely for the award and during the award period. These certifications are prepared at least semi-annually and are signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

If the employee worked on more than one federal award, semiannual certifications cannot be used. Instead, the employee must prepare time sheets identifying the actual hours worked on each project. The time sheets must identify the project and the hours worked on each project. Or if a portion of the employee's time is to be counted toward required nonfederal match, then timesheets may be required depending on the grantee's accounting system for tracking match.

The total hours recorded on the time sheet must represent the total hours for which the employee worked and was paid. To be allowable, labor costs must be based on accurate time sheets reflecting the actual activities of all employees.

If an employee worked more hours than paid or compensated, then the employee's gross pay must be allocated based on the hours worked.

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Payroll for Salaried Personnel

Costs		
EPA grant 001	45 hours	\$300 (45/60 x \$400)
PPG grant 002	15 hours	\$100 (15/60 x \$400)
Total hours	60 hours	
Gross Pay (\$10 per hour x 40 hours = \$400)		

This employee is considered exempt or paid a set salary no matter how many hours are worked.

Salaried or overtime exempt personnel are paid the same no matter how many hours they work. Overtime exempt personnel are usually managers or administrators.

For example, assume an employee worked 60 hours in a given week (45 hours on EPA grant 001 and 15 hours on PPG grant 002) but was only paid for 40 hours. The labor costs would be allocated as \$300 from the EPA grant and \$100 from the PPG grant.

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Payroll for Hourly Personnel

Costs		
EPA grant 001	32 hours	\$384 (32/59 x \$708)
PPG grant 002	27 hours	\$324 (27/59 x \$708)
Total hours	59 hours	

Gross Pay (\$12 per hour x 59 hours = \$708)

This employee is paid an hourly wage, which may fluctuate from week to week.

Wage or hourly personnel may earn different amounts each week depending on how many hours they work. Wage earners can be part-time or full-time personnel. Hourly positions are determined by the amount of work that needs to be done on any given week.

For example, assume an employee worked 59 hours in a given week (32 hours on EPA grant 001 and 27 hours on PPG grant 002). The labor costs would be allocated as \$384 from the EPA grant and \$324 from the PPG grant. The worker is paid \$12 for each hour worked.

If the employee was paid overtime at time-and-a-half, then he would make \$12 + \$12/2 or \$18 for each hour of time over 40 hours that week.

59 hours worked – 40 hours = 19 hours overtime
 40 hours x \$12 = \$480 at the usual pay rate
 19 hours x \$18 = \$342 at the overtime pay rate
 \$480 + \$342 = \$822 total
 32 hours / 59 hours x 100% = 54.24% of the overtime hours from the EPA grant
 \$342 x 54.24% = \$185.50 overtime
 27 hours / 59 hours x 100% = 45.76% of the overtime hours from the PPG grant
 \$342 x 45.76% = \$156.50 from PPG
 \$480 + \$185.50 + \$156.50 = \$822 total pay for this pay period

What if we use budget estimates?

Budget estimates or other distribution percentages determined before or after the services are performed do not qualify as source documentation for charges to federal awards, but they may be used for interim accounting purposes, provided that:

- The Tribal Nation’s system for establishing the estimates produces reasonable approximations of the activity actually performed.

- When using time and effort certifications rather than time sheets:
 - Comparisons of actual costs to budgeted distributions are made quarterly and based on the monthly activity reports.
 - Costs charged to federal awards (i.e., to reflect adjustments made as a result of the activity actually performed) may be recorded annually, if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent of the overall budget.
 - Budget estimates or other distribution percentages are revised as necessary, at least quarterly, to reflect changed circumstances (e.g., employee’s time begins to be allocated to more than one funding source, or employee had to take leave without pay unexpectedly).


EPA recommends a revised budget be filed with the EPA Project Officer when budget changes are necessary. If unsure, contact your Project Officer for clarification.

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Which of the following are used as source documentation of personnel costs for an award project?

- A. Periodic certifications
- B. Salaries
- C. Timesheets
- D. Wages
- E. All of the above




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Question

An electrician works 32 hours on an EPA-funded project. She also works 15 hours on general repairs across the Tribal Nation. Her hourly wage is \$12. Her contract states that she is paid her regular wage for overtime hours worked.

How much of her wage can be paid out of the EPA grant funds?



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Select an answer

- A. \$180
- B. \$147
- C. \$347
- D. \$384
- E. None of the above



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Which of the following may be used for interim – **but not final** – accounting purposes?

- A. Estimates
- B. Expenses
- C. Costs
- D. Shifting
- E. All of the above



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Travel



Travel authorization

What about travel costs?

For all travel, a Tribal Nation should prepare a travel authorization document that identifies:

- The traveler
- The travel location
- The estimated travel costs for the trip
- The purpose of the trip
- How the travel relates to the assistance agreement objectives
- Signature of an official authorizing the travel

An authorization request is created before the trip begins. This is important because travel is usually a

direct charge to assistance agreements. Proper identification is important for charging the right accounts as well as reviewing the expenditures against the project budget.

Information is entered into the recipient’s official accounting data. Information needs to be accurate to prevent errors in the records. Errors could cause the grant recipient to over- or under-recover costs.

Travel voucher

This document is prepared after the trip is taken. Travel vouchers are only allocable if the trip is previously authorized through the travel authorization document.

The voucher includes all costs claimed for the trip:

- Transportation
- Food
- Lodging
- Other authorized expenditures:
 - Ground transportation
 - Purchase of supplies

A copy of the approved travel authorization is attached to the voucher along with all receipts as required by the Tribal Nation to justify claimed expenditures.

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Which of the following items can be found on a travel authorization but **not** on a travel voucher?

- A. Estimated travel costs
- B. Food, lodging, and other expenses
- C. Transportation to the travel location
- D. Traveler and project identification
- E. All of the above



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Table 1: Sample Travel Authorization

Travel Authorization

Department: Grants Office		Authorization No. 9876543	
Name: Jane Doe	Title: Project Manager	Date: 09/15/11	
<i>You are authorized to travel as indicated below and to incur necessary expenses in accordance with Tribal Rules and Regulations.</i>			
Places of Travel			
From:	Somewhere, ST	To:	Washington, DC
Purpose:	Initial meeting EPA grant		
Hotel Rate:	Maximum \$300.00 per day		
Per Diem Allowance:	\$60.00 per day (\$15 breakfast, \$15 lunch, \$30 dinner)		
Period of Travel:	Beginning 10/01/11	Ending 10/02/11	
Mode of Travel			
Common carrier <input type="checkbox"/>	Extra fare <input type="checkbox"/>	Tribal-owned Vehicle <input type="checkbox"/>	
Privately owned Vehicle <input checked="" type="checkbox"/>	At mileage rate: \$0.56 per mile*		
Estimated Costs			
<i>I hereby certify that travel is advantageous to the Nation.</i>			Signatures:
Transportation:	\$128.80	Private car (approximately 230 miles)	Jane Doe
Per Diem:	\$75.00	Meals	<i>Requester's Signature</i>
Miscellaneous:	\$15.00	Internet Services	<i>Project Manager</i>
Hotel Rate:	\$300.00	1 night's stay	<i>Title</i>
TOTAL	\$518.80		James Stone
			<i>Authorizing Officer's Signature</i>
			<i>John Fern</i>
Charged to account #:	0000123	<i>Fiscal Officer's Signature</i>	

*The Nation can set its own travel reimbursement rate. The current federal mileage rate is \$0.56



The Procurement System

- Formal policies, procedures, and instructions
- Necessary to ensure proper checks and balances
- For internal purchasing of goods and services
- To promote competition
- To ensure equal consideration

The Procurement System

What is a procurement system?

A procurement system consists of formal policies, procedures, and instructions necessary to ensure proper checks and balances for internal purchasing of goods and services. Procurement systems ensure that mechanisms are in place to promote competition to the maximum extent practicable, to protect against allegations of bias or favoritism when purchasing services and ensure that equal consideration will be given to small and disadvantage businesses. The

internal control structure preserves the essential values of the Tribal leaders and managers who are acting with integrity and honesty, while encouraging continuous improvement and innovation.



The Procurement System continued



Have policies and procedures in place. Use practical instructional documents to show how to execute the procedures (i.e., guidelines). Provide your Tribal Nation with the necessary foundation for an effective procurement process. Guidelines should specify each project's authority and responsibility during the

lifetime of the award. Authority and responsibility can be divided among personnel in many different ways. It is important to control the following aspects of the procurement process:

- Administration
- Solicitation
- Proposal
- Receipt
- Evaluation

An effective process guarantees effective internal control. Remember that non-procurement personnel are also involved in the procurement process. Ultimately those individuals on the authorities and responsibilities list are held accountable for actions taken.

The Procurement System continued

- An effective process guarantees effective internal control.
- Remember that non-procurement personnel are also involved in the procurement process.
- Keep an authorities and responsibilities list.

Table 2: Sample Travel Voucher

Staple						NAME <u>Jane Doe</u>						
Receipts						ADDRE						
Here						SS <u>1234 Rural Route 2</u>						
TRAVEL EXPENSE CLAIM						CITY <u>Somewhere, ST 12345</u>						
						SS#/or						VN# <u>SS2938475</u>
DATE	DESTINATION		TRIP PURPOSE	MILEAGE	CHARGE	MEALS			HOTEL	MISC.	EXPENSE	TOTAL
	From:	To:				Amount	Breakfast	Lunch				
				\$ per mile	\$0.56							
10/01/11	Somewhere, ST	Washington, DC	Initial Meeting EPA grant	117	\$65.52	0.00	15.00	30.00	200.00	Internet	15.00	\$325.52
10/02/11	Washington, DC	Somewhere, ST		117	\$65.52	15.00	15.00					\$90.84
											TOTAL	\$421.04
I hereby certify that the above expenses were incurred and the amounts are correct and should be paid from												
the appropriate fund.						BUDGET CODE IN-STATE						
						BUDGET CODE OUT-OF-STATE <u>01-00-0000123**</u>						
Claims must be submitted within 90 days of trip and all claims for the current fiscal year should be submitted in time to be paid in that fiscal year.						SIGNATURE <u>Jane Doe</u>			DATE <u>10/05/11</u>			
						APPROVED BY <u>James Fern</u>			DATE <u>10/06/11</u>			

*The Nation sets its own travel reimbursement rate. The current federal mileage rate is \$0.56.

**Budget codes are typically set by the Nation's finance/accounting department.

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Table 3: Sample Authorities and Responsibilities List

Authorities and Responsibilities List			
Authorized Representative	This is the individual who has the authority to sign the application for Federal Assistance (SF 424) and execute the Agreement on behalf of the applicant.		
Name:	James Stone		
Title:	President, Tribal Leader’s Council		
Telephone:	555-666-9000	FAX:	555-666-9001
Email Address:	jstone@tribe.org		
Program/Project Manager	This is the individual who is responsible for the management of the Project for the applicant.		
Name:	Jane Doe		
Title:	Project Manager		
Telephone:	555-666-9898	FAX:	555-666-9899
Email Address:	jdoe@tribe.org		
Financial Representative	This is the individual who is responsible for the accounting and financial management system for the applicant.		
Name:	John Fern		
Title:	Accountant		
Telephone:	555-666-9878	FAX:	555-666-9879
Email Address:	jfern@tribe.org		
Mailing Address	This is the address to which all grant correspondence should be mailed.		
Name:	Tribe		
Address:	1234 Rural Route 2		
City, State, Zip:	Somewhere, ST 98765		

A second page should be added for additional personnel regularly involved in the procurement process.



Procurement Policies and Procedures

- Obtain the best value for the work
- Establish documentation
- Provide an equal opportunity to all businesses

Why do we need a procurement system?

Get the best value. A Tribal Nation’s government obtains goods and services from various sources. As a Tribal Nation grows and/or its needs change and expand, there is often a need to procure goods and services from outside sources.

Since a significant portion of a grant recipient’s funds are used for procurement or purchases, it is critically important to establish a procurement system with well-defined checks and balances.

As expenditures for goods and services increase, there is a greater need to ensure that projects are properly announced in the market place to ensure that the grant recipient is acquiring competitive bids for the work it is seeking. Procurement policies and procedures enable the recipient to get the best value for the work the Tribal Nation is seeking to purchase. In addition, procurement systems establish documentation that the project has given an equal opportunity to all businesses to bid on the work.

Procurement system checks and balances are meant to:

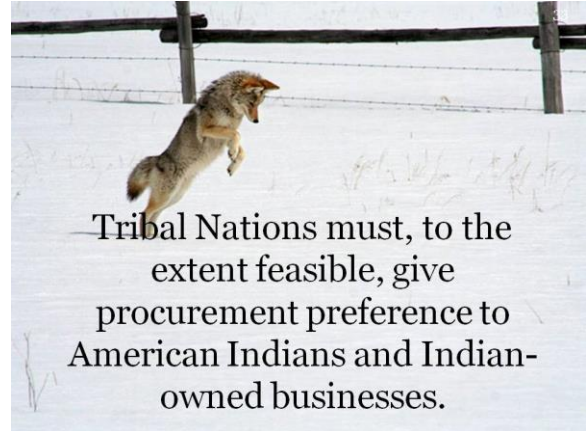
- Prevent losses, financial as well as physical.
- Obtain only needed goods at reasonable prices. This entails shopping the market for the best product quality at the most reasonable price and only purchasing what is needed close to or at the time it is needed.
- Assure that EPA dollars are not spent on items unrelated to the successful implementation of the project.

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For example:

Do not buy supplies or equipment at the end of the grant just to use up supply dollars when these items cannot be used for achieving the goals of the project, which is coming to an end. These items will be deemed unallowable by EPA based on the Bona Fide Needs Rule.

- Allow similar types of projects to go out to bid in a uniformed and consistent manner.
- Promotes equal opportunity for small and disadvantaged businesses to bid on proposed projects the Tribal Nation is seeking to fund.
- Protects against unfair purchasing practices.



How do we set up a procurement system?

Procurement under an EPA grant by an Indian Tribe or Intertribal Consortium is subject to regulations specified under 40 CFR 31.38. Tribal Nations must, to the extent feasible, give procurement preference to American Indians and Indian-owned businesses.



What is a procurement system?

- A. Formal policies and procedures
- B. Instructions for implementation
- C. Checks and balances
- D. Part of the internal control structure
- E. All of the above



Why does a Tribal Nation need a procurement system?

- A. More funds are being used for external procurement or purchases.
- B. EPA reimbursements do not cover procurement of supplies.
- C. Supply sources depend on internal procurement systems.
- D. Procurement costs increase steadily over time.
- E. All of the above are viable reasons.



(b) Preference requirements for wages and grants

Any contract, subcontract, grant, or subgrant or any other Act authorizing Federal contracts with or grants to Indian organizations or for the benefit of Indians, shall require that to the extent feasible:

(1) preferences and opportunities for training and employment in connection with the administration of such contracts or grants shall be given to Indians; and

(2) preference in the award of subcontracts and subgrants in connection with the administration of such contracts or grants shall be given to Indian organizations and to Indian-owned economic enterprises as defined in section 3 of the Indian Financing Act of 1974 (25 U.S.C. 1452).



The Procurement/Purchasing Process

How do we know if our purchasing process complies with regulations?

Recipients of EPA grants and cooperative agreements will likely need to buy supplies, equipment, and services to complete the project. Guidance to help meet EPA requirements when making necessary purchases is provided in a document entitled [Purchasing Supplies, Equipment, and Services Under EPA Grants Local Governments](#). (Though the document says it is for “Local Governments” requirements and guidelines are also recommended for Tribal Nations.) It assists Tribal Nations in determining if their procurement policies and procedures fully comply with federal regulations. This tool can help Tribal Nations develop new or improve existing procurement systems.

A copy of “Purchasing Supplies, Equipment, and Services Under EPA Grants Local Governments” is provided in the [Appendix](#) and at <http://www.epa.gov/ogd/grants/nonprofit/supply.htm>.



Procurement Policies

Write policies for procurements and purchases that cost:



How does a purchasing process work?

Purchasing methods must be determined for small purchases and medium-priced purchases: supplies, equipment, and services that do not cost more than \$100,000. If your Tribal Nation’s policy sets a lower limit, follow that. Many organizations write policies for purchases valued under \$5,000 (small), over \$5,000 (medium), and over \$100,000 (large). EPA regulations define equipment as having an acquisition cost of \$5,000 or more and a useful life of more than one year. Equipment must be tracked per regulation.

Examples of policies

Up to \$5,000

Purchase orders, shipping and delivery invoices, and sales receipts are typically the only paperwork necessary for purchases under \$5,000 in value.

\$5,000 or more

For purchases of \$5,000 or more, common practice is to review catalogs or obtain quotes from three or four vendors. Then select the lowest priced item or service ensuring there is no conflict of interest, disadvantaged businesses are considered, and the business is not debarred or suspended. If the lowest priced item or service is not chosen, explain in writing why another was selected. Keep files of the process including the vendors contracted and all of the price quotes obtained.

\$100,000 or more

For purchases of \$100,000 or more, a sealed bid purchasing method is preferable. Advertise for proposals or bids from vendors. Bids are opened in a public place where bidders can be present. The contract must be awarded to the responsible bidder whose proposal conforms to the terms and conditions of the solicitation and is the lowest in price.

Other methods

Other methods employ competitive proposals based primarily on price (a very common approach) and non-competitive or sole-source purchasing (which require a cost analysis of non-competitive proposals and written justification sent to the EPA Project Officer). Sole-source procurement of \$100,000 or more cannot easily be justified. Contact your EPA Project Officer for assistance.

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Sample Price Quote

Walnut Center
456 Main St.
Somewhere, ST 98765
January 27, 2009

Dear Ms. Doe:
You recently requested pricing information from our company. Here is our quote:

Service	Estimated cost
Pipeline construction	\$5,750.00
Equipment rental	\$2,900.00
Total	\$8,650
Grand total	\$8,650
Delivery date 02/15/2012	

Justification for using a particular supplier might read:

Though there are four construction companies in our state, only Walnut Center is local and is a certified Disadvantaged Business Enterprise. Therefore, we agree to contract all construction work for this project through Walnut Center. Even though other companies appear less expensive, estimated travel costs to the construction site will exceed budgetary constraints. (See attached table.)

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Sample Bid Comparison

Company	Contact	Phone/ email	Contract	Equip-ment	Travel	TOTAL
Construction Services	Bob Elm	info@constr action.com	\$5,600.00	\$2,500.00	350 m/d	\$8,100.00
Silver Oaks	Tim Woods	592-5543	\$5,475.00	\$3,400.00	37 m/d	\$8,875.00
Walnut Center	Michael Grove	674-8922	\$5,750.00	\$2,900.00	3 m/d	\$8,650.00
P.I Development	Diane Lemon	745-3121	\$6,750.00	NA	129 m/d	\$6,750.00


Re-procurement of bids is recommended every two to three (2-3) and no further apart than every five (5) years. Frequent re-procurement keeps the process competitive. It helps the grantee to get the best deal and avoid using the same services over multiple years. The best practice is to rebid whenever a new contract or subgrant is awarded. Exceptions can be made for services requiring special training or expertise. Ask your EPA Project Officer if there are any concerns.

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Purchasing policies and procedures must be determined for ____ purchases.

- A. Small
- B. Medium
- C. Large
- D. EPA-funded
- E. All of the above



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Purchase Orders (POs) and Request Forms

A copy of the purchase order form is provided to the various departments that need to know the items have been ordered, such as:

- Requesting
- Shipping
- Receiving
- Accounting

Purchase orders and request forms *What paperwork do we need when ordering supplies?*

Purchase orders (POs) or request forms are issued by authorized individuals to purchase items that are used in accomplishing the delivery of assigned tasks (tasks required to achieve award objectives).

Purchase order and request forms should identify:

- For whom and/or what project the items are being purchased
- Quantity and price expected to be paid for the product
- Funding, financial, and budgeting information, so the proper accounts can be charged once the product is received

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Sample Purchase Order

PURCHASE ORDER		P.O. # 001012	
VEHICLE		Date: January 7, 2012	
Radio Sanchez JCHE Supplies 378 Evergreen Terrace Seminole, FL 32763 555.555.1345		Ship TO Jane Doe Tribal 1234 Rural Route 2 Seminole, FL 32763 555.555.9999	
Customer ID: JSC12345		Customer ID: JSC12345	

SHIPPING METHOD		SHIPPING TERMS		DELIVERY DATE	
Ground Transport		3-5 days		01/13/2012	
Qty	Item #	Description	Job	Unit Price	Line Total
1,400	9073	12 O.D. inch, round steel piping, 375 wall with fittings	582110	\$66.00	\$92,400.00
				Subtotal	\$792.00
				sales tax	\$59.44
				shipping and handling	\$150.00
				Total	\$92,751.44

Please send five copies of your invoice.
Enter this order in accordance with the price, terms, delivery method, and specifications listed above.
Please notify us immediately if you are unable to ship as specified.

Send all correspondence to:
Jane Doe
1234 Rural Route 2
Seminole, FL 32763
Phone 555.555.9999 Fax 555.555.9999

Jane Doe 01/07/2012
Authorized by Date

A copy of the purchase order form is provided to the various departments that need to know the items have been ordered. Some of these departments might be:

- Requesting, if they are not the ones that are directly ordering the items (they may be using a central purchasing department)
- Shipping and receiving, if the items are to be shipped to a central distribution point for further distribution to the end user
- Accounting, so they can match up the invoice and receiving report with the purchase requisition order when the items are received and have been accepted by a responsible individual



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Learner Notes

Activity 8.a (online at www.petetribal.org) can help you review your financial and accounting procedures. By mapping out how transactions are processed and comparing them with the recommended procedures in this manual, you may discover gaps in existing systems and/or ways to improve the process.

Purchase orders or request forms are:

- A good idea, but not really necessary
- A total waste of time and paper
- Department documentation for tracking and reporting purchases
- Legal documents that EPA uses to prove costs are non-allowable
- All of the above



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Disadvantaged Business Enterprises (DBEs)

American Indian-owned Businesses

Minority Business Enterprises

WOMEN-OWNED BUSINESSES

Share the Wealth

Tracking DBEs

How are disadvantaged business enterprises (DBEs) tracked?

DBEs consist of Minority Business Enterprises and Women Business Enterprises (MBEs/WBEs). There is a DBE requirement when procuring or purchasing supplies, equipment, construction, or services to accomplish federal assistance programs. The Tribal Nation needs to follow the DBE procedures and comply with the six good faith efforts listed in 40 CFR Part 33. This will ensure

that minority-owned and women-owned firms are used whenever possible.

40 CFR Part 33 is provided in the [Appendix](#). Contact your regional office for DBE instructional materials and training.

There are specific reporting requirements under the DBE “administrative terms and conditions”. EPA Form 5700-52A is used to report annually all DBE procurements. A recipient is required to report all procurements at the end of the reporting period regardless of whether or not they conduct business with a DBE.

The [Appendix](#) contains instructions for completing EPA Form 5700-52A *MBE/WBE Utilization under Federal Grants and Cooperative Agreements*. If a Tribal Nation has any questions, EPA has a DBE Coordinator at headquarters in Washington, D.C. and in each one of the Regional Offices.

Module 9 provides more detailed information about working with disadvantaged businesses.

Tracking DBEs

Purposely looking for disadvantaged enterprises increases the pool of available and qualified vendors and contractors.

...more in Module 9...

How does working with disadvantaged businesses benefit our Tribal Nation?

Most disadvantaged business enterprises are small businesses, and small businesses drive the U.S. economy. Purposely looking for disadvantaged enterprises increases the pool of available and qualified vendors and contractors. This also ensures that opportunities are spread more equitably, as mandated by law. In many cases, qualifying enterprises may be found within the Tribal Nation and the benefit goes directly to members of that Nation.

Cost Sharing

Provide Source Documentation for Contributions



Cost Sharing and Valuation

Cost sharing

What is cost sharing?

Costs and third party in-kind contributions count toward satisfying a cost sharing or matching requirement and must be documented in the Tribal Nation’s records and, if applicable, in the records of subgrantee or cost-type contractors.

The Tribal Nation’s matching cost requirements should be recorded in a separate budget from the assistance agreement award budget. Accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. These costs should be tracked and accounted for in the same manner as federal funds.

The third party in-kind contributions should be accounted for and tracked as a separate account. These records should be signed by the individual or organization that donated the service or supplies and must show how the value placed on third-party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocation of regular personnel costs. For special standards for third party in-kind contributions, see 40 CFR 31.24.

Valuation of Donated Services

Gardener earns \$12.00 per hour



Donated gardening services valued at \$12.00 per hour



Valuation of donated services

How do we place a value on volunteer services?

Unpaid services provided to a Tribal Nation or subgrantee by individuals will be **valued at rates consistent with those ordinarily paid for similar work in a Tribal Nation's or subgrantee's organization.**

If a Tribal Nation or subgrantee does not have employees performing similar work, the rates will be consistent with those ordinarily paid other employees for similar work in the same labor market. In either case, a reasonable amount for fringe benefits may be included in the valuation.

When an employer other than a Tribal Nation, subgrantee, or cost-type contractor furnishes free-of-charge the services of an employee in the employee's normal line of work, the services will be valued at the employee's regular rate of pay not including the cost of fringe benefits. Fringe benefits are not included, because these individuals are equated to "temporary" employees. If the services are in a different line of work, use the individual rate for similar work in the same labor market.

For example, your Tribal Nation can hire a gardener for \$12.00 per hour. However, you already have a gardener who has volunteered to do the work for no pay. The value of that gardener's donated time is the price that would have been paid to a hired gardener (\$12.00 per hour). Use the value of the work volunteered and not the person's usual pay rate. For example, if a lawyer has volunteered to do the gardening, the work is valued at \$12.00 per hour and not the \$250.00 per hour the lawyer is paid for legal consultations.

Valuation of Donated Supplies

Camera donated January 12, 2012



Donated camera valued at \$359

Camera appraised at \$359

Valuation of donated supplies

How do we assign a value to materials that are donated?

The value of donated supplies is recorded as the market value at the time of the donation. Market value is the highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market.

- Valuation of loaned equipment, supplies, or space is at the fair rental rate.
- Appraisal of real property, such as land, buildings, or space in a building, is established at the market or rental value.

The Tribal Nation should have all property professionally appraised and environmentally assessed.

Depreciation of assets is:

- Based on "fair market value" at the time of sale
- Calculated separately for each asset
- Based on four factors:
 1. Asset cost
 2. Asset estimated life
 3. Asset residual value
 4. Method of depreciation



How do we depreciate equipment and property over time?

Most physical plants, facilities, and equipment wear out or become obsolete over the years. Therefore, asset value decreases. According to Generally Accepted Accounting Principles

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(GAAP), equipment are depreciated over the years rather than expensed in one year.

Similarly, although land is not depreciated (because it does not wear out), improvements to land, such as paving or fences, are depreciated because these improvements wear out or become obsolete over time. The portion of the asset “used up” (worn out) each year is referred to as depreciation.

Depreciation is based on the “fair market value” at the time of sale (or closeout).

Depreciation for each asset is usually calculated separately and is based on four factors:

1. Asset cost - The cost incurred to acquire, transport, and prepare the asset for its intended use such as sales tax, title fees, transportation, and installation.
2. Asset estimated life - This is the estimated life the Tribal Nation expects the asset to last.
3. Asset residual value (book value after being fully depreciated) – The residual value is an estimate made of the dollar amount that can be recovered for the asset at the end of its useful life when it is disposed of (sold or traded in). This amount cannot be depreciated.

4. Method of depreciation - Under GAAP a plant and equipment item can be depreciated using one of the four methods of depreciation.
 - a. Straight-line
 - b. Units of Production
 - c. Declining balance (see example below)
 - d. Sum of years digits

Regardless of the depreciation method selected or annual depreciation taken, total depreciation over the life of the asset is the same. For example:

Discussion

Methods, tips, and techniques:
Discussion
 Methods, tips, and techniques:

- How do you validate project costs?
- Does your project involve any third-party in-kind contributions?
- How do you determine the value of third-party in-kind contributions?
- How do you determine the market value of an item?

Your Tribal Nation builds a water treatment plant that costs \$3,000,000 with funds from an EPA grant awarded over a period of five years. Accounting determines the water treatment plant loses five percent of its value each year. Each year of the grant, the plant is depreciated by five percent of its original cost. After five years, when the grant is closed out, the water treatment plant is valued at \$2,321,342.81.

3,000,000 * 5% = 150,000
-150,000
2,850,000 * 5% = 142,500
-142,500
2,707,500 * 5% = 135,375
-135,375
2,572,125 * 5% = 128,606.25
-128,606.25
2,443,518.75 * 5% = 122,175.9375
-122,175.9375
2,321,342.8125

Value When New

\$3,000,000.00

Value When Used

\$2,321,342.81



Conferences

What if the project involves hosting a conference?

Travel and other charges related to conferences receive special consideration. If your project specifically calls for a conference as part of the overall plan, special “terms and conditions” may be

written into the award document to explain which costs will be allowed if the best practices guidelines are followed.

Conferences hosted by the Tribal Nation may be funded with an assistance agreement if the principal purpose is not for the direct benefit of the federal government. The "[Best Practices Guide for Conferences](#)" will help award recipients make correct planning and funding decisions. The guide is structured to help users identify costs that are allowable based on who is sponsoring the conference and what issues need to be resolved to properly plan and conduct a conference.

The Best Practices Guide for Conferences used by EPA is provided in the [Appendix](#) and at <http://www.epa.gov/ogd/recipient/bestpractice.htm>.

Can we use the EPA logo on conference materials?

The guide provides answers to frequently asked questions concerning conference activities and allowable conference expenditures.

For example, whether it is appropriate to use EPA's logo is a frequently asked question from award recipients. Chapter 3, Section D of the conference guidance states,

"Use of the Agency's logo in connection with promotion or sale of non-government produced goods or services is forbidden. Promotional material for conferences conducted under grants and cooperative agreements may acknowledge that the conference receives financial support from the Agency under an assistance agreement, but cannot use the logo on a conference brochure in a manner that implies that the conference is being conducted by EPA. These conferences should be described as the recipient's event, not EPA's." (Appendix, page 71)

The use of EPA's logo on websites developed under assistance agreements is also unallowable. Caution: EPA Order 1015.2A explains when and how the EPA logo can be used. Recipients should consult with their Project Officer or Grant specialist, if they want to use the EPA logo.

The logo can only be used on projects funded by EPA and only with written EPA approval.

The “Best Practices Guide for Conferences” contains some of the cost issues Tribal Nations need to consider. Tribal Nations that have conference-specific assistance agreements should contact their Grants Specialist for additional guidance.

EPA Order 1015.2A can be downloaded at http://www.epa.gov/ogd/manual6/Library/1015_2a.pdf.



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Learner Notes

Learner Notes

Please take a few minutes to become familiar with the *Best Practices Guide for Conferences* located in the **Appendix**. Directions for **Activity 8.b** are provided online at www.petetribal.org in the Activity Booklet.

Attachment to Module 8

Answers to Self-Assessment Questions

Slide	Question (bold font indicates correct answer)	Explanation															
9	<p>Which of the following are used as source documentation of personnel costs for an award project?</p> <p>A. Periodic certifications B. Salaries C. Timesheets D. Wages E. All of the above</p>	Salaries and wages, periodic certifications and timesheets are all types of documentation used to validate allowable costs.															
12-13	<p>An electrician works 32 hours on an EPA-funded project. She also works 15 hours on general repairs across the Tribal Nation. Her hourly wage is \$12. Her contract states that she is paid her regular wage for overtime hours worked.</p> <p>How much of her wage can be paid out of the EPA grant funds?</p> <p>A. \$180 B. \$147 C. \$347 D. \$384 E. None of the above</p>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center; border-bottom: 1px solid black;">Costs</th> </tr> </thead> <tbody> <tr> <td style="border-bottom: 1px solid black;">EPA grant 001</td> <td style="border-bottom: 1px solid black;">32 hours</td> <td style="border-bottom: 1px solid black;">\$384 (32/47 x \$564)</td> </tr> <tr> <td style="border-bottom: 1px solid black;">General Repairs</td> <td style="border-bottom: 1px solid black;">15 hours</td> <td style="border-bottom: 1px solid black;">\$180 (15/47 x \$564)</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Total hours</td> <td style="border-bottom: 1px solid black;">47 hours</td> <td></td> </tr> <tr> <td colspan="3" style="border-bottom: 1px solid black;">Gross Pay (\$12 per hour x 47 hours = \$564)</td> </tr> </tbody> </table>	Costs			EPA grant 001	32 hours	\$384 (32/47 x \$564)	General Repairs	15 hours	\$180 (15/47 x \$564)	Total hours	47 hours		Gross Pay (\$12 per hour x 47 hours = \$564)		
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16	<p>Which of the following may be used for interim – but not final – accounting purposes?</p> <p>A. Estimates B. Expenses C. Costs D. Shifting E. All of the above</p>	Budget estimates or other distribution percentages determined before or after the services are performed along with comparisons and adjustments do not qualify as source documentation for charges to federal awards, but may be used for interim accounting purposes.															
20	<p>Which of the following items can be found on a <i>travel authorization</i> but not on a <i>travel voucher</i>?</p> <p>A. Estimated travel costs B. Food, lodging, and other expenses C. Transportation to the travel location D. Traveler and project identification E. All of the above</p>	Estimated costs appear on the travel authorization, while actual costs are recorded on the travel voucher.															

Module 8: Source Documentation for Procurement and Purchasing

Slide	Question (bold font indicates correct answer)	Explanation
27	<p>What is a procurement system?</p> <ul style="list-style-type: none"> A. Formal policies and procedures B. Instructions for implementation C. Checks and balances D. Part of the internal control structure E. All of the above 	<p>A procurement system consists of formal policies, procedures, and instructions for implementation necessary to ensure proper checks and balances within an internal control structure.</p>
30	<p>Why does a Tribal Nation need a procurement system?</p> <ul style="list-style-type: none"> A. More funds are being used for external procurement or purchases. B. EPA reimbursements do not cover procurement of supplies. C. Supply sources depend on internal procurement systems. D. Procurement costs increase steadily over time. E. All of the above are viable reasons. 	<p>Since a significant portion of a Tribal Nation’s funds are used for procurement or purchases, it is critically important for a Tribal Nation to establish a well-defined procurement system with checks and balances.</p>
38	<p>Purchasing policies and procedures must be determined for _____ purchases.</p> <ul style="list-style-type: none"> A. Small B. Medium C. Large D. EPA-funded E. All of the above 	<p>All purchases should follow written policies and procedures.</p>
44	<p>Purchase orders or request forms are:</p> <ul style="list-style-type: none"> A. A good idea, but not really necessary B. A total waste of time and paper C. Department documentation for tracking and reporting purchases D. Legal documents that EPA uses to prove costs are non-allowable E. All of the above 	<p>Purchase orders and request forms are used by many different departments. They provide proof that items were ordered, received, and paid for. They help employees keep track of supplies and equipment.</p>