



HRSA
Healthy
Grants
WORKSHOP
Presented as a Web Series

HRSA
Health Resources & Services Administration

Recording & Supporting Expenditures

Healthy Grants Workshop

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Vision: Healthy Communities, Healthy People



Learning Objective and Agenda

Learning Objective

- To gain a better understanding on recording and supporting allowable costs for grant expenditures.

Agenda

- Compliance Requirement
- Recording Grant Revenue and Expenditures Process
- Adequate Documentation
- Record Retention Period
- Resources
- Question and Answers



Poll Question

How many years of experience do you have with documenting grant expenditures?

- A. None, I'm new to this
- B. 1-5 years
- C. 6-10 years
- D. 11-20 years
- E. Over 20 years



Statutory, Regulatory, and National Public Policy Requirements

Available Resources for Proper Financial Management of your Grant:

- 45 Code of Federal Regulation (CFR) Part 75
- HHS Grants Policy Statement (HHS GPS)
- Program-Specific Requirements



Allowable Costs – 45 CFR 75.403

- a) Necessary and reasonable
- b) Conform to limitations/exclusions in cost principles or award
- c) Consistent with organizational policies for federal vs. non-fed funds
- d) Consistent allocation
- e) GAAP compliant
- f) Not used in cost-sharing on another federally financed program
- g) Adequately documented



Knowledge Check #1

To be allowable under Federal awards, costs must be

- A. Reasonable
- B. Allocable
- C. Documented
- D. All of the above



Knowledge Check #1 – Answer

To be allowable under Federal awards, costs must be

- A. Reasonable
- B. Allocable
- C. Documented
- D. **All of the above**



Reasonable Costs – 45 CFR 75.404

- a) Ordinary and necessary for the entity's operation or for the proper and efficient performance of the award
- b) Restraints imposed
- c) Comparable to market prices
- d) Align with prudent person test
- e) Not significantly deviates from the entity's established practices and policies



Knowledge Check #2

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

- A. Fall behind
- B. Follow
- C. Exceed
- D. Comply



Knowledge Check #2 - Answer

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

- A. Fall behind
- B. Follow
- C. **Exceed**
- D. Comply



Knowledge Check #3

An organization claimed a mileage reimbursement at \$5 per mile for the site visit under the Federal award. This visit is part of the organization's routine monitoring of the Federal subrecipient program. Would this claim be reasonable?

A. Yes

B. No



Knowledge Check #3 - Answer

An organization claimed a mileage reimbursement at \$5 per mile for the site visit under the Federal award. This visit is part of the organization's routine monitoring of the Federal subrecipient program. Would this claim be reasonable?

A. Yes

B. No



Allocable Costs – 45 CFR 75.405

The Cost is allocable if:

- a) Incurred specifically for the Federal award
- b) Benefits both the Federal award and other work of the non-Federal entity where it can be distributed in proportions that may be approximated using reasonable methods
- c) It's necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award



Allocable Costs – Example

Scenario:

- Grant recipient has been awarded a mental health grant from HRSA
- The recipient is also providing services under Non-HRSA funding source
- The recipient performs grant services in same building
- Rent is included in the grant approved budget
- The recipient pays rent every month for \$5,000
- The rent allocation is based on building square footage = 1,000
- HRSA grant awards use 600 square footage for a clinic
- Non-Federal grant uses 400 square footage



Knowledge Check #4

Based on this scenario, how much should the HRSA grant and the non-Federal be charged for rent each month?

- A. \$4,000 HRSA & \$2,000 non-Federal grant
- B. \$3,000 HRSA & \$4,000 non-Federal grant
- C. \$3,000 HRSA & \$2,000 non-Federal grant
- D. None of the above



Knowledge Check #4 – Answer

Based on this scenario, how much should the HRSA grant and the non-Federal be charged for rent each month?

C. \$3,000 HRSA & \$2,000 non-Federal grant

Grant Specification	Cost Category – Other: Rent	\$5,000 a month
Allocation methodology	Based on Square footage	1,000 square feet
Grant A – HRSA	600 square footage used for clinic	\$3,000
Grant B – Non-Federal	400 square footage for non-Federal activities	\$2,000



Cost Allocation

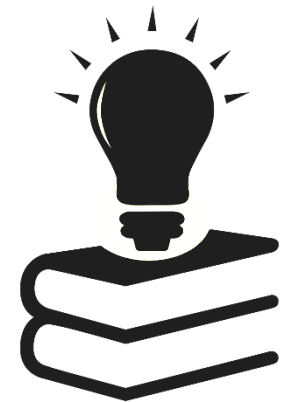
- Federal vs. Non-federal
 - Be accorded consistent treatment
- Direct vs. Indirect Costs
 - A cost cannot be both direct and indirect
- Documented Allocation Plan
- Negotiated Indirect Cost Rate (if applicable)
- General Administrative cost (G&A) or Overhead cost should not be allocated directly to the grant
- Charging actual worked hours to the grant



Knowledge Check #5

What are some guidelines to follow for cost allocation?

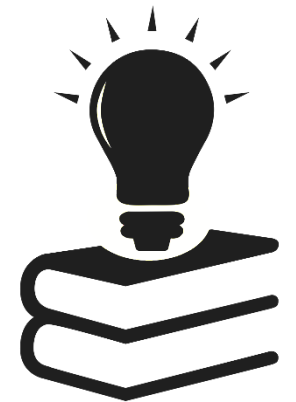
- A. Be necessary and unreasonable
- B. Be unnecessary and reasonable
- C. Be necessary and reasonable
- D. Allocability is not necessary



Knowledge Check #5 – Answer

What are some guidelines to follow for cost allocation?

- A. Be necessary and unreasonable
- B. Be unnecessary and reasonable
- C. Be necessary and reasonable**
- D. Allocability is not necessary



Recording Grant Revenue and Expenditures



How to Document Federal Expenditures

45 CFR § 75.302



- **(b)(1)** – The financial management system must identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.
- **(b)(3)** – The recipient's records must identify the source and application of funds for federally funded activities and be supported by source documentation.
- **(b)(5)** – Comparison of expenditures with budget amounts for each Federal award.
- **(b)(6)** – Written procedures to implement the requirements.



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.
- Expenditure report for a Federal grant



Separate Tracking of a Federal Grant

General Ledger Record Example

Column headers for the GL could include:

- Account
- Date (when it occurred)
- Document Number (back-up)
- Accounting Date (date entered in the system)
- Vendor
- Sub-Account
- Department
- Project
- Location
- Description
- Debit
- Credit
- Balance
- Amount
- Created by



Separate Tracking of a Federal Grant

Chart of Account – High Level Account

Example of Chart of Accounts

Code	Code Description
1000	Assets
2000	Liabilities
3000	Net Assets
4000	Revenues
5000	Expenditures

Separate Tracking of a Federal Grant

Chart of Account – Sub-Account Example

Code		Code Description
4000		Revenue
	4001	HRSA H80 Grant
	4002	HRSA Capital Development Grant
	4003	HRSA Rural Health Network <u>Devt</u> Program
	4004	HRSA Covid-19
	4005	Medicaid
5000		Expenditures
	5001	Salaries and Wages
	5002	Travel
	5003	Contractual Grant Support



Separate Tracking of a Federal Grant

Chart of Account – Sub-Account for 5000 Example

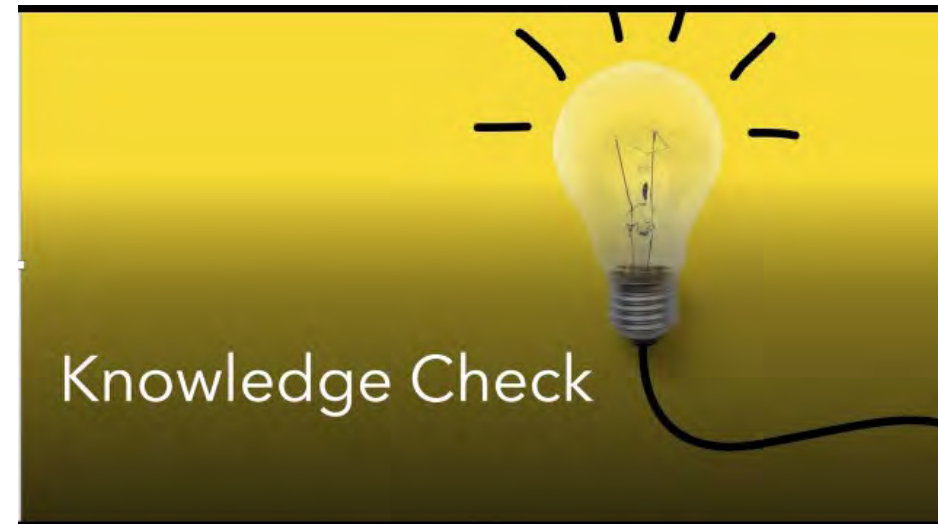
Code		Code Description
5000		Expenditures
	5001	Salaries and Wages
		101 HRSA H80 Grant
		102 HRSA Capital <u>Dev't</u> Grant
	5002	Travel
		201 HRSA H80 Grant
		202 Local Travel Non-HRSA Grant
	5003	Contractual Grant Support
		301 HRSA H80 Grant
		302 HRSA Capital <u>Dev't</u> Grant



Knowledge Check #6

The financial management system must identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.

- A. True
- B. False



Knowledge Check #6 – Answer

The financial management system must identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.

A. True

B. False



Knowledge Check #7

Why is there a need to have a separate tracking record for a federal grant from HRSA?

- A. To show all entries recorded
- B. To support the financial statements
- C. To show the grant expenses
- D. To show the grant revenues
- E. All of the above



Knowledge Check #7 – Answer

Why is there a need to have a separate tracking record for a federal grant from HRSA?

- A. To show all entries recorded
- B. To support the financial statements
- C. To show the grant expenses
- D. To show the grant revenues
- E. All of the above**



Adequate Documentation



Types of Adequate Documentation

Personnel Costs

- Salaries and Wages - Timecard/ Personnel Activity Report allocating actual hours to a specific fund; payroll records
- Fringe Benefit Costs

Non-Personnel Costs

- Invoices including vendor (within the grant scope), date (within the project period), amount (if entire amount is not claimed, the basis of the cost should be documented), and authorization record for cost approval and allocation
- Payment records (canceled checks, Electronic Fund Transfer (EFT))



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))

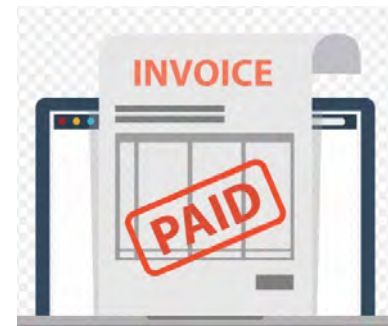
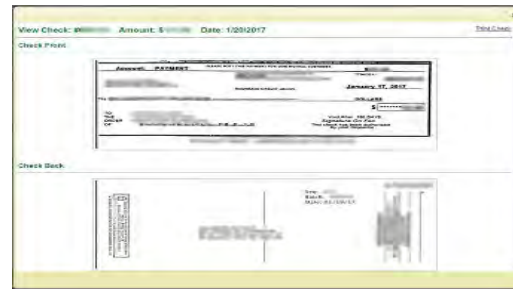
- Be supported by a system of internal controls;
 - Accurate, allowable and allocable
- Be incorporated into official records;
- Reasonably reflect total activity for which employee is compensated;
 - Not to exceed 100%
- Encompass all compensated activities (federal and non-federal);
- Comply with established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



Adequate Documentation Examples

Examples of adequate documentation include:

- Invoices showing vendor, date and amount paid
- Receipt of purchase
- Dates on invoices and receipts should fall within the grant period
- Copies of cancelled checks showing the amounts were actually paid



Adequate Documentation Tips

Additional helpful tips on documentation:

- Connection to the grant (cost center, fund type code) – in general ledger
- Subrecipient agreements or contracts
- Costs should support only items listed in the grant budget
- Travel support/logs with date and place of travel, purpose of the trip
- Personal Activity Reports (timesheet and payroll register)
- Authorization of the expense



Time and Effort Reporting

Salaries and Wages (45 CFR § 75.430(i)(1))

- **Budget vs. Actual Time**
 - ACTUAL TIME ONLY!
 - Adjustments from budgeted time to actual time
- **Employees Funded by Multi-sources**
 - Requirement – Personnel Activity Reports
- **100% Funded Employees**
 - Semi-Annual Compliance Certification



Subrecipient/Subcontract Agreements

It is required that if a recipient will have subrecipients and/or subcontractors the following is needed:

- Subrecipient agreements or contracts
- Time and effort records for all employees paid by the grant
- Assessment of risk for each subrecipient
 - Prior experience
 - Audit results
 - New personnel
 - New or substantially changed systems
 - Monitoring



Avoiding Unallowable Costs

Examples of Unallowable Cost

- **Alcoholic beverages**
(45 CFR 75.423)
- **Advertising** (45 CFR 75.421)
- **Bad debt** (45 CFR 75.426)
- **Good or Services for personal use** (45 CFR 75.445)
- **Contingency provisions**
(45 CFR 75.433)
- **Fines and penalties**
(45 CFR 75.441)
- **Lobbying** (45 CFR 75.450)
- **Idle facilities and idle capacity**
(45 CFR 75.446)
- **Entertainment Costs (e.g. amusement, social activities, meals)**
(45 CFR 75.438)



Knowledge Check #8

Can time and effort records use percentage of time?

- A. Yes
- B. No



Knowledge Check #8 – Answer

Can time and effort records use percentage of time?

A. Yes

B. No



Knowledge Check #9

Which of the following expenditures are allowed?

- A. Alcoholic beverages
- B. Bad Debts
- C. Payroll
- D. Goods or Services for personal use



Knowledge Check #9 – Answer

Which of the following expenditures are allowed?

- A. Alcoholic beverages
- B. Bad Debts
- C. Payroll**
- D. Goods or Services for personal use



Record Retention – 45 CFR 75.361

Records include financial records, supporting documents, statistical records, and all records pertinent to a Federal award must be retained for a period of three years from the submission date of the final expenditure report (Federal Financial Report - FFR) (including sub-recipient records)

- To be safe – maintain documentation for at least 3 years from the date in which the final FFR is **approved!**



Record Retention – 45 CFR 75.361 (Cont'd)

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 #10

How long should Federal records be retained?

- A. 7 years
- B. 3 years
- C. 2 years
- D. 5 years



Knowledge Check #10 – Answer

How long should Federal records be retained?

- A. 7 years
- B. 3 years**
- C. 2 years
- D. 5 years



Key Points

- Think Allowable, Allocable & Reasonable
- 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
- All costs must be adequately documented



Key Points (Cont'd)

REMEMBER: IF IT IS NOT DOCUMENTED... IT DOES

NOT EXIST!



Resources

- HRSA Manage Your Grant

<https://www.hrsa.gov/grants/manage-your-grant>

- HHS Grants Policy and Regulation
(includes HHS Grant Policy Statement)

<https://www.hhs.gov/grants-contracts/grants/grants-policies-regulations/index.html>

- 45 CFR Part 75

<https://www.ecfr.gov/current/title-45/subtitle-A/subchapter-A/part-75>

- HRSA Electronic Handbooks

<https://grants.hrsa.gov/EAuthNS/external/account/SignIn>

- 2024 Executive Level II Salary Cap

<https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2024/EX.pdf>

- Tip Sheet (A guide for developing financial management practices)

https://www.hrsa.gov/sites/default/files/hrsa/grants/manage/tip-sheet-unallowable-costs_0.pdf



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