



HRSA
Healthy
Grants
WORKSHOP
Presented as a Web Series

HRSA
Health Resources & Services Administration

Best Practices for Effectively Managing Your Grants

Healthy Grants Workshop

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Vision: Healthy Communities, Healthy People



Learning Objectives

- Identify the federal requirements governing the allowability of costs to federal awards
- Understand the requirements for adequately documenting and tracking costs to federal awards
- Understand the requirement for records retention
- Recognize and apply the federal requirements for time and effort reporting



Statutory, Regulatory, and Policy Requirements

Available Resources for Proper Financial Management of your Grant:

- 45 CFR Part 75
- HHS Grants Policy Statement (HHS GPS)
- Program-Specific Requirements



Allowable Costs



Allowable Costs – 45 CFR 75.403

Allowable - To be allowable under Federal awards, costs must meet the following general criteria:

- Be necessary and **reasonable** for proper and efficient performance and administration of Federal awards;
- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit; and
- Be **allocable** to the grant



Allowable Costs – 45 CFR 75.403

Allowable Costs Must:

- Not be included as costs or used to meet cost sharing or matching requirements of any other federally financed program either current or a prior period;
- Be treated consistently;
- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part; and
- Be adequately **documented**



Examples of Unallowable Cost

- **Alcoholic beverages**
(45 CFR 75.423)
- **Bad debt** (45 CFR 75.426)
- **Contingency provisions**
(45 CFR 75.433)
- **Fines and penalties**
(45 CFR 75.441)
- **Lobbying** (45 CFR 75.450)
- **Entertainment Costs (e.g. amusement, social activities, meals)**
(45 CFR 75.438)



Reasonable Costs

Reasonable

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.



Reasonable Costs

Reasonable Costs Must:

- Be generally recognized as **ordinary and necessary** for operations and performance.
- Have restraints or requirements that are in place (e.g. internal control).
- Be comparable to **market prices** for goods or services
- Indicate that the individuals acted with prudence for the circumstances.
- Not significantly deviate from established practices and policies.



Allocable Costs

Allocable

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are **chargeable** or assignable to that Federal award or cost objective in accordance with relative benefits received.



Allocable Costs

Allocable Costs Must:

- Be incurred specifically for the Federal award.
- Benefit both the Federal award and other work of the non-Federal entity, and be **distributed** in proportions that may be approximated using **reasonable methods**.
- Be **necessary** to the overall operation of the non-Federal entity and is **assignable** in part to the Federal award.
- Be adequately documented.



Knowledge Check Question #1



Knowledge Check

To be allowable under Federal awards, costs must be ...

1. _____
2. _____
3. _____

Knowledge Check

Answer: To be allowable under Federal awards, costs must be ...

- 1. Reasonable***
- 2. Allocable***
- 3. Documented***



Knowledge Check Question #2



Knowledge Check

An organization claimed the mileage reimbursement at \$10 per mile for the site visit under the Federal award. This visit is part of the organization's routine practice to monitor the Federal program. Would this claim be reasonable?



Knowledge Check

An organization claimed the mileage reimbursement at \$10 per mile for the site visit under the Federal award. This visit is part of the organization's routine practice to monitor the Federal program. Would this claim be reasonable?

Answer: This is not reasonable.

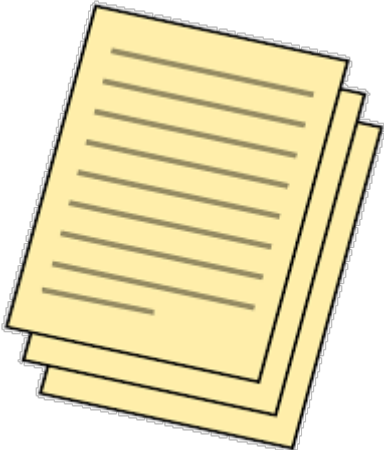


Cost Allocation

- Federal vs. Non-federal
 - Be treated consistently
- Direct vs. Indirect Costs
 - A cost cannot be both a direct and indirect cost
- Documented Allocation Plan
- Negotiated Indirect Cost Rate (if applicable)



Documentation



How to Document Federal Expenditures

How to Adequately Document:

- Separate Tracking of Federal Expenditure
 - Chart of Account
 - General Ledger
- Type of Documentation
- Record Retention Period



How to Document Federal Expenditures

- The recipient's records must **identify the source and application of funds for federally funded activities and be supported by source documentation (45 CFR § 75.302(b)(3));**
- The recipient must comply with Federal statutes, regulations, and the terms and conditions of the Federal awards (45 CFR § 75.303(b) and 2 CFR part 230, Appendix A, § A.3.b); and
- The recipient must have written policies and procedures.



Separate Tracking of a Federal Grant

The recipient's **financial management system must identify, in its accounts, all Federal awards received and expended** and the Federal programs under which they were received (45 CFR § 75.302 (b)(1)).



Separate Tracking of a Federal Grant

Chart of Accounts

- A **Chart of Accounts (COA)** is the **complete list of all accounts** that are related to an organization; it is used **to organize** the finances of the entity and **to segregate** expenditures, revenue, assets and liabilities in order to give interested parties a better understanding of the **financial health of the entity**.
- Accounts are typically defined by an **identifier (account number)** and are coded by account type.
- Sub-accounts can be used for separate tracking of a Federal grant using unique account codes and identifiers; the subsidiary ledger contains information that is specific to a certain general ledger account.



Separate Tracking of a Federal Grant

General Ledger

A general ledger (GL) is a **complete record of all the financial transactions** over the life of your organization. The general ledger holds all of the information needed to prepare financial statements and includes **assets, liabilities, equity (net asset), revenue and expenses.**



Knowledge Check Question #3



Knowledge Check

_____ is the complete list of all accounts related to an organization.

_____ is the complete record of all financial transactions over the life of an organization. It is the backbone of any accounting system.



Knowledge Check

Answer:

The chart of accounts is the complete list of all accounts related to an organization.

The general ledger is the complete record of all financial transactions over the life of an organization. It is the backbone of any accounting system.



Knowledge Check Question #4



Knowledge Check

The General Ledger typically has five categories: 1) Assets; 2) Liabilities; 3) Net Asset; 4) _____; and 5) _____.

Knowledge Check

Answer:

The General Ledger typically has five categories: 1) Assets; 2) Liabilities; 3) Net Asset; 4) ***Revenue***; and 5) ***Expenses***.

Adequate Source Documentation

- Invoices showing vendor, date, and amount paid
- Receipt of purchase
- Dates on invoices and receipts that show that the costs fall within the grant period
- Copies of cancelled checks showing the amounts were actually paid
- Connection to the grant (cost center, fund type code) – in general ledger
- Subrecipient agreements or contracts
- Costs that support only items listed in the grant budget
- Travel logs
- Personal Activity Reports/timecards/certifications



Federal Record Retention

Record Retention (45 CFR 75.361)

- Must retain all records for **at least three years** after submitting the final expenditure report (FFR for non-construction awards; Outlay Report and Request for Reimbursement for construction awards).
- **One exception** for the 3-year rule - If any litigation, claim, or audit is **started before** the expiration of the 3-year period, the records must be retained **until all** litigation, claims, or audit findings involving the records have been **resolved and final action taken**.



Knowledge Check Question #5



Knowledge Check

How long should Federal records be retained?



Knowledge Check

How long should Federal records be retained?

Answer: At least three years (in most circumstances).

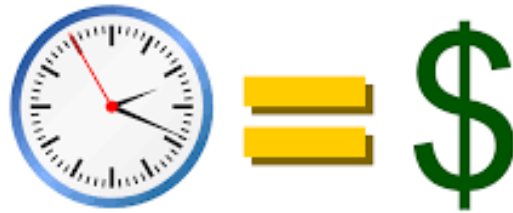


Polling Question

Are you familiar with the requirements for time and effort reporting?



Time and Effort Requirements



What is Time and Effort Reporting?

- Effort is defined as the amount of time spent on a particular activity.
 - Includes time spent working on a sponsored project in which salary is:
 - ✓ Directly charged, or
 - ✓ Cost-shared (also known as match)
- Individual effort can be expressed as a percentage of the total amount of time spent on work-related activities
 - Examples include:
 - ✓ Instruction
 - ✓ Research
 - ✓ Administration
 - ✓ Clerical
- Effort reporting is the required method of certifying that the effort charged or cost shared to each award has actually been completed



Why is Time and Effort Reporting Needed?

Time and effort reporting is required to document that:

- Federal funds were charged only for time actually worked
- Personnel costs are for allowable activities
- Federal programs paid only their proportionate share of personnel costs



Time and Effort Records

Time and effort records must be maintained for all employees*:

1. Who are paid in whole or in part with federal funds; and/or
2. Whose salaries are used to meet a match/cost share requirement.



* Not required to be maintained for contractors since they are not considered employees

Documentation of Personnel Expenses

All salaries and wages must be based on records that accurately reflect the work performed (45 CFR 75.430(i)(1)):

- Be supported by a system of internal controls;
 - Accurate, allowable, and allocable
- Be incorporated into official records;
- Reasonably reflect total activity for which employee is compensated;
 - Not to exceed 100%
- Encompass all compensated activities (federal and non federal);
- Comply with established accounting policies and practices; and
- Support distribution of salary and wages.
 - Specific activities, projects, or funding sources



Use of Budget Estimates

- Budget estimates alone do not qualify as support for charges to federal awards



- May be used for interim accounting purposes if:
 - Approximations are reasonable;
 - Significant changes to the work activity are identified (and updated) in a timely manner;
 - Supported by a system of internal controls to review after-the-fact interim charges; and
 - Adjustments are made such that the final amount charged to the award is accurate, allowable, and properly allocated.

Reconciliations required!

Use of Percentages

Can time and effort records use percentage of time?

Yes!

Because practices vary as to the activity constituting a full workload, records may reflect categories of activities expressed as a percentage distribution of total activities.

Must be supported by documentation!



Compliance vs. Noncompliance

If records meet the standards → Compliance (45 CFR 75.430(i)(2))

- No additional support or documentation for the work performed will be required.

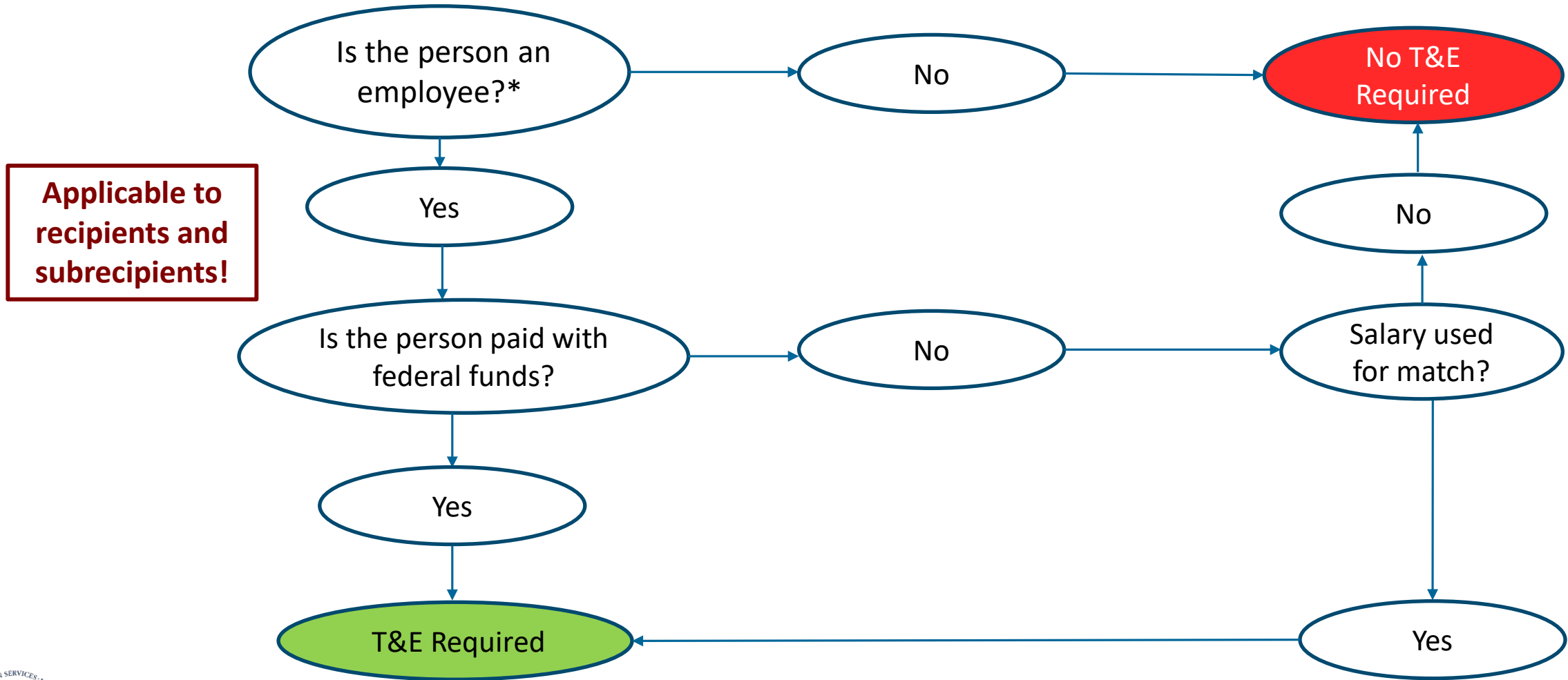
If records DO NOT meet the standards → Noncompliance (45 CFR 75.430(i)(8))

- HRSA may require personnel activity reports including prescribed certifications, or equivalent documentation.
- May result in an audit finding.

ALWAYS maintain detailed records!



Who Must Keep Time and Effort Records?



* If you don't know if a person is an employee – ask HR



Matching Funds

- To be an allowable match → a cost must be allowable as a grant charge.
 - Matching = cost sharing
- Recipients must maintain documentation supporting the personnel costs counted as match in the same manner it would for personnel costs charged to the grant.



Knowledge Check Question #6



Knowledge Check

True or False?

Time and Effort Reporting and personnel activity reports need to be maintained by everyone including contractors who are paid with the grant funds.



Knowledge Check

Time and Effort Reporting and personnel activity reports need to be maintained by everyone including contractors who are paid with the grant funds. Is it True or False?

Answer: False



Common Issues with Reporting Time and Effort



Common Issues with Reporting Time and Effort

Identified in Financial Management Reviews and Grant Reviews:

- Using grant funds to pay employees based on budgeted hours.
 - MUST be based on actual hours.
- No allocation for employees whose salary is charged to multiple sources.
- Using percentage of grant funding to determine an employee's percentage of time worked.
 - MUST be in proportion to the time spent to achieve the purpose of the grant.



Common Issues with Reporting Time and Effort

- Inconsistent application of requirements across all sources of funding.
- Charging time to federal awards when no work on the federal award occurred to make up for funding shortfalls.
- Total time charged across sources exceeds 100%.
 - Cannot exceed 100%



Time and Effort



Time and Effort Expense Charges

The actual percentage of employees' time must be **documented** by funding source and **recorded** (to the general ledger).

- Final amounts cannot be based on estimates or budgets.
- Total must not exceed 100%.
- Documentation must be maintained to support allocations.



Time and Effort Internal Controls

- Reduce risk by implementing strong internal controls.
 - Allowable, accurate, allocated, documented
- Train your staff and stress the importance of time and effort reporting.
 - Consistency - All staff need to be completing documents.
 - Templates for tracking
 - ✓ Documenting
 - ✓ Reporting
 - ✓ Measuring

Recipients have flexibility to design internal controls which align with organization structure!


Time and Effort Internal Control Examples

- Written policies and procedures
- Review and supervisory approval of records
- Periodic internal 'review' or time studies
- Certification
 - Attesting that salaries, wages, and benefits charged to the grant are reasonable and accurate in relation to the work performed
- After-the-fact reconciliation and adjustments
- Review of the process as personnel and positions change
 - Review of job descriptions
- Quarterly budget to actual reviews
 - Update budget if actual time and effort consistently differs from estimate



Time and Effort Policies and Procedures

- Recipients must have written policies surrounding time and effort reporting.
- Must be consistent (applied to both federal and non-federal activities):
 - Time and effort policies
 - Time and effort reporting

CONSISTENCY
IS 

Time and Effort Policies and Procedures

Timekeeping – The Policies and Procedures must:

- Describe timekeeping controls and plans to monitor compliance with federal statutes, regulations, and the terms and conditions of the federal award;
- Describe the distribution of salary and wages charged to federal awards based on actual employee activity as reflected in personnel activity reports, prepared after-the-fact, that include the total activity for which employees were compensated; and
- State that timekeeping must be certified as accurate by either the employee or a supervisor familiar with the employee's activities.
- Non-profit organizations cannot charge salary and wages to federal awards based on budget estimates. However, States, Local or Indian Tribal Governments may allocate salary and wages charged to federal awards based on budget estimates, other distribution percentages, or use a substitute system if certain conditions are met in 45 CFR §75.430.

45 CFR §75.303 and §75.430



Time and Effort Written Policy Requirements

- HOW?
 - Contain prescribed measurement
 - ✓ tracking methods for staff effort and the sources of funds from which they are being paid must be consistent across staff classifications
 - Contain process to review after-the-fact interim charges made to federal awards based on budget estimates
 - ✓ accurate, allowable and allocable
- WHO?
 - Identify who will certify effort reports
 - Identify who has oversight over reviewing, approving, tracking, and allocations
- APPLICABILITY
 - Contain clear procedures to adjust effort levels when appointments change
 - Ensure that tracking methods are documented and tie back to effort reports



Time and Effort Documentation



Time and Effort Certification

- Certification
 - “I _____ hereby certify that I spent X% of my time working on _____ during the time period _____.”
- Complete at a minimum – semi-annually
- Include process in your documented policies and procedures
- Complete for all employees – including 100% funded by one federal source
- Signed by employee AND supervisor



Time and Effort Certification

- Example data:
 - Michael Jones is an employee who worked 50% of his time on the Healthy Start program, 20% on the homeless grant, 20% school based grant, and 10% on the postpartum women grant during the period February 10, 2020, through February 21, 2020.



Time and Effort Certification

Example

ABC HealthCare, Inc.
1200 Pennsylvania Ave
Washington, DC 20500



Time and Effort Certification

I Michael Jones certify that I spent

50 % of my time working on the Healthy Start Grant

20 % of my time working on the Homeless Grant

20 % of my time working on the School-Based Grant

10 % of my time working on the Postpartum Women Grant

during the time period of 2/10 - 2/21/20.

Maryanne, Behavioral Health Specialist 2/21/20
Name, Title Date

Maureen Wright, Program Director 2/21/20
Supervisor, Title Date

Personnel Activity Report

After-the-fact Personnel Activity Report

Time and Effort Reporting Form							
Employee should enter time in 15 minute increments (.25). For example 1.5 = one hour thirty minutes. All time should represent full work week. Hourly employees time should equal the hours worked.							
	Health Center Base	SUD-MH	Ryan White Part B	State MH	Local MH	Administrative	Total
Sunday							
Monday							
Tuesday							
Wednesday							
Thursday							
Friday							
Saturday							
Sunday							
Monday							
Tuesday							
Wednesday							
Thursday							
Friday							
Saturday							
	0	0	0	0	0	0	

Total hours must agree to pay stub.



- Work hours → document hours as worked → submit after pay period.
- Complete for all employees – including 100% funded by one federal source.
- Completed by staff each pay period.
 - Signed by employee and supervisor.
- Used by accounting staff for reconciliation purposes.



Personnel Activity Report

Example

No White Out

ABC Company
BI-MONTHLY TIME SHEET

Please Remember
Initial All Changes

Employee Name: Tricia Williams
PAY PERIOD BEG: 3/16/19
PAY PERIOD END: 3/31/19

*Identification of grant /
funding source*

Employee Signature
Supervisor Signature

*Signature of
employee and
supervisor*

Day	Date	Start Time	Ending Time	Hours Worked	Time Off Hours	Total Hours	ADMIN	RW FOOD	RW TSA	MAI	MCM	EIS	RHSS
Sun													
Mon	3/18/19	10 am	6 pm	8		8					6 ✓		2
Tues	3/19/19	10 am	6 pm		8	8					6v ✓		2v
Wed	3/20/19	10 am	6 pm	8		8					6 ✓		2
Thurs	3/21/19	10 am	6 pm	8		8					6 ✓		2
Fri	3/22/19	9 am	5 pm	8		8					6 ✓		2
Sat													
Sun													
Mon	3/25/19	10 am	6 pm	8		8					6 ✓		2
Tues	3/26/19	10 am	6 pm	8		8					6 ✓		2
Wed	3/27/19	10 am	6 pm	8		8					6 ✓		2
Thurs	3/28/19	10 am	6 pm	8		8					6 ✓		2
Fri	3/29/19	9 am	5 pm	8		8					6 ✓		2
Sat													
TOTALS				72	8	80					54/6v		18/2v

*Total hours
agree to
paystub*

ALSO Place your Time Off Totals Below – Separated by Category

Time Off Hours	B-Bereavement	H-Holiday	J-Jury Duty	P-Personal	S-Sick	V-Vacation	CTE-Comp Time Earned	CTU-Comp Time Used



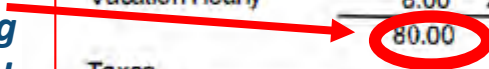
Personnel Activity Report

Example

Tricia Williams
801 Market Street
Philadelphia, PA 19107

Employee Pay Stub	Check number: 7657	Pay Period: 03/16/2019 - 03/31/2019	Pay Date: 03/31/2019
Employee		SSN	Status (Fed/State)
Tricia Williams, 801 Market Street Philadelphia, PA 19107		***-**-1111	Single/Withhold
			Allowances/Extra
			Fed-3/5PA-1/0
Earnings and Hours	Qty	Rate	Current YTD Amount
Hourly	72.00	20.00	1,440.00 18,080.00
Vacation Hourly	8.00	20.00	160.00 360.00
	80.00		1,600.00 18,440.00
Taxes		Current YTD Amount	
Medicare Employee Addl Tax		0.00	0.00
Federal Withholding		-159.00	-1,506.00
Social Security Employee		-109.12	-1,143.28
Medicare Employee		-25.52	-267.38
PA - Withholding		-81.00	-819.00
		-374.64	-3,735.66
Adjustments to Net Pay		Current YTD Amount	
Dental Insurance (taxable)		-15.67	-188.04
FSA			-1,600.00
		-15.67	-1,788.04
Net Pay		1,369.69	12,916.30

Total hours agree to time and effort reporting form (Bi-Monthly time sheet)



Time and Effort Reconciliation

- After-the-fact Activity Report Reconciliation Example

Beginning Payroll DATE	EMPLOYEE	STATE SHR	GRANT CODE	%	Actual		Budget	
					TIMESHEET	%	PAYROLL	VARIANCE
9/25/2019	ANDREW	\$2,982.01	0302	15	447.3			\$447.30
9/25/2019	ANDREW		0454	85	2,534.71	100	2,982.01	(\$447.30)
9/25/2019	ANNE	\$2,346.28	0506	21.05	493.89	25	586.57	(\$92.68)
9/25/2019	ANNE		0560	78.95	1,852.39	75	1,759.71	\$92.68
9/25/2019	JANET	\$3,930.40	0560	100	3,930.40	100	3,930.40	-
9/25/2019	JEAN	\$1,537.88	0560	100	1,537.88	100	1,537.88	-
9/25/2019	JULIE	\$657.60	0560	100	657.6	100	657.6	-
9/25/2019	LANCE	\$2,620.89	0560	100	2,620.89	100	2,620.89	-
9/25/2019	MISTY	\$2,083.09	0454	100	2,083.09	100	2,083.09	-
9/25/2019	PATRICIA	\$2,597.12	0559	37.5	973.92	50	1,298.56	(\$324.64)
9/25/2019	PATRICIA		0560	62.5	1,623.20	50	1,298.56	\$324.64

- Initial payroll costs in accounting system = charged according to budget
- Adjusted to actual on a periodic basis
 - ✓ Monthly
- Final charges at the end of the grant period = actual time spent on the grant



Time and Effort Internal Controls

Measure, document and report the percentage of effort expended on federal award

Designate appropriate staff to review and certify effort reporting forms

Timely review and certification of time and effort reporting

Staff Training on time and effort reporting



Key Reminders for Time and Effort



- Charges for personnel must be based on **ACTUAL TIME**
- Must be incorporated into **OFFICIAL RECORD**
- Be **DOCUMENTED**
- Be supported by **INTERNAL CONTROLS**
- Represent **TOTAL COMPENSATED ACTIVITY**
- Be **CONSISTENT** for all funding sources

Key Reminders for Managing Your Grant



- All costs to federal awards must be Allowable, Reasonable, Allocable and Adequately Documented.
- Recipients must have adequate policies and procedures for fiscal oversight.
- Use the approved budget as your guide.
- When in doubt, consult your HRSA Grants Management Specialist or Project Officer.

Questions?



Contact Information

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Resources

- [45 Code of Federal Regulations Part 75](#)
- [HRSA Manage Your Grant](#)
- [Internal Controls Tip Sheet](#)
- [Financial Management Requirements](#)



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