



2010 *Program Start Up Institute*

Financial Literacy

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Corporation for
NATIONAL &
COMMUNITY
SERVICE 





Session Objectives

- Key items that AmeriCorps grantees should consider to:
 - Develop effective internal controls; and
 - Document match



Session Outline

- Internal Controls
 - Internal controls and audit findings
 - What Are Internal Controls
 - Purpose/Objectives of Internal Controls
 - Defining a Good Internal Control Environment
 - Process To Establish Internal Controls
 - Written Policies and Procedures
 - Examples of Key Internal Controls Element for AmeriCorps Grantees



Session Outline

- Documenting Match
 - Match requirements
 - Documentation basics
 - Recording In-kind and Valuing Contributions



Internal Controls and Audit Findings

- Types of audit findings
 - A **questioned cost** that becomes a **disallowed cost** is a violation of a provision of law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditures of Federal funds.
 - A **reportable condition** in which the design or operation of an internal control does not reduce, to a relatively low level, the risk that errors or irregularities would result in significant or material issues



Most Audit Findings Result From Inadequate Internal Controls

- Potential impacts of inadequate internal controls:
 - Audit findings – questioned costs, material weakness
 - Federal funds may be managed inappropriately
 - Funding sources are jeopardized
 - Inconsistencies in practices, processes, reviews, approvals, results, documentation
 - Inefficient use of time and resources
 - Repayment of disallowed or unallowable costs



Examples of Audit Findings Due to Inadequate Internal Controls

General:

- Late submission of financial reports
- Missing or questionable source documents
- Timesheets/evaluations not signed or dated

AmeriCorps:

- Member eligibility – documents, records, files
- Timesheets hours don't support earning education award
- Unacceptable justification for changes made to timesheets

What are Internal Controls?

- Organizational policies, procedures, processes, and systems
- A system of checks and balances
- Clear identification and appropriate separation of authorities, responsibilities, duties
- Not a “organizational burden,” but a to to optimize and manage resources





Purpose of Internal Controls

- Improve accountability to customers (Federal Government, CNCS, trustees, etc.)
- Help organization achieve performance and budget targets and operate efficiently and effectively
- Help ensure financial integrity of organization and reliability of financial reporting
- Prevent loss of resources, public assets and trust
- Help ensure compliance with laws, regulations, requirements



Purpose of Internal Controls? (cont.)

- Help ensure decisions, actions and transactions are appropriately justified, reviewed, approved and documented
- Support effective management
- Help minimize opportunity for waste, fraud and mismanagement
- Help reduce legal liability



A Good Control Environment Includes

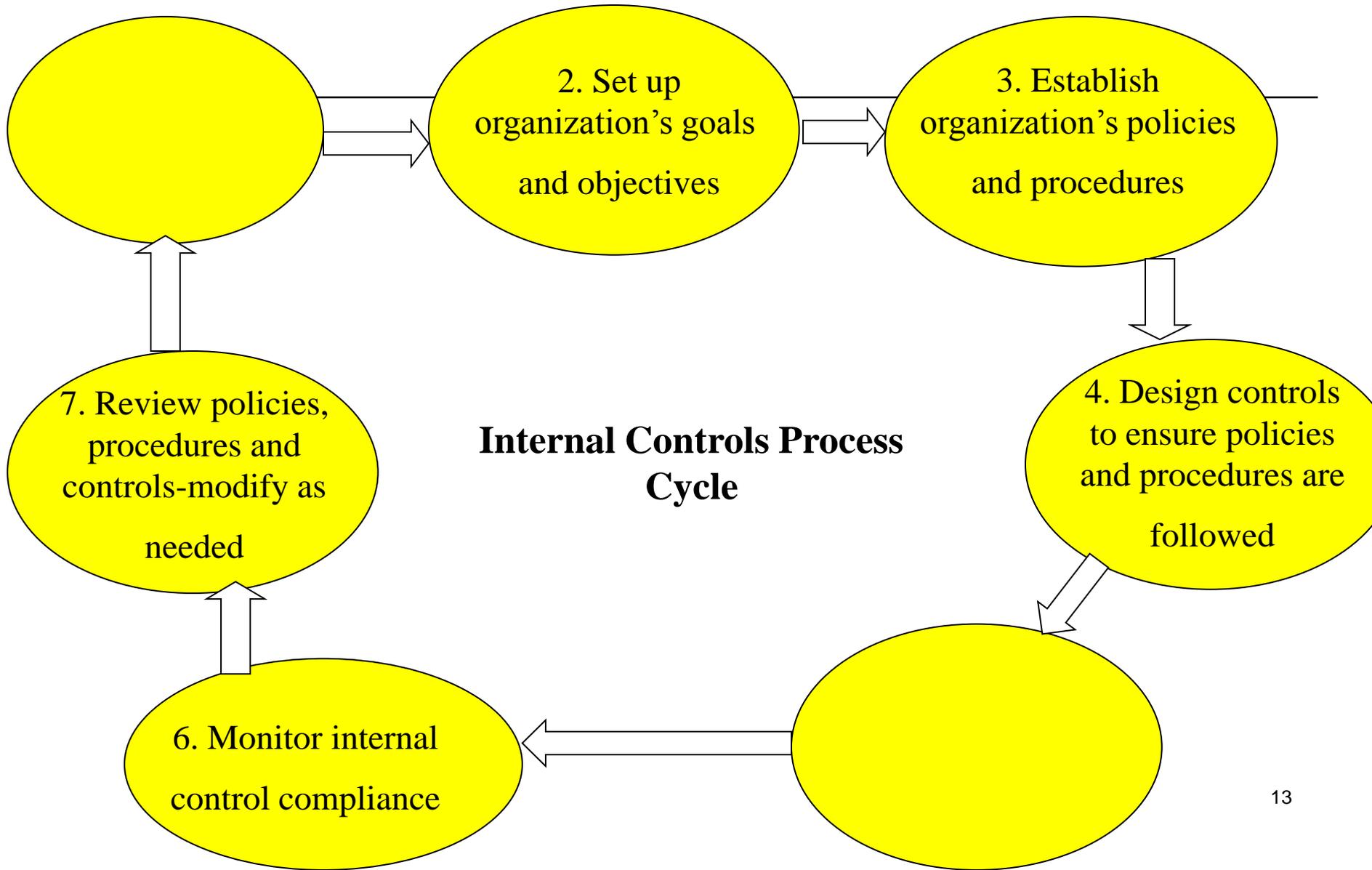
- Positive “atmosphere” in the work environment
- Existence of a code of conduct and code of ethics
- Written job descriptions
- Timely/appropriate communications with Board
- Written policies to hire, train, promote and compensate employees
- Safeguards for employees related to whistle-blowing
- A clear chain of command
- Clear, written delegations of authority & responsibilities



A Good Control Environment Includes (cont.)

- Written policies, procedures and processes
- Adequate review process for financial transactions, financial reports, budgets, etc.
- Adequate cash management procedures (e.g., monthly bank reconciliations by supervisory personnel)
- System to track participants' & employees' activities
- System to follow up on problems to ensure resolution

Process to Establish Internal Control





Written Policies & Procedures is essential to establishing Internal Controls Because They:

- Establish the standards for the organization's operations
- Help maintain information that is crucial to operations that would otherwise remain in employees' "heads"
- Help orient new employees and substitutes if the appropriate personnel are absent
- Assist with consistency and clear communication of expectations



Examples of Key Policies & Procedures

- Authorizations of transactions
- Payroll procedures
- Cash receipts procedures
- Procurement policies
- Travel regulations
- Financial reporting
- Budgeting
- Record retention
- Conflict of interest
- Timekeeping

Specific Policies Governing Federal Funds:

- FFR completion
- Drawdown of Federal funds
- Matching requirements



Staff Timesheet - Key Elements

For Non-profits:

- Signed and dated by employee and by supervisor
- Reflect after-the-fact time determination of actual activity
- Are prepared at least monthly and coincide with one or more pay periods
- Account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization
- Provide support for charges for salaries and wages must also be supported by records indicating the total number of hours worked each day



Job Description – Key Elements

- Job title:
- Reports to:
- Supervises:
- Basic function:
- Duties and responsibilities:
- Qualifications:
- Classification:



Accounting Systems – Key Elements

- System must be capable of:
 - Distinguishing grant vs. non-grant related expenditures
 - Identifying costs by program year
 - Identifying costs by budget category
 - Differentiating between direct and indirect costs (administrative costs)
- Maintains Federal and non-Federal matching funds separately from grant funds
- Records in-kind contribution as both revenues and expenses



Chart of Accounts – Key Elements

- Numerical outline of accounts (codes)
- Narrative description of each line item (object class)
- Note: special account codes should be created to track CNCS funded activities by separate grant



Budgetary Controls

- Monitor budgets against actual year-to-date and current period expenditures or outlays
- Explain any budget variations that are unexpected or unusual and determining necessary adjustments
- Ensure compliance with laws, regulations, and CNCS provisions, particularly matching percentage requirements
- Request and assure budget changes are properly approved
- Review adjustments between line items and verify if they are within provisions and/or guidelines



Documentation – Key Elements

Documentation should ensure that costs:

- Conform to grant/contract limitations
- Are allowable under the budget and cost principles
- Are treated consistently
- Are in accordance with Generally Accepted Accounting Principles (GAAP)

All documentation should support:

- What services or goods were obtained
- Why the transaction is allowable for the grant purposes
- The value of the contribution



Documenting Match

Project Costs

The total allowable budget or expenditures incurred to operate the program and accomplish its objectives is divided into 2 sections:

**Federal
Share**

Portion of budget or expenditures paid for with Federal funds (CNCS)

**Grantee
Share**
aka: match

Portion of total expenditures not paid for with CNCS funds

Federal and Grantee Share funds must be treated consistently

Examining “Overall Match” Requirement

§ 45 CFR 2521.60(a) – Regulatory Match:

- Grantees must meet minimum requirements as shown in table below up to 50% overall match
- \$1 dollar for every CNCS \$1 - by year 10

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Overall Minimum Share	24%	24%	24%	26%	30%	34%	38%	42%	46%	50%

Sources of Match

Cash Contributions

- Contributions received by cash, check, electronic funds transfer, credit card, or payroll deduction

In-Kind Contributions

- Value of non-cash contributions provided by non-Federal third parties
- May be in the form of real property, equipment, supplies, services, and other expendable property

Approved Budget → Match amount and Sources of Match

Sources of Match Changed Significantly → Contact your Grants Officer

Acceptable Match is . . .

Cash and in-kind contributions are accepted as part of the grantee's cost sharing or matching when contributions meet all of the following criteria:

- Are verifiable from the grantee's records
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives
- Are allowable under the applicable OMB cost principles
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching
- Are provided for in the approved budget
- Conform to other grant provisions or OMB Circulars



Administrative Requirements



Documentation Basics

Why Retain Documentation?

- To track incoming information
- To review information
- To provide historical evidence
- To provide evidence of accomplishments
- To prepare for an audit

Establish a written record retention policy

See Handout

Finding Match

Cash:

- Donations
- Leases, sale of goods/services
- Local governments
- State appropriations
- Foundation grants or corporate contributions



In-Kind Contributions:

- Value of donated services and/or donated goods



Labor ★ space ★ vehicles ★
training ★ supplies ★
equipment ★ services

Grantees cannot use other Federal funds as match
unless approved by the other Federal agency

Exception: Volunteer Match



Do not count as match -

- The value of direct community services performed by volunteers



Do count as match -

- Services that contribute to organizational functions
- Count services such as accounting, legal, training of staff or members that are elements of the grantee's cost allocation plan



Recording In-Kind Contributions

- Maintain adequate documentation to support amounts claimed as match
- Maintain same documentation for both CNCS Federal share and for grantee's share
- Documentation must meet same standards as other expenditures within organization
- Record donation and valuation of item in detail
- Enter into the General Ledger as income and expenditure
 - Failure to enter match contributions into general ledger requires a formal explanatory policy and separate spread sheet accountability of receipt and use



Why Record In-Kind in the General Ledger?

Statement of Financial Accounting Standards
(SFAS #116) sets the standard:

- Contributed services are recognized in financial statements if services received:
 - Create or enhance non-financial assets, or
 - Require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.



Recording In-Kind Contributions

Enter into the General Ledger as income and expenditure:

Example:

A local paint store donates a professional paint sprayer with a fair market value of \$550.00

\$550.00 – 7250 In-Kind Expense Account (debit)

\$550.00 – 5250 In-Kind Income Account (credit)

Valuing In-Kind Contributions

- Use fair market price
- Consider what it would cost to obtain similar goods or services
- The donor must provide the value of the donation
- Review the donation letter or form to ensure the value is reasonable

The IRS defines **fair market value** as
the price that item would sell for
on the open market

Documenting In-Kind Contributions

1. Document the basis for determining value of personal services, material, equipment, building, and land
2. Obtain written acknowledgement from the donor to include:
 - Name and signature of donor
 - Date and location of donation
 - Detailed description of item or service
 - Estimated value of contribution, how value was determined, who made the determination
 - Whether the contribution was obtained with Federal funds

***** *Keep a copy of the receipt in your files* *****

If audited, a grantee may be required to obtain full supporting documentation from all donors, if not available during the audit.

Sample: In-Kind Contribution Form

Organization's Logo Here

Non-profit Organization of My County
P.O. Box 1234 • Any City, TX 76001 • (713) 879-2812

In-Kind Contribution Form

Contributor Information

Name of Business or Individual: _____
Name of Primary Contact: _____
Address: _____
City: _____ State: _____ Zip Code: _____
Telephone: _____ E-mail: _____

Contributed Goods or Services

Description of Contributed Goods or Services: _____

Date(s) Contributed: _____
Real or Estimated Value of Contribution: \$ _____
How was the value determined?: Actual Value Appraisal Other
If other, please explain: _____

Who Made this Value Determination?: _____

Is there a restriction on the use of this contribution?: No Yes
If yes, what are the restrictions?: _____

Was this Contribution Obtained with or Supported by Federal funds?: No Yes
If yes, please provide the name of the Federal agency and the grant or contract number: _____

Signature of Contributor

Date Contributed

☞ Thank you for your support!! ☞

Program/Accounting Use Only:

Person Receiving Goods or Services on Behalf of Any Non-Profit Organization of My County:

Printed Name

Position

Signature

Date Received

Accounting Use Only:

\$

Value Recorded

Date Entered

Account Number

Data Entry Person



Wrap-Up

Questions?
&
Complete Evaluations