# Module 2 – Demonstrating Financial Management System and Internal Controls Capability

# Welcome

Welcome to the U.S. Environmental Protection Agency (EPA) Office of Grants and Debarment’s (OGD) “Demonstrating Financial Management System and Internal Controls Capability” training module.

This module provides information about meeting EPA’s requirements for demonstrating financial management system and internal controls capability.

By completing this training, organizations will learn about EPA grants management policies and procedures, which can help identify potential areas of weakness.

Time needed to complete this module: Approximately 90 minutes.

# What you Will Learn

After you have completed this module, you will understand how to maintain:

# A financial management system capable of administering EPA grants

# Property management and procurement standards

# Personnel and travel standards

Please note that if you do not currently have these systems and standards in place, you will need to establish them.

# How to Navigate

Use the Prev and Next buttons at the bottom right of the screen to proceed through the module.

You will proceed one slide at a time, although you can revisit slides at any time using the Menu navigation pane on the left. If you need to leave the module, the last slide to be completed will be saved, and you will be able to return to that location later.

Click the Next button at the bottom right to get started!

# Background

On the next few slides, we’ll review federal requirements, EPA’s policies and procedures, and how to document your organization’s capabilities.

# What is a Grant Award?

This training is intended to help EPA grant recipients confirm they have the proper administrative and financial management systems in place to adequately administer, document and expend federal funds before they receive a grant award. For this training, "grants" will be used as a general term to refer to both grants and cooperative agreements.

A “grant” is a Federal award agreement when EPA is not substantially involved in carrying out project activities.

In a cooperative agreement, EPA has substantial involvement in conducting project activities. The responsibilities shared between EPA and the recipient are clearly outlined and accepted before the cooperative agreement is awarded. “Substantial involvement” refers to close EPA collaboration with the recipient in executing the project scope of work, and the terms of the cooperative agreement will describe EPA’s anticipated involvement. A cooperative agreement does not give EPA the right to direct the recipient as if it were an EPA contractor providing services to the Agency.

# Uniform Grants Guidance (UGG)

The Office of Management and Budget's (OMB) [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl) regulations, located at 2 Code of Federal Regulations (CFR) Part 200, were officially implemented in December 2014. They serve as a government-wide framework for grants management and provide an authoritative set of rules and requirements for federal grant awards. Under [2 CFR 1500](https://www.ecfr.gov/cgi-bin/text-idx?SID=9dad727f830d7c452669df30fc406fee&node=pt2.1.1500&rgn=div5), EPA adopted the regulations at 2 CFR 200 and promulgated additional regulations specific to EPA. OMB’s regulations at 2 CFR 200 and EPA’s specific regulations at 2 CFR 1500 are commonly referred to together as the Uniform Grants Guidance (UGG). The UGG provides useful information about grant requirements, such as standards for financial and program management and how to identify allowable costs.

# Federal Requirements

The basic requirements for financial management systems and internal controls of grant recipients are described in [2 CFR 200.302](https://www.ecfr.gov/cgi-bin/text-idx?SID=00e50828a9161990162941dac9138658&mc=true&node=se2.1.200_1302&rgn=div8) and [200.303](https://www.ecfr.gov/cgi-bin/text-idx?SID=a32963af34d3c94b854882a21e8d77e9&mc=true&node=se2.1.200_1303&rgn=div8). In summary, grant recipients must have administrative and financial management systems in place that provide internal controls and help the organization prepare reports required by the terms and conditions of their award. The systems must be capable of tracking grant funds to adequately establish that the funds have been used according to federal statutes, regulations, and the terms and conditions of the award.

# EPA Policies and Procedures

# If your grant application is selected for funding, you should ensure that your organization has adequate administrative systems in place to prevent financial mismanagement or poor grant performance, and to successfully complete the scope of work.

EPA’s internal controls for assessing the administrative and programmatic capability of non-profit recipient organizations are outlined in EPA Order 5700.8, EPA Policy on Assessing Capabilities of Non-Profit Applicants for Managing Assistance Awards.

Programmatic capability of non-profit recipients, also referred to as technical capability, is assessed during the evaluation of applications. This module focuses on the administrative capabilities of recipients.

# Administrative Capability Questionnaire

Unless a non-profit recipient is listed in Appendix VIII of 2 CFR 200 as exempt from Subpart E – Cost Principles, they must complete EPA Form 6600-09 ([Administrative Capability Questionnaire](https://www.epa.gov/sites/production/files/2014-09/documents/epa_form_6600_09.pdf)) if the following criteria are met:

* They have been selected to receive a grant award greater than $200,000, and
* EPA has not reviewed the organization’s administrative capability within the past 4 years

Other recipient types may find the questionnaire to be a useful resource, as the answers provided on the questionnaire are used to assess a recipient organization’s administrative capabilities.

 Before receiving an EPA grant award, all organizations should have written policies and procedures in place for:

* Financial Management Systems and Internal Controls
* Property Management and Procurement
* Personnel and Travel Management

# Maintain a Financial Management System and Internal Controls Capability Transition Slide

Let’s learn what is required to meet EPA’s requirements

# Identify Federal Awards Received

A recipient’s financial management system must establish and identify a separate account for each federal award received and expended.

Federal program and federal award identification (FAIN) must include, as applicable:

* Catalog of Federal Domestic Assistance (CFDA) title and number for the grant program
* Federal award identification number and year
* Name of the federal agency that made the award (awarding agency)

Learn more about how federal awards must be identified in financial management systems at [2 CFR 200.302(b)(1)](https://www.ecfr.gov/cgi-bin/text-idx?SID=d91f1aae87d11c2fc2095f9d3191eb7a&mc=true&node=se2.1.200_1302&rgn=div8).

# Provide Accurate, Current and Complete Financial Data

Grant recipients must track the financial results of grant funds. In other words, recipient accounting systems must be capable of distinguishing between transactions associated with EPA grants and those associated with the organization’s other activities. Recipients must be able to provide accurate, current, and complete disclosure of financial data that enables recipients to prepare the necessary financial and progress reports EPA requires.

**Accurate Data** - The actual amount of income for grant project activities must be recorded when received. You must also record the actual amount of costs as they are incurred or paid. You may not use estimates of income or costs except for budgeting purposes.

**Current Data**- All income and costs must be posted in the accounting system at or as near to the time they are incurred as possible. If your accounting system is based on when income accrues and when costs are incurred, you should ensure that all income and accrued costs are posted before you prepare reports that cover the accounting period.

**Complete Data** - The accounting system must record all transactions, even those that are unallowable under the grant. Unallowable costs are those that EPA won't reimburse as part of a grant. Unallowable costs must be identified as such and may not be charged to the grant award. Recipients with multiple federal awards must be able to track and report financial data for each award.

# Treat Transactions the Same as Others

Transactions related to grants must be treated the same as other similar transactions your organization conducts. For example, a cost included in your overhead or indirect cost pool for general transactions must be included in the overhead or indirect cost pool for your grant project.

Learn more about the disclosure of financial data at [2 CFR 200.302(b)(2](https://www.ecfr.gov/cgi-bin/text-idx?SID=d91f1aae87d11c2fc2095f9d3191eb7a&mc=true&node=se2.1.200_1302&rgn=div8)).

# Identify the Source and Application of Funds

Financial management systems must be capable of tracking and adequately identifying the source and application of funds for grant-supported activities. You must record information related to each of the following:

**Authorizations -** Refers to the ability of the recipient’s financial management system to record, track, and document managerial/supervisory approvals, such as for payroll, travel, and purchases.

**Obligations** - When used in connection with a non-federal entity's use of funds under a federal award, refers to orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-federal entity during the same or a future period. (Source: 2 CFR 200.71)

**Unobligated balances -** The total federal funds authorized under a grant minus the grant expenditures and any unliquidated obligations, which are obligations incurred, but not yet paid (including amounts due to subrecipients and contractors). (Source: SF 425 FFR)

**Assets -** Capital assets are tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with generally accepted accounting principles. Capital assets include: land, buildings (facilities), equipment, and intellectual property (including software), as well as additions, improvements, modifications, replacements, or alterations to capital assets that materially increase their value or useful life. (Source: 2 CFR 200.12)

**Expenditures** - Amount of money spent under the grant, including payments to subrecipients and contractors. (Source: 2 CFR 200.34)

**Income** - Program income means gross income earned by a non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance. Program income includes but is not limited to income from fees for services performed, the use or rental or real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. (Source: 2 CFR 200.80)

**Interest** - Earnings generated by the investment of Federal award funds pending their disbursement. (Source: 2 CFR 200.449)

# Specific Identifiers

To comply with EPA regulations, funds used for a grant project must be identified so that they can be separated from funds used for other activities. Generally, a specific identifier, such as an EPA account number or the EPA grant number, must be attached to the accounting entries of funds used on your grant project.

Learn more about identifying the source and application of funds at [2 CFR 200.302(b)(3)](https://www.ecfr.gov/cgi-bin/text-idx?SID=d91f1aae87d11c2fc2095f9d3191eb7a&mc=true&node=se2.1.200_1302&rgn=div8).

# Internal Controls

Effective internal controls, as outlined in [2 CFR 200.303](https://www.ecfr.gov/cgi-bin/text-idx?SID=d91f1aae87d11c2fc2095f9d3191eb7a&mc=true&node=se2.1.200_1303&rgn=div8), must be established and maintained to provide reasonable assurance that your organization is managing the grant in compliance with federal statutes, regulations, and the terms and conditions of the federal award. It is essential that you take prompt action when noncompliance is identified. Contact your Grant Specialist (listed on your grant award agreement) if you have any questions about noncompliance.

Reasonable measures must be taken to safeguard protected personally identifiable information (PII) and other information designated as sensitive. PII means information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual.

Internal controls should comply with guidance in “[Standards for Internal Control in the Federal Government](https://www.gao.gov/products/GAO-14-704G),” (Green Book) issued by the Comptroller General of the United States, or the “[Internal Control Integrated Framework](https://www.coso.org/Pages/ic.aspx),” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

# Accountability for Funds and Assets

Your financial management system must provide effective control over and accountability for all funds, property, and other assets and ensure that all assets are used for authorized purposes under a grant. All assets related to a grant project, including equipment and supplies purchased with EPA funds, must be recorded in your financial management system. Therefore, all project-related assets must be classified with an identifier, such as an EPA account number or the EPA grant number. While the accounting system will maintain the financial value of assets such as equipment, you must also ensure equipment related to the project is included in an equipment inventory as required by [2 CFR 200.313](https://www.ecfr.gov/cgi-bin/text-idx?SID=d91f1aae87d11c2fc2095f9d3191eb7a&mc=true&node=se2.1.200_1313&rgn=div8). Procedures for tracking and inventorying equipment will be discussed later in this module.

Learn more about funds and asset accountability at [2 CFR 200.302(b)(4)](https://www.ecfr.gov/cgi-bin/text-idx?SID=d91f1aae87d11c2fc2095f9d3191eb7a&mc=true&node=se2.1.200_1302&rgn=div8).

# Compare Expenditures to Budget Amounts

It is important that your financial management system be able to compare actual expenditures to budgeted amounts for a grant. Currently, EPA awards grants on a cost basis. This means only actual costs incurred for grant project activities are allowed, not budgeted/estimated costs.

EPA is not required to cover cost overruns on a grant project. It is important that your accounting system provide reliable cost estimating information to ensure that you do not overspend on an activity.

Learn more about comparing expenditures to budgets at [2 CFR 200.302(b)(5)](https://www.ecfr.gov/cgi-bin/text-idx?SID=d91f1aae87d11c2fc2095f9d3191eb7a&mc=true&node=se2.1.200_1302&rgn=div8).

# Timely Disbursement of Grant Funds

Grant recipients must have written procedures regarding grant payments. Payment methods for non-federal entities other than states must minimize the amount of time between payments from the U.S. Treasury and the expenditure of the funds. The terms and conditions of EPA awards issued after October 1, 2018 require recipients to disburse grant funds (for example, payments to employees, contractors, subrecipients or program participants) within 5 business days after funds for the grant have been drawn down. See RAIN-2018-G06 for more information about requirements for disbursing grant funds.

For states, payments are governed by Treasury-State Cash Management Improvement Act (CMIA) agreements and default procedures codified at [31 CFR Part 205](https://www.ecfr.gov/cgi-bin/text-idx?SID=2decaa8ee2021b3eb26cb25535887cc4&mc=true&node=pt31.2.205&rgn=div5) “Rules and Procedures for Efficient Federal-State Funds Transfers” and [TFM 4A-2000](https://tfm.fiscal.treasury.gov/v1/p4/ac200.html) Overall Disbursing Rules for All Federal Agencies.

**Automated Standard Application for Payments**

Effective October 1, 2018, you must be enrolled in the [Automated Standard Application for Payments](https://www.epa.gov/financial/grants#ASAP) (ASAP) system to receive EPA grant payments, unless exempt from this requirement (fellowship award) or EPA’s OGD issues a waiver. A recipient organization will be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsed between the transfer of funds and disbursement by the organization, as well as a financial management system that meets the standards for fund control and accountability. Advance payments must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-federal entity.

Learn more about requirements and exceptions for enrolling in ASAP in RAIN 2018-G06 and the timely expenditure of grant funds and the General Terms and Conditions of EPA grants at [2 CFR 200.305](https://www.ecfr.gov/cgi-bin/text-idx?SID=d91f1aae87d11c2fc2095f9d3191eb7a&mc=true&node=se2.1.200_1305&rgn=div8). Instructions for how to enroll in and receive payments using ASAP are discussed in Modules 4 and 5.

# Ensure Allowability, Reasonableness and Allocability of Costs

Recipients must have written procedures for evaluating the allowability, reasonableness and allocability of costs.

**Allowability**

In general, costs must meet general criteria to be allowable under federal awards, including that it is necessary and reasonable for the performance of the grant and is consistent with the policies and procedures that apply uniformly to both EPA grant activities and other activities of your organization. Unallowable costs cannot be charged to EPA directly nor can they be included in your indirect cost pool. Learn more about allowability at [2 CFR 200.403](https://www.ecfr.gov/cgi-bin/text-idx?SID=fbb70fe83009e152ac327498f6ec18c4&node=se2.1.200_1403&rgn=div8).

Conditions for Allowability – A cost is allowable if it meets the following general criteria:

* Necessary and reasonable for the performance of the grant
* Conforms to limitations or exclusions outlined in Subpart E – Cost Principles or in the federal award for types or amount of cost items
* Consistent with policies and procedures that apply uniformly to both EPA grant activities and other activities of your organization
* Accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost
* Recorded in accordance with your accounting system and generally accepted accounting principles (GAAP)
* Not included as a cost or used to meet cost sharing or matching requirements of any other federally financed program
* Adequately documented

**Reasonableness**

A cost is considered reasonable if, in its nature or amount, it does not exceed what a prudent person would pay under the circumstances prevailing at the time the decision was made to incur the cost. “Prudence” in this context refers to exercising sound business judgment given a recipient’s responsibility to use federal funds efficiently. Recipients must evaluate each cost charged to a grant project to ensure it is reasonable. If a cost is determined to be unreasonable, it must be adjusted to a reasonable amount before it is charged to the grant project in your accounting system. Learn more about reasonableness at [2 CFR 200.404](https://www.ecfr.gov/cgi-bin/text-idx?SID=6ef89c8fd64c0be7bdeb5c75dec79feb&node=se2.1.200_1404&rgn=div8)*.*

Conditions for Reasonableness - In determining the reasonableness of a given cost, the following must be considered:

* Whether the cost is of a type generally recognized as ordinary and necessary for operation of the non-federal entity or the proper and efficient performance of the federal award
* The restraints or requirements imposed by such factors as sound business practices; arm's-length bargaining; federal, state, local, tribal, and other laws and regulations; and terms and conditions of the federal award
* Market prices for comparable goods or services for the geographic area
* Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-federal entity, its employees, where applicable its students or membership, the public at large, and the federal government
* Whether the non-federal entity significantly deviates from its established practices and policies regarding costs incurred, which may unjustifiably increase the federal award's cost

**Allocability**

A cost is allocable to a grant if the goods or services involved are chargeable or assignable to a cost objective in accordance with the relative benefits the grant receives. For example, if a grant recipient employee uses an employer-provided cell phone for grant related work as well as other business purposes, the recipient may charge only a portion of the device fees to the EPA grant. That portion must be calculated based on a reasonable estimate of the extent the employee uses the cell phone for grant work. Learn more about allocability at [2 CFR 200.405](https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1405&rgn=div8).

Conditions for Allocability - An allocable cost must:

* Be incurred specifically for the grant activities,
* Benefit both the grant and other work conducted by your organization and distributed in reasonable proportion to the benefits received, or
* Be necessary to the overall operation of your organization and assignable in part to the grant award.

# Supporting Accounting Records

As required by [2 CFR 200.302(b)(3)](https://www.ecfr.gov/cgi-bin/text-idx?SID=a32963af34d3c94b854882a21e8d77e9&mc=true&node=se2.1.200_1302&rgn=div8), costs incurred under a grant must be supported by “source documentation,” such as invoices, receipts, bills, online transaction confirmations, and other items. In addition to recording financial transactions in your organization’s accounting system, you must maintain records that support those transactions. The supporting information should be cross-referenced to accounting entries and maintained in a filing system. You must identify records by using the appropriate EPA account numbers to ensure that grant costs are charged to the correct EPA grant. Recipients must maintain timesheets or other reliable documentation that supports actual payroll charges and contracts, contractor bills that support contract costs, payment requests from subrecipients, and documentation of stipends paid to training program participants.

# Accounting for Costs of Volunteer Services

Many organizations use volunteer services to accomplish work under a grant. If volunteer services are used under a grant project, a reasonable estimate of the value of those services may be allowable and charged to the project. Estimates must be based on compensation for the tasks the volunteer performs rather than what the volunteer earns professionally. For example, if an engineer volunteers to conduct water quality sampling, the value of her services would be based on the hourly rate for an employee who gathers samples rather than her rate for providing professional engineering services. These costs are not reimbursable and can be used only to meet the non-federal cost share.

Recipients must maintain records to verify the time volunteers spend on the grant project, such as timesheets or other similar documentation, to ensure that the estimated cost of volunteer services is allowable.

Learn more about volunteer services at [2 CFR 200.306(e)](https://www.ecfr.gov/cgi-bin/text-idx?SID=d91f1aae87d11c2fc2095f9d3191eb7a&mc=true&node=se2.1.200_1306&rgn=div8).

# Program Income

Program income (PI) is defined as non-federal gross income that is directly generated by a grant-related activity and received by a recipient. Examples of PI include:

* Fees for service or charging a registration fee for a conference, workshop or similar event
* Sale of items under a grant award
* Use or rental of real or personal property purchased with EPA funds, subject to the conditions at [2 CFR 200.313(c)](https://www.ecfr.gov/cgi-bin/text-idx?SID=d91f1aae87d11c2fc2095f9d3191eb7a&mc=true&node=se2.1.200_1313&rgn=div8), which prohibits use of equipment to provide services in a manner that undercuts the commercial marketplace.

# How Is Program Income Used?

Program Income (PI) can be used in the following ways:

1. Added to funds committed to the project by EPA and used for the purposes of the grant and under the terms and conditions (Default EPA policy; as codified at [2 CFR 1500.7(b)](https://www.ecfr.gov/cgi-bin/text-idx?SID=9dad727f830d7c452669df30fc406fee&node=pt2.1.1500&rgn=div5)). This requirement means that PI may be expended only for eligible and allowable costs.
2. If specified in the terms and conditions of the grant, used to finance the non-federal cost share of the project as provided in 2 CFR 200.307(e)(3).
3. Deducted from total project allowable costs in determining the net allowable costs on which the federal share of costs is based.

For example, if EPA funds a conference and the recipient collects fees that become PI, those fees may be used only for activities described in the work plan for the grant agreement (such as the conference itself) and may not be used for an unallowable expenditure, such as to purchase alcoholic beverages for a reception.

# Tracking Program Income

Your organization’s accounting system must track PI in the EPA grant project account and document that the PI has been expended for eligible and allowable costs.

Because PI can be complicated, EPA recommends that recipients work with their Project Officers and Grant Specialists to ensure that work plans and budget narratives contain precise descriptions of how PI will be used.

Learn more about program income at [2 CFR 200.307](https://www.ecfr.gov/cgi-bin/text-idx?SID=d91f1aae87d11c2fc2095f9d3191eb7a&mc=true&node=se2.1.200_1307&rgn=div8).

# Indirect Costs

Indirect costs are costs that benefit more than one cost objective and are not readily identifiable with a particular grant, contract, or other activity, but are necessary to the overall operation of an organization, such as rent or utility costs. If your organization plans to charge indirect costs to an EPA grant, your financial management system must provide for and describe existing or planned indirect cost rate expenses.

To be allowable under a grant, indirect costs must be distributed to the grant and all other benefiting activities using a cost allocation process.

As specified in 2 CFR 200.414(b), examples of indirect costs for non-profit organizations include depreciation on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.

# Establishing Indirect Cost Rates

Prior to drawing down EPA funds for indirect costs, recipients must have an approved rate and an EPA-approved budget that includes direct costs. Requirements for developing and submitting indirect cost rate proposals and cost allocation plans are contained in the appendices to 2 CFR 200. Your indirect cost rate proposal should be based on the most current financial data supported by your organization’s financial statements.

Learn more about establishing indirect cost rates in RAIN-2018-G02 or at [2 CFR 200.414](https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1414&rgn=div8).

# Submitting an Indirect Cost Rate Proposal

An indirect cost rate proposal should be submitted to your organization’s cognizant federal agency for review and approval. The cognizant agency refers to the federal agency with the largest dollar value of awards with an organization, unless the federal agencies concerned agree to different arrangements. If your organization has not previously established an indirect cost rate with a federal agency, you should submit to the agency that awards you the most funds an initial indirect cost rate proposal. Submit the proposal immediately after you are advised that an award will be made and no later than 3 months after the grant’s effective date.

# Negotiating with Your Cognizant Agency

The cognizant agency will remain the same unless there is a major long-term shift in the dollar value of the general awards to your organization. The cognizant agency will negotiate any necessary changes to your organization’s indirect cost rate proposal and issue a written agreement after negotiations are complete.

If EPA is your cognizant agency, refer to the instructions at <https://www.epa.gov/grants/indirect-cost-rate-proposal-information> for further information on preparing and submitting indirect cost rate proposals.

# Using the *De Minimis* Rate

Non-federal entities that have never received a negotiated indirect cost rate, except for those non-federal entities described in [Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals](https://www.ecfr.gov/cgi-bin/text-idx?SID=17ca8b08093f288379714a7af3c60bb2&mc=true&node=ap2.1.200_1521.vii&rgn=div9), may choose to use a *de minimis* rate of 10 percent of modified total direct costs (MTDC), which may be used indefinitely. If chosen, this method must be used consistently for all federal awards until a non-federal entity chooses to negotiate for an indirect rate.

EPA may allow, on a case-by-case basis, recipients to use the 10 *de minimis* percent rate that have had indirect cost rates in the past (see RAIN-2018-G02).

MTDC refers to all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward more than $25,000.

Learn more about the de minimis indirect cost rate at [2 CFR 200.414](https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1414&rgn=div8)(f).

# Procedures for Conducting Single Audits

Recipients must undergo a single audit for each fiscal year in which they expend $750,000 or more in federal funds. If applicable, your financial management system must provide procedures for conducting a single audit.

During a single audit, an independent certified public accountant examines your organization’s entire operations, including ensuring that financial statements are presented in accordance with generally accepted accounting principles; assessing if internal controls are adequate to minimize risk of noncompliance; and verifying adherence to federal statutes, regulations, and the award terms and conditions.

It is important to note that, even if your organization is not subject to a single audit, EPA’s Office of Inspector General may conduct other types of audits on your EPA grants. If you have already conducted a single audit, any subsequent OIG audit may build on the results of the single audit.

Learn more about single audits at [2 CFR 200 – Subpart F – Audit Requirements](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=7186937552b4914d75a2893c438b9dfd&mc=true&n=sp2.1.200.f&r=SUBPART&ty=HTML).

# Relating Financial Data to Performance Data and Unit Cost Data

Linking financial data to accomplishments made with grant funds is an important function of financial management systems. The reporting of performance data not only helps EPA understand the progress made by recipients, but also facilitates identification of promising practices among grant projects.

An effective financial management system is also useful for developing unit cost data. Unit cost data are an estimate of how much it costs an organization to complete a single activity when that activity recurs regularly. For example, if a project involves collecting numerous samples of a pollutant and evaluating the components, this repetitive activity may lend itself to unit costing. Unit costing may help you demonstrate cost-effective practices and improve your organization’s ability to better forecast or budget for the cost of an activity for the duration of a grant project.

Learn more about performance measurement at [2 CFR 200.301](https://www.ecfr.gov/cgi-bin/text-idx?SID=1a429a1555ece4b7a718150c7ca415ef&mc=true&node=se2.1.200_1301&rgn=div8).

# **Establish Property Management and Procurement standards** Transition

Let’s review requirements for managing equipment and procurement procedures.

# What is “Equipment” Under a Grant?Under a grant, equipment is defined as personal property that has a useful life of more than 1 year and an acquisition cost of $5,000 or greater.

When you purchase equipment with grant funds, your organization owns the conditional title, but it is subject to EPA’s requirements as stated in the grant terms and conditions and regulations, as described below.

* During the time the equipment is used for the grant project, your organization may make the equipment available for use on other projects or programs if doing so does not interfere with the work on the EPA project. Keep in mind that you must give first preference to other projects or programs funded by EPA; second preference may be given to projects or programs funded by other federal agencies. See [2 CFR 200.313(c)(1)](https://www.ecfr.gov/cgi-bin/text-idx?SID=c16296aecfef71d582e0634cf6658cf1&node=2:1.1.2.2.1.4.30.14&rgn=div8) for more information.
* You may not use equipment purchased under a grant to provide services to another non-federal organization for a fee that is less than what private companies charge for equivalent services, unless specifically authorized by federal statute, for as long as EPA retains an interest in the equipment. See [2 CFR 200.313(c)(3)](https://www.ecfr.gov/cgi-bin/text-idx?SID=c16296aecfef71d582e0634cf6658cf1&node=2:1.1.2.2.1.4.30.14&rgn=div8) for more information.

Note that equipment purchases have to be included in the approved work plan.

# Acquisition Cost of Equipment

The acquisition cost of equipment is the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus that are necessary to make the equipment usable for your grant project. Other charges -- such as the cost of installation, transportation, taxes, duty or protective in-transit insurance -- may be included or excluded from the acquisition cost in accordance with your organization’s regular accounting practices.

# Property Records Requirements for Equipment

# Recipients must maintain property records for equipment, whether acquired in whole or in part under a federal award, that provide the following information:

* A description of the property
* A serial number or other identification number
* The source of funding for the property including the EPA assistance agreement number.
* Name of the person who holds the title for the property
* Date the property was purchased
* Acquisition cost of the property
* Percentage of federal participation in the project costs for the federal award used to acquire the property
* The location, use and condition of the property
* Any ultimate disposition data including the date of disposal and the sale price of the property

# Conducting Equipment Inventories

At least once every 2 years, recipients must conduct a physical inventory of equipment and reconcile the results with equipment records.

You should investigate any differences between quantities identified during the inventory and those shown in your organization’s accounting records to isolate the reason for the difference. During the inventory, you should also verify the existence of, current use of, and continued need for the equipment.

# Using Equipment

You may use the equipment for the EPA project for as long as needed, whether or not the project or program continues to be supported by federal funds, unless the specific terms and conditions of your grant agreement with EPA provide otherwise.

Sometimes, EPA loans federally owned equipment to recipients to use on grant projects. Your property management system must reflect EPA’s ownership because this equipment is owned by EPA. You may use EPA-owned equipment on activities not supported by EPA if EPA authorizes you to do so in writing.

# Caring for Equipment

Recipients must care for the equipment acquired with federal grant funds.

Safeguarding Equipment: Ensure Adequate Safeguards

Your organization must have a control system to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the property acquired with grant funds.

Be prepared to investigate and fully document any loss, damage, or theft of equipment. Also, if the equipment is EPA-owned, promptly notify the EPA Project Officer and the Grant Specialist if any loss, damage, or theft of equipment occurs.

Maintaining Equipment: Maintain Good Operating Condition

Your organization must have in place adequate maintenance procedures to keep property in good operating condition. Take care to develop and use maintenance schedules and to document any repairs that are made.

You can learn more about the use and maintenance of equipment at [2 CFR 200.313](https://www.ecfr.gov/cgi-bin/text-idx?SID=c41242215306b9079bd2e65da2ef5c3e&mc=true&node=se2.1.200_1313&rgn=div8).

Replacing Equipment: Acquire Replacement (if necessary)

If it is necessary to acquire replacement equipment during the project, you may use the equipment to be replaced as a trade-in or sell the equipment and use the proceeds to offset the costs of the replacement equipment.

# Procuring Goods and Services

Recipients must have written procedures for procurement transactions to ensure that all solicitations:

* Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such descriptions must not, in competitive procurements, contain features that unduly restrict competition.
* Identify all requirements that the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

Recipients also must avoid acquiring unnecessary or duplicative items. Consider carefully the most cost-effective option for procuring goods and services – for example, it may be less costly to consolidate or separate procurements, depending on the goods and vendor. When appropriate, conduct an analysis to compare the costs for leasing versus purchasing, and consider other appropriate analyses to establish the most economical approach.

Learn more about procurement requirements at 2 CFR 200.319

# Procurement Practices

EPA’s purchasing system guidance is designed to ensure that purchases are obtained at a reasonable price in a fair and competitive way. Failure to follow proper procurement practices is often an audit finding that leads to questioned costs. EPA’s [“Best Practice Guide for Procuring Services, Supplies, and Equipment Under EPA Assistance Agreements”](https://www.epa.gov/grants/best-practice-guide-procuring-services-supplies-and-equipment-under-epa-assistance-agreements) provides detailed guidance, including outlining the difference between procurement contracts and subawards and detailing requirements for competition, hiring consultants, and documenting purchasing decisions.

EPA strongly recommends that recipients consult this guide during procurements. The summary information provided in this module is not a substitute for the more robust description of purchasing requirements in the guide.

# Basic Requirements for a Purchasing System

Procurements must be conducted in accordance with minimum regulatory requirements and should be consistent with EPA's guidance. Your purchasing system must be based on the following principles outlined in [2 CFR 200.318](https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1318&rgn=div8):

* Ensure that contracts comply with applicable federal, state, and local law.
* Maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
* Ensure that unnecessary items are not purchased.
* Evaluate whether it is more economical to lease rather than purchase equipment and supplies.
* Award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Matters such as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources should be considered. You must ensure you do not award a contract to any person who is debarred, suspended, or otherwise excluded from or ineligible for participation in federal grant programs or activities. You can find the list of debarred, suspended, and excluded persons in the [System for Award Management](https://www.sam.gov/portal/SAM/#1). [2 CFR 200.318(h)](https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1318&rgn=div8) and [2 CFR 200.213](https://www.ecfr.gov/cgi-bin/text-idx?SID=cfcf735c6b8ba181dbca1f1d74579d2d&mc=true&node=se2.1.200_1213&rgn=div8)
* Maintain records sufficient to detail the history of procurements. These records should include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. [2 CFR 200.318(i)](https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1318&rgn=div8)
* Be responsible for, in accordance with good administrative practices and sound business judgment, settlement of all contractual and administrative issues arising out of procurements under your grant. [2 CFR 200.318(k)](https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1318&rgn=div8)
* Conduct all procurement transactions in a manner providing full and open competition consistent with the standards of [2 CFR 200.319](https://www.ecfr.gov/cgi-bin/text-idx?SID=c41242215306b9079bd2e65da2ef5c3e&mc=true&node=se2.1.200_1319&rgn=div8).
* Ensure that the cost or price of supplies, equipment, and services is reasonable, which can be done by conducting a cost or price analysis for each procurement action in excess of $150,000. You must document cost and price analyses in your files. [2 CFR 200.323](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=e305cc3e3756a08ce6f8693aaa6b9fc0&ty=HTML&h=L&mc=true&r=SECTION&n=se2.1.200_1323)
* Make positive efforts to use disadvantaged businesses, including small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms, whenever possible. [2 CFR 200.321](https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1321&rgn=div8) and [40 CFR Part 33](https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title40/40cfr33_main_02.tpl).

If your organization’s system does not meet regulatory requirements, take action to amend it as necessary.

# Making Subawards

Under some grant projects, the primary grant recipient, referred to as the pass-through entity, will make awards, called subawards, to other organizations for certain activities. A subaward is when an organization receives an award of financial assistance from the pass-through entity to carry out part of the pass-through entity’s grant project. Subawards do not include purchased goods and services or payments to program beneficiaries.

By contrast, a procurement contractor is a company, individual consultant, instructor or other expert who is not an employee of the recipient that receives grant funding to provide commercially available goods or services.

# Subaward or Contract?

EPA has provided detailed guidance differentiating procurement contracts and subawards in Appendix A of [EPA’s Subaward Policy for EPA Assistance Agreement Recipients](https://www.epa.gov/grants/grants-policy-issuance-gpi-16-01-epa-subaward-policy-epa-assistance-agreement-recipients). With very few exceptions, EPA considers transactions between recipients and for-profit companies or individual consultants and instructors to be procurement contracts.

A subaward is for the purpose of carrying out a portion of a federal award and creates a federal assistance relationship with the subrecipient. Characteristics which support the classification of the non-federal entity as a subrecipient include when the non-federal entity:

* Determines who is eligible to receive what federal assistance;
* Has its performance measured in relation to whether objectives of a federal program were met;
* Has responsibility for programmatic decision making;
* Is responsible for adherence to applicable federal program requirements specified in the federal award; and
* In accordance with its agreement, uses the federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

A contract is for the purpose of obtaining goods and services for the non-federal entity's own use and creates a procurement relationship with the contractor. Characteristics indicative of a procurement relationship between the non-federal entity and a contractor are when the contractor:

* Provides the goods and services within normal business operations;
* Provides similar goods or services to many different purchasers;
* Normally operates in a competitive environment;
* Provides goods or services that are ancillary to the operation of the federal program; and
* Is not subject to compliance requirements of the federal program as a result of the agreement, though similar requirements may apply for other reasons*.*

# Subaward Requirements

Pass-through entities must ensure that subawards are clearly identified to the subrecipient as a subaward. Learn more at 2 CFR 200.331.

Information that must be included at the time of the subaward includes:

* Federal Award Identification.
* Requirements imposed by the pass-through entity on the subrecipient so that the federal award is used in accordance with federal statutes, regulations and the terms and conditions of the federal award.
* Any additional requirements that the pass-through entity imposes on the subrecipient for the pass-through entity to meet its own responsibility to the federal awarding agency.
* An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government.
* A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary.
* Appropriate terms and conditions concerning closeout of the subaward.

# Implement Personnel and Travel Standards Transition

We’re now ready to move on to ensuring that your organization complies with standards for personnel and travel management.

# Maintain Standards of Conduct

Recipients must maintain written standards of conduct, also referred to as a code of conduct, that cover conflicts of interest and govern the actions of employees who engage in the selection, award and administration of contracts. Specifically, as noted in [2 CFR 200.318(c)(1)](https://www.ecfr.gov/cgi-bin/text-idx?SID=c41242215306b9079bd2e65da2ef5c3e&mc=true&node=se2.1.200_1318&rgn=div8), no employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest.

Conflicts of interest occur when an employee, officer, or agent; any member of his or her immediate family; or an organization that employs or is about to employ any of these persons, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. Officers, employees, or agents of your organization may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, your organization may set standards for situations when the financial interest is not substantial, or the gift is an unsolicited item of nominal value.

Your organization’s code of conduct must also provide for disciplinary actions when officers, employees, or agents violate the standards.

EPA’s [Financial Assistance Conflict of Interest Policy](https://www.epa.gov/grants/epas-final-financial-assistance-conflict-interest-policy) discusses how to prevent conflicts of interest in making or administering subawards.

# Recording and Charging Payroll Costs

As discussed earlier, your organization’s personnel payroll and records system must provide reports on the activities of each employee who works directly on a grant. Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

* Be supported by a system of internal controls that provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
* Be incorporated into your organization’s official documentation.
* Reasonably reflect the total activity for which an employee is compensated.
* Encompass both federally assisted and all other activities compensated by your organization on an integrated basis.
* Comply with your organization’s established accounting policies and practices.

Reports must also reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (for example, estimates calculated before the services are performed) are not adequate for supporting grant costs.

# Learn more about recording and charging payroll costs at [2 CFR 200.430](https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1430&rgn=div8).

# Payroll Best Practices

EPA recommends the use of personnel activity reports or timesheets as a best practice, but does not require them if your payroll system provides adequate support for charging personnel costs to EPA grants. Activity reports are typically signed by the individual employee or by a responsible supervisory official having first-hand knowledge of the activities performed by an employee. The supervisor should be able to certify that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports. Reports are typically prepared at least monthly and must coincide with one or more pay periods.

# Reasonableness of Payroll Costs

As a grant recipient, you are responsible for ensuring that payroll costs are reasonable. In general, this responsibility means that the salaries and wages paid for work on the grant must be consistent with what your organization pays for similar work under other projects. See [2 CFR 200.430 (Compensation—personal services)](https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1430&rgn=div8) for more details

Compensation will be considered reasonable if the payroll costs are comparable to what is paid for similar work in the labor market in situations when the skills and expertise of the employees supporting the grant are not used for other activities at your organization.

# Charging Travel Costs

Your organization must have in place a written standard travel policy that meets the requirements of [2 CFR 200.474](https://www.ecfr.gov/cgi-bin/text-idx?SID=c41242215306b9079bd2e65da2ef5c3e&mc=true&node=se2.1.200_1474&rgn=div8). Travel costs are the expenses employees or program participants incur for transportation, lodging, subsistence (meals), and related items incurred by employees on official business travel status or by non-employee program beneficiaries when they attend training conferences or similar events. Travel costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip.

# Allowable Travel Costs

Travel costs under a grant are allowable if they are consistent with those normally allowed in like circumstances in your organization’s non-federally-funded activities and in accordance with your written travel reimbursement policies. If travel costs are charged directly to your grant award, documentation must justify that:

* Participation of the individual who travelled is necessary for grant activities; and
* The costs are reasonable and consistent with your organization’s established travel policy.

Airfare costs must not exceed the basic “least expensive unrestricted accommodations” class unless such accommodations would:

* Require circuitous routing
* Require travel during unreasonable hours
* Excessively prolong travel
* Result in additional costs that would offset the transportation savings
* Offer accommodations not reasonably adequate for the traveler’s medical needs

EPA recommends that recipients review the General Services Administration’s per diem rates and the Federal Travel Regulations to determine whether their travel compensation policies are reasonable.

# Participant Support Costs

You may support participation of an individual in your grant project through payment of stipends, travel allowances, and similar participant support costs. These transactions are neither procurement contracts nor subawards.

Examples of participant support costs include stipends paid to interns who are not employees of your organization, registration fees for community members attending conferences, and travel support for individuals who are not employees of your organization to enable them to participate in training, work groups, and research projects. EPA also considers subsidies and rebates for the purchase and/or installation of pollution control equipment that is owned by program beneficiaries to be participant support costs.

You must have prior EPA approval to pay participant support costs. See RAIN-2018-G05, Interim EPA Guidance on Participant Support Costs. See “[EPA Interim Guidance on Participant Support Costs](https://www.epa.gov/sites/production/files/2018-09/documents/interim_guidance_on_participant_support_costs.pdf)” for more information on participant support costs.

# Review of What You Have Learned

You have reached the end of the module, so let’s review what you have learned.

# What You Have Learned

Congratulations -- you have reached the end of the “Demonstrating Financial Management System and Internal Controls Capability” training module! You should now be familiar with how to:

# Maintain a financial management system that is capable of administering EPA grants

# Establish property management and purchasing standards

# Implement personnel and travel standards

# Thank you!

You have completed this module.

# Acronyms/Terms

Accurate Data:

The actual amount of income for grant project activities must be recorded when received.

Acquisition Cost of Equipment:

The net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus that are necessary to make the equipment usable for a grant project.

Administrative Advanced Monitoring (AAM):

Provides an in-depth assessment of a recipient’s written policies and procedures and includes transaction testing of a sample of drawdowns to ensure the recipient has the proper administrative and financial management systems in place to administer federal funds.

Administrative Baseline Monitoring:

Involves the review of a recipient’s compliance with the financial and administrative requirements and terms and conditions of a grant.

Administrative Capability Questionnaire:

EPA Form 6600-09

Administrative terms and conditions:

Address such matters as payments, statutory requirements, and required administrative reports.

Allocable costs:

The goods or services involved are chargeable or assignable to a cost objective in accordance with the relative benefits the grant receives.

Allowable costs:

Costs necessary and reasonable for the performance of the grant that are consistent with the policies and procedures that apply uniformly to both EPA grant activities and other activities of an organization.

Allowable travel costs:

Travel costs under a grant that are consistent with those normally allowed in like circumstances in an organization’s non-federally funded activities and in accordance with written travel reinforcement policies.

AOR:

Authorized Organization Representative

Appropriations:

Funds devoted to a purpose described in the appropriation act, funding for grants.

ASAP:

Automated Standard Application for Payments

Audits:

In-depth examinations of a grantee’s financial records, management systems, and work progress.

Authority:

Permission to award specific types of grants, described in environmental program statutes.

Authorizations:

Refers to the ability of the recipient’s financial management system to record, track, and document managerial/supervisory approvals, such as for payroll, travel, and purchases.

Awarding agency:

Refers to federal agency that made a specific award.

CFDA:

Catalog of Federal Domestic Assistance, provides detailed information about grant program objectives, types of eligible organizations, and application and award procedures.

CFR:

Code of Federal Regulations

Closeout:

The systematic process EPA uses to determine that a recipient has completed all of the required.

CMIA:

Treasure-State Cash Management Improvement Act

Cognizant agency:

The federal agency with the largest dollar value of awards with an organization.

Competitive Grant Opportunities:

EPA generally invites all eligible applicants to submit applications. EPA reviews and evaluates applications against criteria disclosed in the competitive announcement and makes selections.

Complete Data:

The accounting system must record all transactions, even those that are unallowable under the grant.

Continuing Environmental Program (CEP) Grants:

Allotment of funds is initially made based on factors contained in a statute, regulation, or Agency guidance that provides EPA some discretion in selecting recipients and the amount of funding. Most CEP grants are awarded non-competitively to governmental units each year to support ongoing state, tribal and local environmental programs. Most CEP grants may also be called “categorical grants” because they can only be used for specific purposes authorized by a statute and are funded from a line item in the State and Tribal Assistance Grant appropriation.

Contract:

For the purpose of obtaining goods and services for a non-federal entity's own use, creates a procurement relationship with a contractor.

Contractor:

An individual, organization, or for-profit company that receives grant funding to provide goods or services for the grant recipient’s own use.

Cooperative agreement:

EPA has substantial involvement in conducting project activities. The responsibilities shared between EPA and the recipient are clearly outlined and accepted before the agreement is awarded.

COSO:

Committee of Sponsoring Organizations of the Treadway Commission

Current Data:

All income and costs must be posted in the accounting system at or as near to the time they are incurred as possible.

DBE:

Disadvantaged Business Enterprise

Direct Charges:

Costs that can be assigned to a specific budget category.

Discretionary Grants:

EOA retains considerable authority in selecting the recipient, determining the amount of the award, and/or negotiating and approving the grant work plan.

DUNS:

Data Universal Numbering System (also known as UEI)

EPA:

U.S. Environmental Protection Agency

EPA Grants Specialist:

Main point of contact for any questions or communications of an administrative nature (which may include questions about forms, the budget, or administrative reports).

EPA Project Officer:

Main point of contact for any questions or communications related to the work being done under the project (including programmatic progress reports).

Equipment:

Under a grant, equipment is defined as personal property that has a useful life of more than 1 year and an acquisition cost of $5,000 of greater.

Expenditures:

Amount of money spent under the grant, including payments to subrecipients and contractors.

FAIN:

Federal program and federal award identification

FFR:

425 Federal Financial Report

GAAP:

Generally accepted accounting principles

GCDDO:

EPA’s Grants Competition Disputes Decision Official, an EPA employee who was not involved in the grant competition; he or she works outside of the EPA Program Office that conducted the competition.

GPI:

Grants Policy Issuance

Grant:

A legal instrument of financial assistance between a federal awarding agency and a non-federal entity used to enter into a relationship with the principal purpose of transferring anything of value from the federal awarding agency to a non-federal entity to carry out a public purpose as authorized by United States law.

Grant number:

Unique, eight-digit number (which is preceded by a one or two-character program code), how a grant will be identified in all documents and communications with EPA.

Indirect Costs:

Costs that are not readily identifiable with a particular activity but are necessary to the general operation of the organization and the conduct of the proposed project (such as general administration expenses).

Inputs:

Grant funds, matching funds, efforts of the recipient.

Interim reports:

Sometimes referred to as progress reports, summarize technical progress and activities completed under a grant.

LVFC:

EPA’s Las Vegas Finance Center

MBE:

Minority-owned Business Enterprise, a business concern that is at least 51 percent owned by one or more minority individuals, or, in the case of a publicly owned business, at least 51 percent of the stock is owned by one or more minority individuals, and whose daily business operations are managed and directed by one or more of the minority owners.

MTDC:

Modified total direct costs, refers to all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award).

Non-Competitive Grant Opportunities:

Made based on statutory, regulatory, or published program guidance allocation funding formulas for continuing environmental program support for units of government; other organizations are not invited to apply.

Non-Discretionary Grants:

Also known as formula grants, awarded primarily to state, tribal, and local governments. Congress directs these grants through an authorizing statute to one of more types of entities that meet the eligibility criteria. The amount of the grant is determined by a formula prescribed by the statute and implementing EPA regulations.

NPTCD:

The National Policy, Training and Compliance Division

Obligations:

When used in connection with a non-federal entity's use of funds under a federal award, refers to orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-federal entity during the same or a future period.

OGD:

EPA’s Office of Grants and Debarment

OIG:

EPA’s Office of Inspector General, periodically examines EPA grants to ensure that grant funds are used efficiently and effectively.

OMB:

Office of Management and Budget

Outcome:

The result, effect, or consequence that will occur as a result of an environmental activity under a grant. Outcomes may be environmental, behavioral, health-related, or programmatic, and may not be necessarily achievable within your grants project period.

Output:

An environmental activity, effort, or associated work products related to an environmental goal or objective that will be produced or provided over a period of time. Outputs may be quantitative or qualitative, but must be measurable during a grant project period.

Participant support costs:

Stipends, travel allowances, and similar funds that support participation of an individual in a grant project.

Pass-through entity:

Primary grant recipient when subawards are made as part of a grant.

Personal Property:

Property of any kind, except real property, that has a physical existence (including equipment and supplies).

PI:

Program income, non-federal gross income that is directly generated by a grant-related activity and received by a recipient.

PII:

Personally identifiable information, PII means information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual.

Procurement contractor:

An individual consultant, instructor or other expert who is not an employee of the recipient that receives grant funding to provide commercially available goods or services.

Programmatic Advanced Monitoring:

Provides an in-depth assessment of a grant’s programmatic and technical progress and management and how well the project is meeting expectations.

Programmatic Baseline Monitoring:

Involves the periodic review of a recipient’s progress in and compliance with, the scope of work, terms and conditions, and regulatory requirements of a specific award.

Programmatic terms and conditions:

Address the timing and content of progress reports and special performance requirements.

Prudence:

Exercising sound business judgment given a recipient’s responsibility to use federal funds efficiently.

RAIN:

Recipient/Applicant Information Notice

Reasonable costs:

In its nature or amount, it does not exceed what a prudent person would pay under the circumstances prevailing at the time the decision was made to incur the cost.

SAM:

Federal government’s System for Awards Management

SF:

Standard form

Single audit:

When an independent certified public accountant examines an organization’s entire operations, including ensuring that financial statements are presented in accordance with generally accepted accounting principles; assessing if internal controls are adequate to minimize risk of noncompliance; and verifying adherence to federal statutes, regulations, and the award terms and conditions.

Source documentation:

Invoices, receipts, bills. Online transaction confirmations, and other items.

Subaward:

When an organization receives an award of financial assistance from the pass-through entity to carry out part of the pass-through entity’s grant project.

Subrecipients:

Recipients of subawards.

Substantial involvement:

Refers to close EPA collaboration with the recipient in executing the project scope of work, and the terms of the cooperative agreement will describe EPA’s anticipated involvement.

Substantial involvement terms and conditions:

Refer to activities to be performed by EPA, usually the project officer.

Terms and Conditions:

Legal requirements imposed on a recipient by statute, regulation, program guidance, or the grant award itself. These conditions may apply to all grants or certain classes of grans, or they may be tailored for an individual award.

UEI:

Unique Entity Identifier (also known as DUNS)

Unallowable costs:

Those that EPA will not reimburse as part of a grant.

Uniform Grants Guidance:

OMB’s regulations at 2 CFR 200 and EPA’s specific regulations at 2 CFR 1500. Provides useful information about grant requirements, such as standards for financial and program management and how to identify allowable costs.

Unit cost data:

An estimate of how much it costs an organization to complete a single activity when that activity recurs regularly.

Unobligated balances:

The total federal funds authorized under a grant minus the grant expenditures and any unliquidated obligations, which are obligations incurred, but not yet paid (including amounts due to subrecipients and contractors).

WBE:

Women-owned Business Enterprise

Workspace:

The online, cloud-based environment used by Grants.gov to manage the application process.