

# Handouts for Financial Management

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*What you need to know...*





## Written Policies and Procedures

**Policies and procedures** are a set of documents that set forth principles, rules, authorities, responsibilities and actions for an organization's management and operations. They typically identify what is to be done, who is to do it and how it should be done. The list below identifies external requirements for policies and procedures for an organization's receiving Federal grant funds, whether your organization is a direct recipient or a subgrantee.

### **Required written financial policies and procedures based on Federal grant regulations:**

- General financial management policies, procedures, manual, or guidelines
- Internal controls of grant funds, e.g., approval and documentation of expenses, separation of duties, delegations of authority, check issuance, cash receipts, cash management, bank reconciliation, travel, and payroll
- Procurement and purchasing procedures
- Property management for equipment purchased with Federal funds
- Time and effort distribution (timekeeping)
- Record retention and destruction
- Procedures to minimize the time elapsing between the transfer of Federal funds from Payment Management System to the Grantee
- Procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the cost principles and the terms and conditions of the award
- Codes of conduct for employees engaged in the award and administration of contracts
- Travel

### **Other Key written financial policies and procedures based on Federal grant regulations:**

- Cost Allocation Plans
- Closeout of subgrants
- Payroll
- Cash receipts and disbursements
- Cash drawdowns and reimbursements
- Financial Reporting
- Site management and monitoring
- Closeout of subgrants
- AmeriCorps Programs: Delegation of authority to subgrantee staff managing the AmeriCorps program

### **Additional Requirements for Nonprofit Organizations**

If your organization is nonprofit organization, your entity is required to submit the annual Form 990 to the Internal Revenue Service (IRS). In 2009, your organization will use the newly redesigned Form 990 for the activities of 2008. Part VI, Governance, Management, and Disclosure on Page 6 of the new Form 990 has Section B, entitled "Policies." In this section, the IRS requires:

Establishing Internal Controls  
Handout 2

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1. Conflict of interest policy
2. Whistleblower policy
3. Record Retention and destruction policy
4. A written process for determining compensation of the organization's CEO, Executive Director, or top management official; and other officers or key employees. The process must include: a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision.
5. A written policy or procedure for an organization that invests in, contributes assets to, or participates in a joint venture or similar arrangement with a taxable entity. It must ensure proper steps have been taken to safeguard the organization's exempt status with respect to such arrangements.

**References:**

- 45 CFR 2541.200 and 360, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" for the Corporation for National and Community Service
- 45 CFR 2543.21, 22 and 44, "Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations" for the Corporation for National and Community Service
- 2 CFR part 220, "Cost Principles for Educational Institutions"
- 2 CFR part 225, "Cost Principles for State, Local and Indian Tribal Governments"
- 2 CFR part 230, "Cost Principles for Non-Profit Organizations"
- Form 990, "Return of Organization Exempt From Income Tax" for the Internal Revenue Service

## **General Information**

### **Policies & Procedures**

- Policy- Expectations “what is to be done”
- Procedure – Process “how is it to be completed”
- Description of methods & procedures to be followed
- Explanation & examples of principle transactions

### **List of items to create (review or have on hand)**

- Organizational Chart describing lines of authority
- Job Descriptions outline key responsibilities
- Chart of Accounts with details of what is expected to be entered within each account
- List of Board members, types of committees and frequency of meetings
- Organizational Documents (IRS determination letter, Articles of Incorporation)
- Sub-contract/Cooperative Agreement

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### **Examples of items/issues to be addressed**

#### **Approval of documents: Authorizations**

- Authority chain
- Authorization of contracts, budgets, proposals
- Approval of financial reports
- Authorization of checks
- Approval of purchases
- Periodic review of authority levels

#### **Payroll: Compensation**

- Time & attendance process and expectations, methods, reconciliations
- Payroll deductions
- Administrative processing
- Paycheck distribution
- Reconciliation of payroll documents to general ledger
- Consultants

#### **Accounts Receivable: Revenue: Cash Receipts**

- Cash draw downs. Identify frequency, responsible individual, review process, reconciliation process, what information will be used to arrive at amount, form used to capture information
- Billing (if applicable) responsible party, information use to create, review
- A/R aging/collection
- Establishment of fees

- Cash receipts. Mail is opened by --, forwarded to --, recorded by --, deposited by --, entered into G/L --.
- Bank reconciliation. Individual responsible, controls in place.

### **Procurement Policies**

- Purchase Orders/Vouchers/Request for Payments
- Petty cash. \$ amount, custody, process, reconciliation & replenishment
- Purchasing
  - Items under \$ (process/forms)
  - Items over \$ process/bid
    - Capitalization policy
- Check Processing
  - Who prepares, review & authorizes?
  - Reconciliation,
  - Guardianship of void checks/unused checks.

### **Travel**

- Regulations
  - When will staff/board be reimbursed
  - What level are the reimbursements
  - Process
  - Approval process
  - Per-diem
  - Mileage
  - Out-of-State
- Advances
  - When are they appropriate
  - Who's authorization is required
  - When are they provided

### **Financial Reporting**

- Monthly Basis
  - What is created?
  - For who?
  - What is review process?
- Quarterly
  - What is created?
  - For who?
  - What is review/approval process?
- Funder reports
  - What is due?
  - When?
  - Who prepares?

- Who reviews?
- Audit – Board approval of form, scope,
- Federal & State filings – 990 Tax filing, necessary state regulations
- Compliance

### **Budgeting**

- Operating Budget
  - Preparation
  - Timing
  - Modifications
  - Review of actual expenses

### **Record Retention**

- Location
- Custody
- Security/computer back-up

### **Insurance: Liability**

- General Liability
- Officers & Directors
- Workers Compensation
- Periodic Review

### **Conflict of Interest**

- Definition
- Related party transactions

### **Forms to have available**

Personnel Action  
Voucher:Check Request  
Purchase Order  
Journal entry  
Travel Reimbursement  
Cash Draw down  
Property log  
Conflict of Interest  
Contract



**Establishing Internal Controls  
Handout 1**

• Posts Disbursements								
• Computes Cost Allocation of Expenses								
<b>Payroll</b>								
• Records Time on Timesheets								
• Approves Timesheets								
• Maintains Staff Timesheets								
• Maintains Member Timesheets *								
• Reconciles Wage Distribution **								
• Approves Payroll Actions								
<b>Financial Reporting</b>								
• Tracks Match Contributions								
• Prepares Financial Reports								
• Approves Financial Reports								
• Prepares Annual Audit: A-133, other								
• Prepares Federal government financial reports (FSR, FFR, FCTR)								
• Resolves Audit Findings								
• Prepares IRS financial reports: 990								

**Comments:**

**Other Related Duties:**

\* = AmeriCorps programs only  
 \*\* = Government agencies only, in accordance with 2 CFR 225, Cost Principles for State, Local, Indian Tribal Governments (formerly OMB Circular A-87)

**Match: Documenting Cash and In-kind  
Handout 1**

**Maintaining Source Documentation**

**Where is your filing cabinet?**

- In grants management office?
- In program officer's office?
- In accounting office?
- In Executive Director's office?

**What is your filing system?**

- By vendor
- By month
- By grantor
- By subgrantee
- Alphabetically

**How safe is your filing cabinet?**

- Fireproof
- Waterproof?

**How are your documents filed?**

- File Folders
- Binders

**Retaining Source Documentation**

**Retain all financial records:**

- 3 years from date of submission of final Federal Financial Report
  - Final report = This means the report submitted by the Commission or Parent of a National Direct
- If there is an on-going audit, must retain all records until all audit findings are fully resolved

**Example 1:**

Grant Ends 7/31/2009

- 90 days to submit Final FSR = 10/31/2009
- 3 years = 10/31/2012

**Example 2:**

Grant Ends 7/31/2009

- 90 days = 10/31/2009
- 3 years = 10/31/2012
- Audit started = 4/1/2012
- Final audit resolution = 9/30/2013

**Storing Documentation**

**Marking Storage Boxes**

- Type of documents stored
- Office responsibility
- Office contact name
- Office contact telephone number
- Storage Date
- Disposition Date

**Long-term Storage**

- Select a facility
  - Services
  - Location
  - Security
  - Storage features
  - Reliability & Accessibility
  - Cost
- Written storage facility agreement
- Insurance requirements
- Procedures to store documents
- Procedures to mark documents
- Records inventory in office



## **Grant Regulations**

### **Which Federal grant regulations apply to my organization?**

#### **Educational Institutions**

1. OMB Circular A-21 - Cost Principles for Educational Institutions (*2 CFR 220*)
2. OMB Circular A-110 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (*2 CFR 215*)
  - CNCS has codified this in 45 CFR Part 2543 – Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
3. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
4. Related CNCS Regulations – 45 CFR Part 2543 or 2 CFR Part 215

#### **State and Local Governments & Territories**

1. OMB Circular A-87 - Cost Principles for State, Local, and Indian Tribal Governments (*2 CFR 225*)
2. OMB Circular A-102, Grants and Cooperative Agreements With State and Local Governments (*Amended 8/29/97*)
  - CNCS has codified this in 45 CFR Part 2541 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
3. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
4. Related CNCS Regulations - 45 CFR Part 2541

#### **Indian Tribal Governments**

1. OMB Circular A-87 - Cost Principles for State, Local, and Indian Tribal Governments (*2 CFR 225*)
2. OMB Circular A-102, Grants and Cooperative Agreements With State and Local Governments (*Amended 8/29/97*)
  - CNCS has codified this in 45 CFR Part 2541 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
3. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
4. Related CNCS Regulations - 45 CFR Part 2541

#### **Non-Profit Organizations**

1. OMB Circular A-122 - Cost Principles for Non-Profit Organizations (*2 CFR 230*)
2. OMB Circular A-110 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (*2 CFR 215*)
  - CNCS has codified this in 45 CFR Part 2543 – Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
3. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
4. Related CNCS Regulations - 45 CFR Part 2543

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### **Where can I obtain these documents?**



[www.whitehouse.gov/omb/circulars/](http://www.whitehouse.gov/omb/circulars/)

- OMB leads development of governmentwide policy to assure that grants are managed properly and Federal dollars are spent according to applicable laws and regulations.



[www.nationalservice.gov/about/role\\_impact/history.asp](http://www.nationalservice.gov/about/role_impact/history.asp)  
[www.access.gpo.gov/nara/cfr/waisidx\\_02/45cfr2541\\_02.html](http://www.access.gpo.gov/nara/cfr/waisidx_02/45cfr2541_02.html)  
[www.access.gpo.gov/nara/cfr/waisidx\\_02/45cfr2543\\_02.html](http://www.access.gpo.gov/nara/cfr/waisidx_02/45cfr2543_02.html)

- As required by law, CNCS has adapted these grant regulations.



Match: Documenting Cash and In-kind  
Handout 3

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!!*

### Office Use Only:

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

Printed Name

Position

Signature

Date Received

Accounting Use Only:

\$

Value Recorded

Date Entered

Account Number

Data Entry Person



**MASSACHUSETTS SERVICE ALLIANCE  
REQUEST FOR CASH REIMBURSEMENT/ADVANCE**

<b>ORGANIZATION NAME:</b>	<b>CONTACT:</b>
<b>ORGANIZATION ADDRESS:</b>	<b>CONTACT TELEPHONE #:</b>
<b>FEDERAL EIN:</b>	<b>DATE PREPARED:</b>
<b>REIMBURSEMENT PERIOD:</b>	<b>GRANT #</b>

- A. TOTAL CNCS YEAR TO DATE EXPENDITURES \_\_\_\_\_  
(From cell E46 budget summary worksheet in PER)
- B. TOTAL CNCS FEDERAL PAYMENTS RECEIVED \_\_\_\_\_  
(All payments received to date)
- C. TOTAL AMOUNT REQUESTED \_\_\_\_\_  
(Line A minus Line B)
- D. COMMISSION FIXED AMOUNT \_\_\_\_\_  
(From cell E37 in budget summary worksheet in PER)
- E. TOTAL AMOUNT TO BE REIMBURSED \_\_\_\_\_  
(Line C minus Line D)
- If applicable:*
- F. REQUESTED ADVANCE AMOUNT \_\_\_\_\_  
(Prior MSA approval required)
- G. TOTAL REIMBURSEMENT AND ADVANCE AMOUNT \_\_\_\_\_  
(Line E plus Line F)

**Please attach a copy of the budget summary worksheet and the current period expenses worksheet to this form.**

All AmeriCorps Member timelogs are up to date. An updated member hours tally has been submitted to my program officer. \_\_\_\_\_  
Initials

I certify that the information contained in this report is an accurate representation of this program's actual or projected activities.

PRINT NAME \_\_\_\_\_ SIGNATURE/DATE \_\_\_\_\_

NOTES	
<b>ACTION TAKEN BY/MSA</b>	<b>DATE</b>
Date Received	Payment Date
Date Approved	Check Number



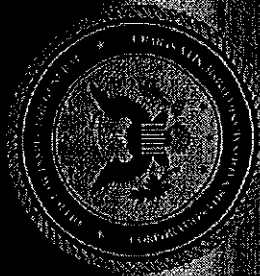


## Ten Great Ways To Meet Your Match! - AmeriCorps

1. Staff time spend on program; including training, member/volunteer supervision and program oversight as well as other staff time working on necessary staff functions relating to meet the goals and objectives of the program. Be sure to keep track of actual time and use salary and benefits paid.
2. Space used for program services, be sure to pro-rate for amount of time project is using space and value can include all utilities and maintenance.
3. Variety of supplies necessary to run program including: photocopying, office supplies and materials, postage, AV equipment, phone, fax. Use the amount that you would have to pay.
4. Indirect or Administrative costs. Organizations that have a federally approved indirect cost rate can use it as match (less the amount in grantee share), organizations that do not have a negotiate rate can use 10% of total costs.
5. Cash or in-kind contributions, from community organizations or individuals.
6. Transportation provided at no cost to the project, possibly bus, truck or car transportation, you can use the state approved mileage rate multiplied by the number of miles traveled.
7. Donation of supplies project supplies including items necessary to accomplish program goals and objectives for example plants, seeds, trees, film, masks, gloves, books. Use amount that you would have to pay.
8. Additional discounts above and beyond those available to the general public provided by local vendors. It is best to get the vendor to note the additional discount directly on invoice.
9. Grants or other funds that are obtained and used to further the goals and objectives of the service learning project
10. Program Income. Either asking community partners to contribute funds towards program in exchange for an AmeriCorps Member or providing a service such as clearing trails in exchange for a fee.

The basic rule of thumb is that you can count most reasonable and necessary items that are used to meet the goals and objectives of the project. It is essential that match is appropriately documented. Document the basis for determining the value of personal services, material equipment, building, and land. Give the donor a receipt signed by donor which includes: Name of donor, Date of donation, Description of item/service and Estimated value.





## Common Audit Findings

- Lack of supporting documentation
- Background check documentation
- Verification of eligibility
- Expenditure not allowable under grant
- Failed to meet match requirement
- Failed to meet service hours for award
- Lack of signatures



## Things You Can Do to Prevent Fraud

- Review the grant terms and conditions
- Establish written policies and guidance
- Ensure internal controls and checks and balances are in place
- Ensure Board of Director Members are engaged in program oversight
- Conduct Fraud Awareness Training

**Avoiding Common Issues & Pitfalls  
Handout 1**

**Corrective Actions for Common OIG Audit Findings**

The findings below from OIG audits were common in audits conducted of Corporation AmeriCorps grants.

Finding	Corrective Action
<p><b>Budget Allocations</b> Grantees charge costs in one grant that are actually carried out in a succeeding budget period in a new grant. E.g. A grantee issues a contract late in the budget year for activities the contractor will complete in the succeeding year under a new grant. Contractor payments span both grants. Auditors question the costs as unallocable to the grant and the Corporation typically must disallow them during audit resolution.</p>	<p><b>Budget Allocations</b> Review budget to actual expenditures on a monthly basis. Make sure you charge the costs to the correct grant or budget period. Make sure you seek approval from the Corporation to use funds from a previous budget period in the succeeding new grant budget period or through a no-cost extension. Do not assume the Corporation will approve the request. In many cases, it may not be approved.</p>
<p><b>Account Reconciliation</b> Grantees/subgrantees are not reconciling expenditures in their accounting systems/general ledger to amounts claimed on FFRs. The amount claimed on the FFR does not match the accounting records. Auditors question the difference between what the account system demonstrates as expended and what the FFR reports. The Corporation must disallow the costs if the grantee cannot reconcile the difference.</p>	<p><b>Account Reconciliation</b> Create and implement procedures to conduct a regular reconciliation between the new FFR (replacing the FSR and FCTR) and the accounting system and document the process in written procedures. If different offices or individuals prepare the reports, make sure they communicate with one another and reconcile differences.</p>
<p><b>Staff Time-keeping</b> Staff allocating time to more than one grant are not keeping timesheets that show actual time spent on each grant. The project director's timesheet does not allocate time between two different grants.....The timesheet only records work hours vs. vacation, sick and other leave. Auditors question total salary costs because they can't determine how much time was actually spent on the different grants. The staff member and supervisor spend significant time during audit resolution reconstructing calendars and checking activities over the year to substantiate time allocated to the grants</p>	<p><b>Staff Time-keeping</b> Ensure timesheets report hours by activity or cost center to track the actual time spent on each grant and clearly follow the requirements of the Cost Principles.</p>
<p><b>Time and Attendance</b> Grantees/subgrantees charge salaries to a grant based on budgeted</p>	<p><b>Time and Attendance</b> Make sure accounting staff are reporting payroll expenditures based on</p>

**Avoiding Common Issues & Pitfalls  
Handout 1**

<p>amounts instead of actual after-the-fact time reported on timesheets. E.g. Grantee budgets for 20% of a staff member, claims 20% of the staff time, but timesheets support only 18%. The auditors question the entire claimed salary for all staff. During audit resolution, the grantee has to go back and re-calculate time spent for all staff based on the timesheets. Some disallowances will occur if the claimed costs are not supported by the timesheets.</p>	<p>actual hours by grant or activity and not using budgeted time entered into the accounting system at the beginning of the year as the allocation method when completing expenditure reports. Develop a system to compare actual time against budgeted time and document the process in writing.</p>
<p><b>Subgrantee Monitoring</b> Grantees do not have good fiscal monitoring policies and procedures in place to ensure sub-recipient financial systems are set up to manage federal funds. E.g. The grantee fiscal monitoring tool does not include a process to check amounts recorded in the accounting system to amounts claimed on expense reports.</p>	<p><b>Subgrantee Monitoring</b> Review and strengthen fiscal monitoring policies and procedures of subgrantee financial systems.</p>
<p><b>Match</b> Grantees/subgrantees claim match that is not sufficiently supported. E.g. Grantees/subgrantees claim match for an activity that doesn't appear in the approved budget or for which there is no supporting documentation, such as time and attendance records for donated staff. Auditors will question the unsupported match. If supporting documentation can't be provided, some disallowance of federal funds may result because the match is not met. Audit resolution requires significant time and effort to confirm all match.</p>	<p><b>Match</b> Record all claimed match in accounting journals as revenue and expenditure. Make sure claimed match is included in the budget and you maintain appropriate supporting documentation.</p>
<p><b>Match</b> Grantees/subgrantees claim match that is excessive or substitute match for activities not in the approved budget. E.g. Grantees/subgrantees claim a significant overmatch for donated Public Service Announcements or provide support during the audit for match to a training activity not included in the approved budget. Auditors may decide to audit the entire match or question the entire match based on inability to confirm whether the match is reasonable or allocable under the approved budget. When off-budget match appears, auditors may question the necessity of the cost. Audit resolution requires significant time and effort to confirm all match.</p>	<p><b>Match</b> Make sure claimed match is reasonable and included in the budget. Per your grant provisions or regulations, request budget amendments as necessary to include new sources of match not included in the original budget.</p>

**Avoiding Common Issues & Pitfalls  
Handout 1**

<p><b>AmeriCorps Evaluations/Appraisals</b> Grantees/subgrantees are not conducting evaluations as required or not maintaining records of evaluations. For AmeriCorps, auditors question the living allowance and education awards for members serving a second term without appropriate evaluations supporting successful completion of the first term.</p>	<p><b>AmeriCorps Evaluations/Appraisals</b> Include regular review of member/volunteer files to ensure all of the documentation is available. Develop and implement written policies and procedures for conducting member evaluations.</p>
<p><b>AmeriCorps Background Checks</b> Grantees/subgrantees are not conducting background checks on members having substantial involvement with children and youth or vulnerable populations (as defined by state law). See new statutory requirements as of Oct 1, 2009 for Criminal History checks for all new members and funded staff.</p>	<p><b>AmeriCorps Background Checks</b> Going Forward: Make sure all programs/operating sites understand the requirements of the Corporation's regulations and any specific state laws that may also apply: customize member contracts; and maintain documentation that a background check was done on all new members and funded staff. Make sure you include review of background checks in you subgrantee monitoring plans if you have subgrantees.</p>
<p><b>AmeriCorps Member Time-keeping</b> Member timesheets are not signed always by both the member and supervisor. Member timesheets don't add up to the term of service claimed. Auditors question the portion of unearned living allowance and the entire education award earned by those members because they did not meet the requirements.</p>	<p><b>AmeriCorps Member Time-keeping</b> Review timesheets and perform random reconciliations of completed timesheets with My AmeriCorps Portal certifications of hours completed. Make this a part of your monitoring plan if you have subgrantees.</p>
<p><b>AmeriCorps Enrollment</b> Grantees allow members to begin service before members sign contracts. The auditors deduct hours served before the member signed the contract and question the education award earned if the decrease in hours results in less hours served than required to earn the education award. The Corporation may have had to rule that the education award is not valid because the grant provisions stipulate the conditions for enrollment. Grant Provision change (08/09)</p>	<p><b>AmeriCorps Enrollment</b> Going Forward: Establish and implement written policies that address members signing contracts and understanding roles and responsibilities before they begin service.</p>



**Frequently Asked Questions**  
**Distribution of the AmeriCorps Living Allowance**

**Background and Rationale:** The Corporation issued clarifying guidance to address findings in recent audits and answer questions from grantees related to how programs should pay the AmeriCorps living allowance. As noted in the grant provisions, the living allowance is not a wage.

“The living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps Program. Programs must not pay a living allowance on an hourly basis. It is not a wage and should not fluctuate based on the number of hours members serve in a given time period. Programs should pay the living allowance in increments, such as weekly or bi-weekly.”

It has come to the Corporation’s attention that some programs are providing the full living allowance to a member who completes his or her required hours before the end of the agreed-upon term of service. For example, a member completes 1700 hours in 9 months instead of the program’s anticipated 11-month term of service, and the program, which typically provides the living allowance in semi-monthly allotments, pays the remaining 2 months of the living allowance as a lump sum payment as the member exits the program. In other instances, a member who starts late receives a “catch-up” amount for the first three months so that the member will receive the same living allowance as other members who started earlier but will end at the same time.

Neither of these two scenarios reflects the intent of the living allowance distribution guidance. The living allowance is “designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps Program.” In addition, members who complete hours on an abbreviated schedule may be depriving the service site of important service it needs for the expected term of service.

A member, who completes his or her service early or starts service late, should receive the portion of the living allowance that would be provided for that period of participation under the program’s living allowance distribution policy. The amount should not vary based on number of hours served during a particular time period. For example, if the program is designed to run for 11 months, and the living allowance is paid monthly, a member who starts in the second month will receive 10/11ths of the total living allowance, unless the member serves a month longer than the members who started in the first month of the program.

The member contract should reflect that the living allowance is provided for expenses while serving and should not be linked to completion of 1700 hours. The contract should specify how the living allowance is distributed (e.g. bi-weekly, semi-monthly), and in what increments, and should note that members will receive the living allowance as long as they are serving. The contract should also delineate the expected term of service (e.g. 10 months, 12 months).

## **Café: Living Allowance Distribution**

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**1. What happens if a half-time member finishes early?** If a half-time member receives a living allowance, the same rules apply as for a full-time member who leaves the program early. The member should not get a lump sum payment for the balance of the living allowance if the member completes the required hours before the end of the agreed-upon term of service.

**2. Can we change a member's contract so the member serves less than the full term and provide the full living allowance?** If your program design is for a specified period for all members, you should specify in the contract how the living allowance will be paid out. You cannot change an individual member's contract so he or she receives a higher living allowance than other members who will serve for the full period. For example, if your program design is for 10 months of service, the living allowance for that year is \$10,600, and you choose to provide it on a monthly basis, each member would receive \$1,060 per month for 10 months. A member who completes the required hours in nine months would only receive 9/10s of the living allowance, or \$1,060 per month for 9 months. This applies only to a program with fixed start and end dates. Other programs can choose to have a member serve an additional month at the end if the member starts the program a month late.

**3. How does this affect the minimum member living allowance?** If a member does not serve the full term of service, the member will not receive the full minimum living allowance.

**4. Can a member in an 11-month program who starts in month 2 serve the extra month at the end and receive the whole living allowance?** Yes – if the program's design allows it to extend the member for an extra month, the program may do so, and pay the member the entire living allowance.

**5. How does this provision affect a program with a set end date?** If a program has a set end date, and cannot extend its members beyond that set end date, it may only provide its members with a living allowance through the set end date of the program. If a member starts late, the member will necessarily serve an abbreviated term of service, and may only receive the living allowance in regular increments through the end of the program year.

**6. What about the impact on commissions? How are we expected to maintain and keep our contracts open longer to allow members who start late to serve a full term in order to receive the full living allowance?** This should have no impact and commissions should follow their own state granting or contracting requirements. For example, if a member starts in month 3 of the program's contract period, the period could still end in 12 months and the member could complete service in the next contract period.

**7. Can we meet last year's program obligations with this year's admin/operating funds?** Yes, this is already common practice. Many programs have rolling admission and members who start in one year, complete in the next as a matter of course. The staff costs for supervising those members are current costs.

**8. The members in our program routinely complete their hours before the end of the 12 month program period, and our program design does not necessitate their staying until the end of the 12 months. Can we change our program design?** Yes, a full-time term of service must be between 9 and 12 months, during which members must serve at least 1700 hours. Within those parameters, a program should design its term of service to best meet the needs of the community. Programs that work in schools during the academic year only, for example, might have a 10-month program.

## Café: Living Allowance Distribution

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**9. We pay our living allowances on a monthly basis. How should we handle situations in which members come on board late in the month or exit early in the month at the end of their term?** You should establish a written policy that is reasonable. For example, if a member comes on board within the first two weeks of the month, you might set policy that gives them the entire living allowance. If they start service later than that, you could prorate the amount based on the number of days in the month they will serve. The same would hold true for the end of service. If they leave within the first two weeks of the month, their living allowance is based on the number of days in the month they served. If they serve over the 2-week cut-off, they would get the full living allowance. You can establish different cut-off points as long as they are reasonable, documented in policy and followed consistently.

**10. Can you give us examples of how the living allowance distribution policy could play out for members that start at different times?** See the chart below.

The program design is a 10-month program with a living allowance of \$10,900, paid on a monthly basis of \$1,090 per month.

<b>Member Situation</b>	<b>Length of Service</b>	<b>Amount per Month</b>	<b>Total Living Allowance Provided</b>
Member A starts and finishes on time	10 months	\$1,090	\$10,900
Member B starts on time and finishes early	9 months	\$1,090	\$9,810
Member C starts late and finishes late	10 months	\$1,090	\$10,900
Member D starts on time and finishes late	11 months	\$1,090	\$10,900
Member E starts late and finishes on time	9 months	\$1,090	\$9,810



### **AmeriCorps Budgeting Tips**

**For Programs that are funded directly by CNCS, AmeriCorps programs must obtain prior approval for:**

- Subgrants or contracts not included in approved application and budget
- Specific costs requiring prior approval before incurrence under OMB Cost Principles
  - For example: overtime pay, rearrangement and alteration costs, and pre-award costs
- Purchases of equipment over \$5,000 using grant funds, unless specified in the approved application and budget
- Cumulative to cumulative and/or aggregate budget line items that amount to 10% or more of the total budget
  - Must be approved in writing, in advance, by CNCS

**NOTE: Programs that subgrantees or sites should be sure to check the requirements for budget amendments**



# Administrative/Overhead/Indirect Costs

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- Costs are incurred that benefit multiple programs or purposes
- Example of these costs are:
  - General administration of the organization
  - Accounting and personnel services performed within the grantee department or agency
  - Costs of operating and maintaining facilities, etc.

# For AmeriCorps Programs

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- **Administrative Costs include :**
  - General expenses related to the overall administration of an organization that receives Corporation funds.
- **Administrative Costs include items such as:**
  - Accounting, financial, auditing, contracting or general legal services
  - Internal evaluation (except for programs)
  - General liability insurance that protect the organization (not solely related to a program)

# For AmeriCorps Programs

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- **Administrative Costs should not include items such as:**
  - Allowable direct charges for members (living allowance, insurance payments made on members behalf)
  - Costs for staff who train, place or supervise members or directly benefit the programs
  - Independent evaluations of the programs
  - Facility costs that primarily support the program



### **Instructions for Closing Corporation grants**

CNCS grants usually are awarded for a 3 year Project Period, consisting of three yearly budget periods. CNCS direct grantees are responsible for meeting the submission deadlines for closeout. Closeout documents are due to your corporation Grants Officer no later than 90 days after the expiration of the Project Period.

The Corporation will not issue any new funds to grantees that have outstanding closeout issues or un-submitted documents.

**There is no longer an across the board requirement for submitting a Final Progress Report. Learn and Serve America is the only program where a mandatory final report will be required.**

CNCS Grantees must submit the following documents to your CNCS Grants Officer:

1. Final Federal Financial Report: SF 425. The Final Federal Financial Report **MUST** be submitted thru eGrants and should be cumulative for the whole project period. The report must also reflect the required percentage of matching funds that you have agreed to contribute under the terms of the grant.
2. Equipment Inventory. This form catalogues items purchased with Federal grant funds with a current per unit fair market value of \$5,000 or more, or a written statement that there are no such items. Grantees may mail, fax, or email this form to their Grants Officer. If the form is emailed, be sure to scan it **AFTER** the authorizing official has signed it.
3. Inventory of Unused or Residual Supplies. This form catalogues supplies purchased with Federal grant funds which in the aggregate exceed \$5,000, or a written statement that such supplies (if any) do not exceed \$5,000. Grantees may mail, fax, or email this form to their Grants Officer. If the form is emailed, be sure to scan it **AFTER** the authorizing official has signed it.
4. Subgrantee Certification (if applicable). This form is used by CNCS Direct Grantees to certify the closeout of their applicable Sub-grantees. Grantees may mail, fax, or email this form to their Grants Officer. If the form is emailed, be sure to scan it **AFTER** the authorizing official has signed it. In place of the 3 forms, the authorized rep may send one email that addresses the certification for each issue, to the Grants Officer. The email must contain the same information that would be reflected on the forms.

**Education Award grantees are NOT required to submit any documents except a Subgrantee Certification (if applicable).**

In addition, if you have drawn funds under the grant but not expended them, you **must** return the funds by check made payable to the Department of Health and Human Services. Include the Payment Management System account and subaccount numbers on the check (these numbers can be found on page one of your PSC 272 Report). An accompanying letter should indicate that the check is a REFUND to be credited to CNCS

## **Closing Out Your AmeriCorps Grant Handout 5**

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(Please reflect your Grant No. on the accompanying letter and on the check itself). The letter should also specify the amount of any interest that is included in your refund check.

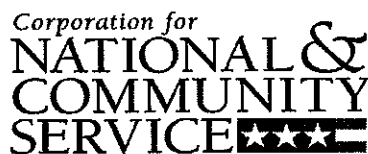
The refund check should be sent to: Division of Payment Management, PO Box 6021, Rockville, MD, 20852. **Send a copy of the refund check and letter to the Corporation to your grants officer.**

If your agency secured a copyright or patent on any material or device paid for with funds awarded under this grant, please provide the Corporation with a written confirmation describing the specific nature of the copyright or patent obtained.

**As a grantee of the Corporation for National and Community Service, you MUST make sure that the total federal expenditures recorded on the Final Financial Status Report (SF 269) are accurate, match the amount reported to HHS on the Federal Cash Transaction Report (SF272), and match the amount of funds drawn down from the HHS Payment Management System to the penny. Without the reconciliation of these reports, the Corporation cannot close out this grant. Failure to submit the documentation requested in this letter or failure to assist in the reconciliation of submitted documents may adversely affect your future funding.**

After the Corporation receives the required documents and you have made any appropriate financial adjustments and payments, we will advise you in writing that the award is closed. Please note that the closeout of a grant does not affect: (1) the requirement to retain records pursuant to the grant conditions; (2) the requirements and rights for audit pursuant to the grant conditions; (3) the right of the Corporation to disallow costs and recover funds on the basis of an A-133 or other audit or other review; and (4) the obligation of the grantee to return any funds due the Corporation as a result of later refunds, corrections, cost disallowance or other actions.





## The Federal Financial Report and Program Income Frequently Asked Questions

The Office of Management and Budget (OMB) expects all Federal agencies to begin using a new government-wide financial reporting form, the Federal Financial Report (FFR) in 2009. When fully implemented, the new FFR will combine data that Corporation grantees currently report on two separate forms: the Federal Cash Transaction Report submitted to the Department of Health and Human Services (also known as Form 272) and the Financial Status Report submitted to CNCS (also known as Form 269a). CNCS will begin using the FFR in January 2009.

Unlike the existing short form FSR, the new FFR includes data fields to report program income that grantees earn in excess of income earned that is used to meet the grantee share of expenditures. The long form of the existing FSR includes fields to report excess program income. The Corporation has not required the FSR long form because grantees generally use all of their program income to meet cost-sharing requirements or cover program expenditures and do not earn any excess.

The Corporation will conduct on-line training about the FFR in late January 2009. Additional information about the new FFR can be obtained by going to OMB's main web page at [www.OMB.gov](http://www.OMB.gov) and clicking on "Grants Management" then "Forms" then "Proposed Government-Wide Grants Reporting Form, to reach the link:

[http://www.whitehouse.gov/omb/grants/grants\\_standard\\_report\\_forms.html](http://www.whitehouse.gov/omb/grants/grants_standard_report_forms.html)

The Corporation is making the following changes to its systems and forms when it implements the new FFR:

- *Updated eGrants User Screens.* As with FSRs, grantees will complete FFRs in eGrants. The current FSR screens will be modified to accommodate the new data fields required on the FFR. We anticipate that the FFR reporting format will become identical for all Corporation programs, eliminating differences that currently exist between how programs report using the FSR.
- *Updated FFR hard copy printout.* When printed, the hard copy report will be in the new FFR format.
- *Notice of Grant Award (NGA) and/or provisions and terms and conditions.* Grants that previously had not explicitly identified the program income alternative to be applied will have updated NGAs, provisions, or terms and conditions that speak to program income.

The information below is intended to help grantees understand what program income is and how to report it.

### 1. What is program income?

Program income is defined as "gross income received by the grantee.....directly generated by a grant supported activity, or earned only as the result of the grant agreement during the grant period"[CFR §2541.250(b) and §2543.249(a)]. Program income includes fees from services performed under the grant, and income from sale of commodities or items fabricated under a grant agreement. Revenue you receive from sources to support the program that doesn't directly result from grant activities is not program income. For example, if you or your partners place CNCS program participants in schools and the schools provide \$1,000 per participant to the program in exchange for placing the participants in the school, the revenue from the school is considered program income. If you receive a grant from a foundation that isn't in exchange for service activities supported, the

foundation's grant is not considered program income. In most cases, grantees use program income earned under CNCS grants to meet the grant's non-Federal share requirements until the income is exhausted and then other non-Federal resources are used to meet any remaining cost share requirements.

## **2. What are some examples of program income?**

Examples include but are not limited to:

- Fees charged to register participants for a workshop or conference.
- The sale of commodities, data and information records, services or items fabricated or produced under a sponsored program such as books and publications, software, child care, tutoring, etc., inclusive of license fees, royalties, copyrights and patents.
- Revenue received in return for providing AmeriCorps members' services to a third party entity such as a school district, park management organization, etc.
- Rental or usage fees charged for use of supplies or equipment purchased with grant program funds.
- Revenue realized through the sale of products made under a program involving vocational training.
- Membership fees charged to individuals and organizations for grant related activities.
- Sale of real property, including debt obligations such as mortgages.

## **3. For Senior Corps, are funds received by Medicaid Waiver contracts or other similar arrangements considered program income?**

Yes. If a grantee enters into an agreement with a party other than a service beneficiary to provide support for additional Senior Corps volunteers, as is the standard practice with Medicaid Waiver contracts, the revenue generated is program income. However, because these funds will be used to increase the scope of the supported program, as will be reported on the new FFR, the receipt of this program income is NOT a compliance issue.

## **4. What funds received by a grantee are not considered program income?**

The funds that an organization receives in the form of donations and contributions into its general fund, without any requirement that they be spent on a specific grant project are not program income. Also, funds donated to be used for a project, but without restriction that services be provided in return, are not program income.

## **5. Is reporting program income a new Federal requirement?**

No. Program income administrative rules and requirements have always been in place, applicable to CNCS grantees and subgrantees. For CNCS grantees it may seem new because with the current FSR, programs have not had to report what is considered excess program income. Grantees have always reported program income within the "Recipient Share of Outlays."

## **6. How do we determine if amounts we charge to organizations where we have individuals serving are considered program income?**

Revenue received is considered program income if the agreement you have with a placement site at which participants serve specifies that the placement site must cover some costs or provide an amount in exchange for the services provided. For example, fees collected that are associated with service members perform at a particular school, government entity, or similar recipient benefiting from the participants' service are considered program income. Revenue is not considered program income if funding is received from an entity regardless of whether that organization is receiving the benefit of participants' service.

## **7. Where can I find the requirements that apply to the use of program income under my grant?**

Grant award provisions or terms and conditions provide guidance on the treatment of program income. In most cases, Corporation grantees must use program income to meet matching requirements.

**8. What options are there for the use of program income?**

There are three ways that program income can be used as illustrated in the table below. For most Corporation grants, the matching alternative is specified in the grant provisions or terms and conditions. In some other cases, the Corporation instructs the grantee to use the funds to enhance or expand grant-approved activities (additive method). In some other cases, the Corporation requires the grantee to use the program income to replace approved Federal grant funds (deductive method).

<b>Program Income Alternative</b>	<b>Use of Program Income</b> (Specified in the terms and conditions or provisions of the grant)
Matching Alternative	Used to satisfy all or part of the required grantee share of the project or program
Additive Alternative	Added to funds committed to the project or program and used to further eligible project or program objectives
Deductive Alternative	Deducted from the total allowable costs of the project or program to determine the net allowable costs on which the federal share of costs will be based.

**9. Where is program income reported?**

Program income that is used to meet cost-sharing requirements is reported as the "Recipient Share of Outlays" on the FSR (currently) and the "Recipient Share of Expenditures" on the FFR (after December 31, 2008). Excess program income (if any) is reported in section 10 of the FFR. There is no place to report excess program income on the current FSR. Grantees are to use the comments block on the FSR to report any excess until the Corporation implements the FFR.

**10. What if a grantee has earned more program income than needed for the required non-Federal share?**

When program income is in excess of the required non-Federal share, the grantee should contact the Corporation for guidance. Senior Corps and AmeriCorps VISTA grantees contact the Corporation state office and all other grantees contact the assigned Grants Officer. We anticipate that, in the majority of cases, the grantee will request and receive approval for a budget amendment to add a new budget activity (Additive Method). There will also be cases in which the Deductive Method applies, especially under AmeriCorps State and National. Because each grantee's situation is different, the Corporation will provide guidance and instruction. See the examples below.

**Example 1.** A \$300,000 program (funded with \$200,000 Federal share and \$100,000 grantee share) anticipates funding the grantee share with \$75,000 in program income from its placement sites and \$25,000 from a foundation grant. The program actually realizes \$84,000 in program income. If total expenditures under the grant will still only be \$300,000, the grantee has \$9,000 in excess program income. The grantee may request a budget amendment to add on an activity (e.g. independent evaluation) to the overall budget, funded with the excess income. The amendment, if approved by the Corporation, would add the evaluation costs as a line item in the overall budget against grantee share, thereby increasing the total grantee share by an amount equal to the increase in the total budget. In this case, the budget becomes \$309,000 -- funded with \$200,000 Federal share and \$109,000 non-Federal share.

**Example 2.** A \$100,000 program (funded with \$74,000 federal share and \$26,000 non-Federal match) realizes \$56,000 in program income revenue which is \$30,000 beyond its budgeted matching requirement. The program has no plans to enlarge or enhance its activities, thus the grant will not be amended. The \$30,000 excess program income reduces the total Federal share since the matching requirements have already been fully met; Federal funds that could be drawn down are reduced from \$74,000 to \$44,000. Program expenditures are \$100,000 and is funded with \$56,000 in grantee share.

**11. Do contributions to Senior Corps from volunteer stations count as program income?**

No. Program regulations preclude Senior Corps grantees from requiring volunteer stations to pay fees in return for volunteers. Because any resources provided by volunteer stations are strictly voluntary, they are classified as contributions or donations to the Senior Corps project and not as fees paid in return for volunteers to perform service.

**12. Are there limitations on what I can pay for with program income?**

Program income must be used for the purposes of the grant during the grant project period. You can use program income to cover allowable expenditures budgeted under the Federal and non-Federal shares of the grant. During the project period, program income may not be used by the grantee for other purposes.

**13. Is a grantee accountable for program income earned after the end of the project period?**

The grant provisions or terms and conditions may also specify whether a grantee is accountable for program income earned after the end of the project period. If the award is silent on that point, income earned after the project period ends can be retained by the organization and used for other purposes.

**14. What is the difference between gross program income and net income?**

Gross program income includes all funds collected as a direct result of grant funded-activities. Net program income is the amount after deducting costs associated with generating the income.

**15. If I have enough match available (both cash and in-kind) to fund my non-Federal share, can I use my program income for non-grant purposes?**

No. If you earn program income, that income must be used for grant-related purposes. Also, since program income must be used first (either fully or as allocated across the period of time in which it will be expended), it may displace your need for other cash or in-kind resources that you originally planned to use to meet your cost-sharing obligations. If that other cash resource is not restricted for use under the CNCS grant, you may have flexibility to use it for other purposes, with approval from your funder. You may also enlarge your grant budget or expenditures above budgeted amounts to use all of the excess program income.

**16. Is the use of program income subject to audit?**

Yes. Auditors may sample your revenue sources to identify any funds that would be considered program income under the grant and review your general ledger documentation to ensure you have used the program income as required under your grant provisions or terms and conditions.

**17. When must program income be used, and do cash management requirements apply to program income?**

OMB common rules as well as Corporation regulations require that to the extent available, grantees and subgrantees disburse funds earned as program income before requesting additional Federal cash payments. If program income is received before it is needed for the costs for which it was received (encumbered against future expenses such as AmeriCorps member living allowances), a program could allocate the income across the period in which it will be expended, if such a practice is consistent with the organization's cost allocation policies and procedures. Otherwise, program income funds must be used as they are earned to defray eligible program costs before drawing funds from the HHS payment system for those costs. The same rules apply to any repayments to and interest earned from a revolving fund, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds. See § 2543.22 (g) for Universities and Non-profit Organizations, and § 2541.210 for State and Local Government rules. The Corporation and state governments must also operate under 31 CFR Part 205, Rules and Procedures for Efficient Federal-State Funds Transfers. In some cases, a grantee may have to return the funds through a reverse drawdown or payment by check.

**Example 1:** A program has a \$120,000 budget, funded with \$60,000 in Corporation grant funds and \$60,000 in grantee share. The grantee expects to raise \$36,000 in program income and fund the remaining \$24,000 for its

non-Federal share from foundation grants. The program receives the \$36,000 in program income at the beginning of the budget period. The \$36,000 covers a portion of the volunteer living allowance or stipend which is paid out in equal increments throughout the year. The grantee is not required to use all \$36,000 in program income before drawing any Federal funds. The organization can allocate the amount over the period it will be expended in the appropriate increments, e.g. \$3,000 per month for 12 months, following its normal accounting procedures. If total monthly expenditures are \$10,000 per month, the grantee can draw between \$5,000 and \$7,000 in Federal funds to cover the expenditures. At the end of the 12 months, the \$36,000 in program income is expended along with the Federal share and other grantee share revenue.

**Example 2:** A program has a \$500,000 budget, funded with \$250,000 in Corporation grant funds and \$250,000 in grantee share. The grantee expects to raise \$50,000 in program income and fund the remaining \$200,000 in non-Federal share from foundation grants (\$150,000) and other unrestricted revenue (\$50,000). In fact, the program raises \$75,000 in program income. However, staff salary expenditures are also \$15,000 higher than budgeted. The grantee can report as follows:

Recipient Share:	\$265,000
Federal Share:	<u>\$250,000</u>
Total Expenditures:	\$515,000

In its accounting system, the grantee accounts for all \$75,000 in program income against the grantee share of grant expenditures and \$150,000 from foundation grants for the program. Because \$50,000 was budgeted from unrestricted funds, the accounting system identifies \$35,000 used to cover the remaining grant expenditures. The remaining \$15,000 in unrestricted funds can be used for other purposes.

**18. I have a program income revenue source that is not entirely a result of Corporation-funded grant activity. How do I account for the income that is not directly the result of my grant funded activities?**

Program income may result entirely and solely from grant-funded activities or it may be the result of a grant activity plus some other activities not funded by the grant. In the latter case, it is necessary to prorate the program income to identify the portion attributed to the grant. To prorate program income, organizations must follow their established cost allocation policies and procedures. Consulting with an accountant is highly recommended. For example, if an AmeriCorps grant program has 10 members serving in an environment where income is generated and there is a total of 20 individuals whose activities collectively contribute to the generation of the income, the program income generated might be prorated at 50% against the grant (10 members are 50% of 20 individuals) assuming all other cost factors were equivalent between the members and the other individuals.

**19. Can program income be transferred from one program to another?**

Program income cannot be transferred between organizations, grants or subgrants. As with the costs incurred under a grant, income is also only allocable to the grant or subgrant funding the programs and activities earning the income. Therefore, when dealing with subgrants, one subgrantee's excess program income can not be used to make up a different subgrantee's matching funds shortage.

**20. Do we have to amend our grant if we are earning excess program income?**

If you are earning program income and you have not included all of the program income in the grant budget, you may need to amend the grant. Such an amendment would enlarge the non-Federal matching share of the budget to include the amounts and uses of program income. In some cases, you may just need to report the excess income against higher expenditures than originally budgeted (see Examples above in #15). Since each situation may be different, you should consult with your Corporation grants officer (or for Senior Corps or AC\*VISTA with the Corporation State Office) to determine how to record and report program income. Without an amendment, it is more likely that the matching share budget would be exceeded by the income which in turn would result in left over Federal funds at grant closeout. The Corporation can direct the return of Federal funds prior to closeout when appropriate.

**21. Are AmeriCorps Education Award Program grants exempt from the program income rules since they do not need to submit financial reports?**

No. While EAP awards are not required to submit Federal financial reports, they are not exempt from requirements to follow generally accepted accounting principles to account for all revenues, including grant-related program income. If the total cost of conducting an EAP program is less than the combined Federal grant and the program income earned, contact your grants officer for guidance.

**22. How do program income rules impact our ability to create sustainable programs?**

The Federal government encourages programs to earn program income to offset program costs. Under the matching alternative, as program income is earned, the organization has a resource to use to meet its cost sharing obligation. Using program income to meet those obligations enables organizations to either directly spend their other resources enlarging their grant project with even more resources, or spend those other resources to strengthen the organization's overall capacity and performance.

**23. Is soliciting for program income considered fundraising?**

Not generally. Activities to carry out an award which result in program income are not fundraising, *per se*. For example, discussion with a possible project sponsor is negotiating for service activities to be accomplished under an award, regardless of whether or not that project would include a fee-for-service arrangement. However, a more generalized campaign to expand a program beyond the scope of the grant (including expanding fee-for-service sites) could be interpreted as fundraising. Programs should carefully consider their activities and consult with their program officers to address these concerns.

