

# FUND FOR VETERANS' ASSISTANCE

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## *FISCAL GUIDELINES FOR GRANTS*

*February 2012*

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Fund for Veterans' Assistance  
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# TABLE OF CONTENTS

## SECTION I. Overview

A. Purpose.....	1
B. Effective Date.....	1
C. Distribution Guidelines.....	1
D. Request for Fiscal Technical Assistance .....	1

## SECTION II. General Fiscal Information for Applicants

A. Fiscal Guidelines.....	2
B. Determination of Financial Stability (Nonprofit Organizations Only).....	3
C. Financial Audits .....	4
i. What an Audit Entails .....	4
D. Financial Reviews.....	5
i. What a Review Entails.....	5
E. Compilation Report.....	5
i. What a Compilation Report Entails.....	6

## SECTION III. Cost Reimbursement Grants

A. Overview of a Cost Reimbursement Grant.....	7
B. Supporting Documents .....	8
C. General Budget Categories.....	8
i. Personnel Expenses.....	8
ii. Other Expenses.....	9

**SECTION IV. Monthly Performance & Expenditure Report (MPER)**

A. Worksheets..... 10

B. Expenditure Report..... 10

    i. Expenditure Detail ..... 10

    ii. Top Findings from Expenditure Report Reviews ..... 11

**SECTION V. Use of Funds**

A. Supplement, Not Supplant & Nonduplication of Services..... 12

B. Indirect & Administrative Costs ..... 12

C. Definitions of Reasonable, Necessary, & Allocable Costs..... 12

    i. Reasonable Costs ..... 13

D. Allowable & Unallowable Costs..... 13

    i. Allowable Costs..... 14

    ii. Unallowable Costs..... 15

E. Travel Costs ..... 18

    i. Allowable Travel Costs..... 18

    ii. Unallowable Travel Costs..... 19

    iii. Travel Documentation..... 19

F. Allocable Costs ..... 21

G. Obligation of Funds ..... 21

H. Financial Assistance..... 22

    i. Guidelines for Financial Assistance ..... 22

    ii. Situations which are Ineligible for Financial Assistance..... 24

# Texas Veterans Commission Fund for Veterans' Assistance

## Fiscal Guidelines for Grants

### SECTION I: Overview

#### A. **Purpose**

This document sets forth the financial requirements for Texas Veterans Commission (TVC) funds that are contracted through Fund for Veterans' Assistance (FVA) grants. This guide covers state and agency administrative and cost requirements that are applicable to TVC funds. While the Fiscal Guidelines include information relating to applicable federal, state and agency requirements, this guide does not supersede or replace those requirements. Any omission of a fiscal requirement from this guide does not waive a grantee's responsibility to comply with that requirement. In the event of a conflict between federal and/or state requirements and this guide, the federal or state requirement will apply. In the event that a conflict appears to exist between a provision of the Fiscal Guidelines and a TVC contract, TVC should be contacted to determine which, if either, provision will prevail.

#### B. **Effective Date**

These guidelines are effective immediately and supersede any previous versions of the document.

#### C. **Distribution Guidelines**

These Fiscal Guidelines will be emailed to all grantees. The guidelines are also available on the Texas Veterans Commission website at <http://www.tvc.state.tx.us/about/current-grant-process-and-form>.

#### D. **Request for Fiscal Technical Assistance**

Organizations may request clarification on the requirements of this manual by e-mailing [grants@tvc.state.tx.us](mailto:grants@tvc.state.tx.us).

## SECTION II: General Fiscal Information for Applicants

### A. Fiscal Guidelines

Applicants are to follow the Fiscal Guidelines when coordinating with their Business Office/Accounting Department and for financial management, as well as the following:

- To ensure compliance with required accounting procedures, all applicants are strongly encouraged to consult with their business office/Accounting Department about assignment of budgeted items to the proper categories *before submitting the application*. Advance coordination with their business office/Accounting Department will expedite negotiation and processing of the application and may assist in avoiding audit exceptions for the applicant.
- Organizations must maintain a proper general ledger that complies with Generally Acceptable Accounting Principles (GAAP) and with financial management standards.
- The applicant's financial management system must provide for accurate, current, and complete disclosure of the financial results of each grant project. The financial management system records must adequately identify the funding source and use of funds and must contain information pertaining to grant awards, authorizations, obligations, unobligated balances, assets, outlays (expenditures), income, and interest.
- Fiscal control and accounting procedures must permit the tracing of funds to a level of expenditure adequate to establish that funds have been used in accordance with the Approved Budget. The applicant must maintain effective control over and accountability for all funds, property, and other assets.
- All applicants, other than counties and municipalities, must demonstrate financial stability and the capability to comply with federal financial management and accounting standards.
- FVA reserves the right to conduct a pre-award audit or post-award audit to determine if a applicant maintains a proper financial management system and to deny or terminate the award if it is determined that the applicant does not maintain a proper financial management system.
- Failure to comply with OMB Circular A-87, Cost Principles for State and Local Indian Tribal Governments, OMB Circular A-122, Cost Principles for Nonprofit Organizations, and State of Texas Uniform Grant Management Standards (UGMS), promulgated by the Office of the Governor, will result in audit exceptions and the disallowance of all expenditures paid from the grant.



**B. Determination of Financial Stability (Nonprofit Organizations Only)**

All applicants, other than counties and municipalities, must submit financial documents in order to be deemed to be financially stable by FVA and eligible to receive a grant award. FVA will determine financial stability based on the required financial documentation for the immediate prior fiscal year. The documentation must be in compliance with Generally Accepted Accounting Principles (GAAP).

FVA will consider the financial data provided with the Grant Application and will determine whether the organization provided sufficient financial information. A Grant Application submitted with insufficient financial data at the time of submission may not be considered for funding.

For a Grant Application that has sufficient required financial data, FVA will consider a deficiency of net assets, a deficiency of net unrestricted assets, the ratio of assets to liabilities, deficiencies in cash flow, qualifications to the opinions of an independent auditor on the organization’s financial statements, and any other financial data submitted with the Grant Application to determine whether the applicant is financially stable.

Additionally, FVA will consider an organization’s fiscal capacity to administer a reimbursement grant in the amount requested.

Required financial documentation is determined by the amount requested for the proposed project.

Amount of Grant Funds Requested	Required Financial Documents
\$500,000 - \$1,000,000	Most recent audit report, including the management letter
\$100,000 - \$499,999	Most recent audit report, including the management letter <b>or</b> independently reviewed financial statements
\$10,000 - \$99,999	Most recent audit report, including the management letter <b>or</b> independently reviewed financial statements <b>or</b> a compilation of financial statements (compilation report)

### **C. Financial Audits - \$500,000 - \$1,000,000**

**Nonprofit organizations requesting \$500,000 or more** must submit indicators of financial stability as part of the Grant Application including but not limited to the following:

- The most current audit report, including the management letter, statement of financial position, statement of activities (income statement), statement of cash flows, and note disclosures. The audit report must be dated within the previous twenty four months of turning in application.
- Independent auditor's opinion (standard report).
- If the nonprofit organization is also subject to the Single Audit Act of 1996, as amended, the audit report must also include reports in accordance with Government Auditing Standards, as promulgated by the U.S. Government Accountability Office and the Office of Management and Budget Circular A-133.

#### **i. What an Audit Entails**

To gather evidence on the reliability of the financial statements, an independent Certified Public Accountant (CPA) performs "search and verification" procedures. In an audit, the CPA generally confirms balances with banks or creditors, observes inventory counting, and tests selected transactions by examining supporting documents. In addition, the CPA contacts sources outside the client organization to gather information that may be more objective than that obtained from internal sources. For example, the CPA usually obtains written confirmation from a client's customers about amounts owed to the client at a specific date. By accumulating this type of evidence, the CPA tries to reduce the risk that the financial statements will be materially misstated.

The CPA then issues a report stating that the financial statements are presented fairly, in all material respects, and in conformity with Generally Accepted Accounting Principles.

An audit is planned and performed with an attitude of professional skepticism; the CPA designs the audit to provide "reasonable assurance" that material errors or fraud are detected. However, fraud concealed through forgery or collusion may not be found because the auditor is not trained to catch forgeries, nor will customary audit procedures detect all conspiracies.

An audit provides a reasonable level of assurance that the financial statements are free of material errors and fraud. An audit does not, however, provide a guarantee absolute assurance.



#### **D. Financial Reviews - \$100,000 - \$499,999**

**If the nonprofit organization is new, has not yet had the first annual audit conducted, and/or if the amount requested is \$100,000 - \$499,999**, the organization may have a review prepared by an independent CPA. The review must also be prepared in accordance with the standards promulgated by the American Institute of Certified Public Accountants.

##### **i. What a Review Entails**

The CPA obtains a working knowledge of the organization's industry and acquires information on key aspects of the organization, including operating methods, products and services, and material transactions with related parties.

A review is designed to see whether the financial statements "make sense" without applying audit-type tests. The CPA will make inquiries concerning such financial statement-related matters as accounting principles and practices, recordkeeping practices, accounting policies, actions of the board of directors, and changes in business activities. Then the CPA will apply analytical procedures designed to identify unusual items or trends in the financial statements that may need explanation.

During a review, a CPA does not confirm balances with banks or creditors, observe inventory counting, or test selected transactions by examining supporting documents. However, a review may be adequate for a business or its creditors. If more assurance is necessary, the organization may need to engage a CPA to perform an audit.

#### **E. Compilation Report - \$10,000 - \$99,999**

**If the nonprofit organization is new, has not yet had the first annual audit conducted, and/or if the amount requested is under \$100,000**, the organization may file a compilation of financial statements, including a report on compiled financial statements, a statement of financial position, statement of activities (income statement), and statement of cash flows. The compilation report must be prepared by an independent CPA. The compilation report must also be prepared in accordance with the standards promulgated by the American Institute of Certified Public Accountants.

Through compilation services, a CPA prepares monthly, quarterly, or annual financial statements. However, he or she offers no assurance as to whether material or significant changes are necessary for the statements to be in conformity with generally accepted accounting principles, the cash basis, or the income tax basis of accounting. During a compilation, the data is simply arranged into conventional financial statement form. No probing is conducted unless the CPA becomes aware that the data provided is in error or is incomplete.

Before agreeing to perform a compilation, a CPA will take a "common sense" look at the entity to decide whether the client needs other accounting services, such as help in adjusting the accounting records.

### **i. What a Compilation Entails**

The CPA becomes familiar with the accounting principles and practices common to the client's industry, and acquires a general understanding of the client's transactions and how they are recorded.

After compiling the financial statements, the CPA is obliged to read them and consider whether they are appropriate in form and free from obvious material errors. The CPA then issues a standard report that says the financial statements were compiled, but because they were not audited or reviewed, no opinion is expressed.

Compilation standards permit an accountant to compile financial statements that omit footnote disclosures required by generally accepted accounting principles or another comprehensive basis of accounting (cash or income tax). This is allowable as long as the omission is clearly indicated in the report and there is no intent to mislead users. However, when footnote disclosures have been left out, the CPA adds a paragraph to the compilation report stating that management has elected to omit disclosures. This paragraph lets the user know that if the financial statements contained this information, it might affect the user's conclusions.

A compilation is sufficient for many private companies. However, if a business needs to provide some degree of assurance that its financial statements are reliable, it may be necessary to engage a CPA to perform a review or an audit.

## SECTION III: Cost Reimbursement Grants

### A. Overview of a Cost Reimbursement Grant

TVC awards FVA grants on a cost reimbursement basis. Under the cost reimbursement method of funding, the grantee is required to finance its operations with its own working capital. FVA will reimburse the grantee for actual cash disbursements supported by adequate documentation.

An initial payment of 10% of the total amount of the grant can be made to grantees. This 10% initial payment must be fully expended by grantees before FVA will reimburse additional costs.

All expenditures will be reported by budget category using the FVA provided Monthly Performance and Expenditure Report (MPER) worksheet. To be reimbursed for allowable expenses all grantees are required to submit monthly expenditure reports with proper supporting documentation. Depending on the timing and volume of a submission, special circumstances may require processing more than one month at a time. However, grantees are strongly encouraged to submit their expenses monthly and not to let several months accumulate. Following the review of an accurate expenditure report with complete supporting documentation, the payment request will be sent to the Finance Department for processing of payment to the grantee.

Reimbursement for expenses will not be made until both the MPER and supporting documentation are correct. To be reimbursed for the allowable expenses, the grantee must provide evidence that costs were incurred and paid. Generally, this will take the form of a paid invoice, receipt, or contract supported by a copy of a cancelled check/electronic copy or other document supporting that the transaction was enacted.

Allowable expenses are based on the Approved Budget in the contract and/or the appropriate Office of Management Budget (OMB) Circulars:

- State of Texas Uniform Grant Management Standards (UGMS), promulgated by the Office of the Governor
- OMB Circular A-87, Cost Principles for State and Local Indian Tribal Governments
- OMB Circular A-122, Cost Principles for Nonprofit Organizations

Reasons FVA will deny a reported expense are as follows:

- where the grantee is claiming expenditures in a category not budgeted in the approved contract
- where the amount claimed is in a category that exceeds the allowable budget amount for that category
- where the total amount exceeds the total amount of the grant
- where supporting documentation does not match the reimbursement request

When items are purchased in bulk, such as bus passes or gasoline vouchers, FVA will only reimburse organizations amounts for items which have actually been presented to clients. Logs of the items should be kept by the organizations for tracking and reporting purposes. Items not presented to clients should be properly secured at all times.

## **B. Supporting Documentation**

The greatest cause of delayed payments to a grantee stems from failure to provide proper supporting documentation or providing it in a manner which the FVA staff cannot interpret easily.

All supporting documentation for each expense should be accompanied by a copy of a cancelled check/electronic copy and cross referenced with the appropriate source. In addition, all documentation must be legible.

## **C. General Budget Categories**

Supporting documentation of all allowable expenses incurred will be included with the MPER. This documentation must be organized by the grantee in a manner that is easily identifiable by FVA staff. The MPER sheets have been designed to summarize data more efficiently and quickly (see MPER section). If submitting financial system reports (general ledgers or payroll reports) to act as a summary, the reports must be organized properly by budget category (or position/person in the case of personnel expenses) and totaled to equal what is reported. In other words, contained in the general ledger are the same account numbers and applicable category expense, period of time covered, payee and amount of expense. The check numbers and date of issue should be identified.

Financial systems should be able to produce data in this format if set up properly as requested in the General Information section (page 2, section II A). Any invoices submitted for the general categories will equal what has been reported on the MPER lines. Please remember that FVA staff should be checking totals and not piecing together general ledgers to arrive at totals or interpreting accounting practices. Summarize and tie ALL submissions where applicable. If the data is too cumbersome for FVA staff to come to a conclusion in a reasonable amount of time it will be returned for proper submission and reimbursement will be delayed.

### **i. Personnel Expenses**

Under the new reporting requirements 'Personnel' expenses are reported as a rollup including benefits with wages. Backup for personnel expenses must show the actual outlay of the expense (payroll stubs, check register). Once this information is compiled, the grantee will summarize the information by cost center (applicable allocation) and total by employee for all wages and benefits for the month. To complete a summary, create either a payroll report, general ledger or an Excel spreadsheet that will give the complete personnel expense totaled by employee with a grand total for the month (employer costs only). **Make sure to provide the employer benefit costs not the employee portion.** If payroll is outsourced to another party, please provide the same information and include proof of where the grantee organization actually paid the third party to cover at least the cost for employer portion of benefits. This could be a cancelled check, invoice or an Electronic Funds Transfer (EFT). All backup and summaries should correspond exactly by line item to the MPER summary worksheet and cross referenced as such (ex. 'A' '1'). Please remember that all documents that support Payroll and Travel Budgets (system or created) must be signed by an authorized official to be accepted.

For wage and benefit expenses, personnel activity (time and effort) reports are required for nonprofits and state and local governments. OMB Circular A-122 requires a nonprofit to maintain records of employee time, account for a full day's work, be able to identify the portion devoted to grant projects, be prepared at least monthly and coincide with one or more pay periods. State or local governments should see OMB Circular A-87 for specific guidance for preparing personnel activity reports. Personnel activity reports should be signed by both the employee and the employee's supervisor. **Time sheet or activity reports for employees are not required to be sent in with backup (Grant Monitors will review those during onsite visits).**

## **ii. Other Expenses**

The 'Other' category has also been rolled up to contain a wider grouping of expenses and to facilitate easier reporting. Because there are 'subcategories' within 'Other', please include in the line item description with the associated category (ex. line items; SA water service - Utilities, SA Leasing - Rental of Space, SA Repair Service - Repairs and Maintenance) on the MPER Expenditure Detail sheet. Please keep items grouped on MPER sheet by subcategory. Then, number the backup documentation accordingly by category so they can be easily totaled (invoices/summary sheet or general ledger summarized by category). All back up information should roll-up by totals to the next higher level for review purposes.

## SECTION IV: Monthly Performance and Expenditure Report (MPER)

### A. Worksheets

Grantees must utilize the FVA developed MPER worksheet when submitting expenditures to be reimbursed. Refer to worksheet labeled 'instructions' (the first tab) on MPER for more detail on how to fill out the workbook (including program sections).

The two worksheets referred to in this section are the Expenditure Report ('Exp Rpt') and the Expenditure Detail ('Exp Detail').

### B. Expenditure Report

The grantee has to enter their previous totals of expenditures and administrative costs in the Previously Reported Expenditure (cumulative) column, and verify the numbers to make sure they tie to the last month's reported figures. The remainder of this worksheet will auto populate based off of the expenditure detail and some program information on the other tabs. Make sure to double check numbers and budget categories for accuracy.

### C. Expenditure Detail

In this section the grantee will place the proper budget category names in the cells that read 'Budget Category 1...'. As noted on the sheet, this is the only cell your cursor should be on when adding a new expense line item (if additional lines are needed)(additional lines will appear at the top of the budget category). Next, the grantee should describe the line items and total expenses attributable to those line items under each category. Follow this procedure for all budgeted categories except for Personnel and Other. 'Personnel' wages and benefits are rolled up by individual and by employer costs (see 'Personnel' under Supporting Documentation for further detail). Because there are 'subcategories' within 'Other', total these expenses by their major category as listed in the grantee's budget "Other" line (i.e. Utilities, Rental of Space, Repairs and/or Maintenance for example). A breakdown is required to be maintained in the backup documentation as well. Relevant expenditure information will automatically populate the expenditure report under the corresponding budget category. Summary cover sheets must be complete and accurate. Supporting documentation should be numbered or grouped to facilitate cross-referencing of checks and supporting documentation. For further clarification, consult the instructions under 'Supporting Documentation' in the respective areas needed.

Monthly expenditure reports are to be submitted to the FVA even if no expenditure has taken place for the month reported. Grantees must submit reports online to: [reports@tvc.state.tx.us](mailto:reports@tvc.state.tx.us).

A final expenditure report, encompassing the total grant period, must be filed within 60 days after the ending date of the grant, even if it is a zero report. Final payment is contingent upon receipt of the final expenditure report and all required programmatic reports or documents. FVA reserves the right to withhold the final payment pending receipt of the required reports. The total project cumulative costs of the grant as provided on the final expenditure report should equal but not exceed the total cumulative expenditures recorded in the financial accounting records of the grantee organization.

If the final expenditure report indicates a refund is due to FVA, within 15 days of notification that a refund is due, the grantee must submit a refund check to the following address:

Texas Veterans Commission Fund for Veterans' Assistance  
P. O. Box 12277  
Austin, TX 78711-2277

Write the name of the grant program and grant number on the refund check.

**D. Top Findings from Expenditure Report Reviews**

The following are examples of incorrect expenditure report submissions. Reports submitted with these issues will result in a delay of reimbursement payment.

- Personnel billed to grant are not the same positions as in the grant budget
- Use of percentage of fringe costs instead of actual amounts
- Missing or insufficient time sheets, particularly for individuals billed less than 1.0 FTE
- Confusion between the categorization of employees or independent contractors
- Unreasonable, ineligible or unnecessary costs
- Cost items billed to the grant that are not in the budget
- Insufficient cost allocation methods
- Lack of proper source documentation (procurement methods have a large impact on this, i.e. credit cards, gift cards, etc)
- Insufficient "segregation of duties"
- Inadequate financial reports and reports not reviewed by the authorizing authority
- Lack of detail as to why and how some expenses are charged to the grant vs. other funding sources
- Expenses not billed within the contract period

## SECTION V: Use of Funds

### A. **Supplement, Not Supplant and Non-Duplication of Services**

Grant funds must supplement (increase the level of services) and not supplant (replace) activities programs, activities, and services conducted with other funds. FVA funds may not be decreased or diverted for other purposes merely because of the availability of these funds. Additionally, grant funds may not be used to conduct activities or to provide services that are the same or substantially equivalent to those provided by the Texas Veterans Commission. For more information on the services provided by TVC, please visit [www.tvc.state.tx.us](http://www.tvc.state.tx.us).

### B. **Indirect and Administrative Costs**

Because indirect cost and administrative cost definitions are often misinterpreted, this section provides a brief explanation of how the FVA requires organizations classify “Indirect Costs” as outlined on the budget section of the Grant Application.

Because there is no universal rule for classifying certain costs as indirect in all situations, it is the responsibility of the grantee to define their organizations costs responsibly (consult OMB A-122 and UGMS Attachment A, Sections D, E& F). Once costs are properly classified, an organization must continue to apply those cost principles consistently throughout all of its fiscal policies. OMB A-122 lists some examples for guidance;

Typical examples of indirect cost for many non-profit organizations may include depreciation or use allowances 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.

The FVA does not require that grant applicants submit an Indirect Cost Plan to establish a rate. For the purposes of FVA grants, any cost that is classified as indirect or administrative (non direct) will be accounted for in the “Indirect Cost” line of the budget and shall not exceed 7% of the grant award.

### C. **Definitions of Reasonable, Necessary & Allocable Costs**

Grant funds must only be used for those items that are reasonable, allocable, and necessary for accomplishing the objectives of the program and for implementing activities as described in the Grant Agreement. All costs must be budgeted in the approved budget to be eligible for reimbursement.

*Reasonable* costs are defined as those costs that are consistent with prudent business practice and comparable to current market value. *Necessary* costs are those costs that are essential to accomplish the objectives of the grant project. All items must be allowable expenditures under the authorizing program statutes, regulations, and rules. All goods must be received and all services must be provided or delivered in time to substantially benefit the population being served in the current grant period and in no case after the ending date of the grant. In most instances, goods or services delivered near the end of the grant period are viewed by FVA as not necessary to accomplish the objectives of the current grant program may disallow the expenditures.



The proposed budget included in the Grant Application must demonstrate the following:

- Project costs are reasonable in relation to expected outcomes that as follows:
  - The amount requested would realistically be expected to have an impact on the stated needs.
  - The expected outcomes are sufficient to justify the amounts requested.
  - All expenditures are pertinent to and appropriate for the objectives and activities stated.

**i. Reasonable Costs**

- To determine if a cost is *reasonable*, consider the following: Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the grant.
- The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, state laws and regulations, and terms and conditions of the grant award.
- Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and state government.
- Significant deviations from the established practices of the organization which may unjustifiably increase the grant costs.

**D. Allowable & Unallowable Costs**

Allowable costs for the FVA grant program are determined by the set of federal cost principles applicable to the grantee organization. The grantee organization is responsible for determining which set of cost principles applies to the organization and for complying with the respective cost principles in budgeting and expending funds. **Applicable cost principles apply to all applicants and grantees unless otherwise specified in the Grant Agreement.**

**The applicable cost principles established by the federal Office of Management and Budget (OMB) are as follows:**

Grantee Type	Applicable OMB Circular
<b>Government entities, e.g. state agencies, counties, cities, public school districts, etc.</b>	<u>OMB Circular A-87, Cost Principles for State and Local, and Indian Tribal Governments</u>
<b>Nonprofit organizations, e.g. community-based organizations and faith-based organizations.</b>	<u>OMB Circular A-122, Cost Principles for Nonprofit Organizations</u>

A cost is allowable to a particular grant in accordance with the relative benefits received. A cost is allowable to a grant award if it is treated consistently with other costs incurred for the same purposes in like circumstances and if it:

- Is incurred specifically for the grant.

- Benefits both the grant and other work and can be distributed in reasonable proportion to the benefits received.

To be allowable under a grant award, costs must meet the following general criteria:

- Be reasonable for the performance of the grant and be allowable under State of Texas Uniform Grant Management Standards (UGMS) and applicable federal cost principles listed in the table above.
- Conform to any limitations or exclusions set forth in UGMS, federal cost principles, or in the grant agreement as to types or amount of cost items.
- Be treated consistently among all grant programs, regardless of funding source.
- Be determined in accordance with GAAP.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other program in either the current or a prior period.
- In determining the reasonableness of a given cost, refer to the reasonable cost considerations located on page 13.
- 

#### **i. Allowable Costs**

The following outlines some allowable costs. This list addresses certain specific costs only and is not intended to be all-inclusive.

##### Advertisements

- Advertisements are allowed for recruiting grant-funded personnel only as long as the advertisement is reasonable in cost and necessary to carry out the grant project.
- Advertisements are allowed only when the costs are considered necessary as part of the grant's outreach efforts.

##### Audit Fees

Audit fees are allowable in accordance with the following:

- Audit fees are allowable only when the audit is required by the grant agreement and performed in accordance with UGMS.

##### Leases

Operating leases are an allowable cost. Capital leases are not an allowable cost (except for Housing 4 Texas Heroes grantees with prior FVA approval). Grantees are required to ensure that their leases are operational leases. A lease is a capital lease if any one of the following four items is true:

- The lease conveys ownership to the lessee at the end of the lease term.
- The lessee has an option to purchase the asset at a bargain price at the end of the lease term.
- The term of the lease is 75% or more of the economic life of the asset.
- The present value of the rents, using the lessee's incremental borrowing rate, is 90% or more of the fair market value of the asset.

##### Veteran Courts (Legal Aid)

- Legal fees and expenses are allowable only as necessary for the administration of the grant program.
- Retainer fees are not allowable costs.

### Printing Costs

- Printing costs are allowable when documentation demonstrates that costs are reasonable and necessary.
- Color printing must be reasonable in cost and necessary to carry out the objectives of the grant project. Documentation must be maintained demonstrating that such costs are reasonable and necessary.

### Salaries and Wages – Documentation Required

- Each staff position either partially funded or totally funded through FVA grants must keep personnel activity reports. Employees must prepare personnel activity reports at least monthly. Such reports must reflect an after-the-fact distribution of 100% of the actual time spent on each activity and must be signed by the employee and a supervisor.

## **ii. Unallowable Costs**

The following outlines unallowable costs. This list addresses certain specific costs only and is not intended to be all-inclusive.

### Alcoholic Beverages

- Alcoholic beverages are not allowable under any circumstances.

### Awards for Recognition and Incentives for Participation

The following items may be donated by others but may not be purchased with grant funds:

- Gifts or items that appear to be gifts.
- Souvenirs, memorabilia, or promotional items.
- Door prizes, gift certificates, etc.
- Costs related to ceremonies, banquets, celebrations, etc.
- Food or beverage of any kind.

### Capital Expenditures

- Capital expenditures encompass articles of nonexpendable, tangible, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more.
- The purchase of vehicles or making capital purchases is unallowable (except for Housing 4 Texas Heroes grantees with prior FVA approval).

### Cellular Telephones for Personal Use

- A cellular telephone for personal use is not an allowable cost.

### Conflict of Interest

- Any purchase or expenditure that would pose either a real or perceived conflict of interest is not allowable.

### Construction or Rehabilitation of Facilities

- Construction or rehabilitation of facilities is not an allowable cost (except for Housing 4 Texas Heroes grantees with prior FVA approval).

#### Consultants

- Consultants cannot be paid using grant funds if the services to be rendered could have been rendered by an employee.
- Procurement of consultants must be based on competence, qualifications, experience, and on the reasonableness of the proposed fee.

#### Employee Service Awards

- Employee service awards cannot be paid from grant funds.

#### Employer Contributions to *Voluntary* Retirement Plan

- Employer contributions to an employee's *voluntary* retirement plan, such as a 401k, are not allowable.

#### Entertainment, Recreation, Social Events

- Costs associated with any type of entertainment, recreation, or social event are not allowable.

#### Food and Beverage Costs

- Food, meals, beverages, snacks, etc. are not allowable costs unless the expense is for an event where full participation by participants mandates the provision of food and beverages. The event must not be related to amusement and/or social activities in any way.
- All food costs must be pre-approved by FVA.
- Tips/gratuities are not an allowable cost.

#### Fund-Raising Activities

- Costs of organized fund-raising, including solicitation of gifts and bequests, endowment drives, financial campaigns, and similar expenses incurred to raise capital or obtain contributions are not allowable.
- Costs associated with training on fund-raising are not allowable.

#### Gifts

- Gifts or items that appear to be gifts are not allowable.

#### Gift Cards

- Gift cards are not an allowable expense. Per the Texas Administrative Code Title 40, Part 15, Chapter 460, Section 460.10, Fund for Veterans' Assistance Grant funds cannot be used for the "distribution of cash or a cash equivalent to veterans and/or their families."
  - Cash or cash equivalent refers to anything that can act as or may be redeemed for cash. Under this provision, "gift cards" are an unallowable cost for FVA reimbursement grants. When seeking to provide assistance for basic needs items such as food, clothing,

transportation or gas, please make sure that any vouchers you provide to veterans meet the following criteria to be reimbursable through your FVA grant:

- Not redeemable for cash: if a veteran receives a voucher, he/she may not receive cash change for any unused amount.
- Non-transferrable: if a veteran receives a voucher, he/she is the only one able to use that voucher and may not sell or give the voucher to another individual to use.
- Limited to specific use: if a veteran receives a voucher for food, fuel or clothing, he/she may not use the voucher to purchase any other items (such as alcohol or cigarettes)
- Please work with vendors to ensure that these requirements are met.

#### Land Purchase and Improvements

- Land purchase and improvements to land are not allowable costs, unless specifically approved by FVA (Except for Housing 4 Texas Heroes grantees with prior FVA approval).

#### Membership in Civic/Social Organizations or Lobbying Organizations

- Memberships in civic/social organizations and in organizations that are substantially engaged in lobbying are not allowable costs.

#### Promotional Items, Memorabilia, or Souvenirs

- Promotional items, memorabilia, or souvenirs are not allowable costs.

#### Real Estate

- Grant funds may not be used to purchase real estate (Except for Housing 4 Texas Heroes grantees with prior FVA approval).

#### Renovation, Remodeling, or Construction

- Renovation, remodeling, or construction is not allowable. (Except for Housing 4 Texas Heroes grantees)

#### Sales Tax

- Sales tax paid on any purchase made by grantees is not an allowable cost.

#### Sub grants

- Sub grants are not an allowable cost.

#### Gratuity

- Gratuity is not an allowable cost.

#### Training or Technical Assistance on Grant Writing

- Funds may not be used for training or technical assistance on grant writing or for costs associated with obtaining funds from another grant.

#### Tuition assistance

- Tuition assistance is not allowable. In the case that organizations provide training themselves, the following may be charged: instructors' salaries, training materials, and the related share of indirect costs of the organization to the extent that the sum thereof is not in excess of the enrollment costs which would have been paid. Organizations must assure that veteran clients utilize veterans' education benefits that may be available to them.

## **E. Travel Costs**

- Travel costs are allowable based upon:
- Organization's established travel policy (written prior to beginning of grant period).
- In absence of established policy, GSA rates will apply as posted on GSA website.
- General information regarding State of Texas travel policies can be found on the Texas Comptroller of Public Accounts website at <https://fmx.cpa.state.tx.us/fmx/travel/texttravel/index.php>.

### **i. Allowable Travel Expenses**

- Mileage reimbursement is allowable for travel necessary to carry out the objectives of the grant project. When an employee is on travel for the purposes of the grant, mileage reimbursement will be based on either the organization's established travel policy or if none exists, consult GSA guidelines. If local organization policy reimburses at a lower rate, the lower rate must be claimed.
- Airfare is allowable at the lowest fare available and must be documented with a receipt. First-class airfare is not allowable.
- Airport parking is allowable.
- Car rental fee (at destination) is not allowable unless:
  - Other transportation, such as taxi or shuttle, is not available for performing official business; or
  - Car rental is more cost effective than alternate modes of travel. (The car rental must be documented with a receipt.) Taxi fares for official business are allowable. Tips cannot be reimbursed.
- Itemized miscellaneous business expenses (such as business phone calls, printing, or materials) for carrying out official business of the meeting, conference, or workshop are allowable.
- Registration fees to attend workshops or conferences are allowable. Social events or recreational events available at a cost above the basic registration fee may not be paid from grant funds.
- Per Diem- meals are allowed only allowed if staying overnight.

*In-State Overnight Travel* - For overnight in-state travel, an employee may be reimbursed for the actual cost of the employee's meals and/or for the actual cost of lodging, based on the organizations established travel policy, or the GSA rate as published on the U.S. General Services Administration webpage at <http://www.gsa.gov/portal/category/21287>, in absence of a an established travel policy. Cities or counties not listed will be reimbursed at the maximum lodging rate of \$77 per night.

*In-State Day Trips* – An employee whose duties require the employee to travel outside the employee’s designated headquarters without an overnight stay may not be reimbursed for the cost of meals.

*Out-of-State Travel* – Out-of-state travel is usually not an allowable cost. All out-of-state travel must be pre-approved by the FVA.

## **ii. Unallowable Travel Expenses**

The following travel expenses are not allowable:

- First-class airfare.
- Per Diem (meals and lodging) for meeting, conference, or workshop participants who live in the same city where the event is held. (Automobile mileage is allowable.)
- Tips or gratuities (including service charges) of any kind.
- Alcoholic beverages.
- Entertainment, recreation, or social events.
- Any expense for other persons.
- Automobile mileage or taxi fares for other than official business.
- Personal accident insurance or personal effects coverage for rental cars.
- Rental car for personal use or for purposes not associated with the official business of the meeting, conference, or workshop.
- Travel allowances (i.e., per diem paid regardless of participant’s actual expenses).
- Toll Charges.

## **iii. Travel Documentation**

Travel costs must be properly documented to be reimbursable. The employee must document travel costs with a travel voucher or other comparable documentation. Documentation must include the following at a minimum:

- Name of the individual claiming travel reimbursement.
- Destination and purpose of the trip, including how it was necessary to accomplish the objectives of the grant project.
- Dates of travel.
- Actual mileage.
- Actual amount expended on lodging per day, with a receipt attached.
- Actual amount expended on meals per day (tips and gratuities are not reimbursable).
- Actual amount expended on public transportation, such as taxis and shuttles.
- Actual amount expended on a rental car, with receipt attached and justification for why a rental car was necessary and how it was more cost effective than alternate transportation; receipts for any gasoline purchased for the rental car must be attached. Mileage is not reimbursed for a rental car, only the cost for gasoline.
- Actual amount expended on incidentals, such as hotel taxes, copying of materials, and other costs associated with the travel.
- Total amount reimbursed to the employee.

- Signature of employee and supervisor.

## **F. Allocable Costs**

A cost is allocable to a particular grant in accordance with the relative benefits received if it is treated consistently with other costs incurred for the same purposes in like circumstances and if it meets the following:

- Is incurred specifically for the grant.
- Benefits both the grant and other work and can be distributed in reasonable proportion to the benefits received.

Any cost allocable to a particular grant or other cost objective may not be shifted to other federal awards (or state awards, if state-funded) to overcome funding deficiencies or to avoid restrictions imposed by law or by the terms of the grant award.

Consult the applicable cost principles to determine allowability of certain costs. Always consult the original applicable circular pertaining to cost principles for the full text. Applicable OMB Cost Principle Circulars include the following:

- OMB Circular A-87, Cost Principles for State and Local Indian Tribal Governments.
- OMB Circular A-122, Cost Principles for Nonprofit Organizations.
- State of Texas Uniform Grant Management Standards (UGMS), promulgated by the Office of the Governor.

## **G. Obligation of Funds**

All encumbrances, expenditures, and obligations of funds for the grant must occur on or after the first day of the grant period and within the grant period. All goods must be received and all services must be rendered between the beginning and ending dates of the period.

All obligations of grant funds must occur between the beginning date and ending date of the grant. Grant funds may not be obligated before the starting date of the grant period. An obligation occurs depending upon the expenditure, as follows:

- Services by an employee: when the services are performed by the employee.
- Services by a contractor: the date of a binding written commitment, such as a contract or other written agreement, to obtain services from the contractor.
- Utility services: when the services are received.
- Travel: when the travel is actually taken.
- Rental or lease of property: when the property is actually used or occupied.
- Real or personal property (including purchase of supplies and equipment): the date of a binding written commitment, such as an invoice, or receipt, to acquire the property.

All *services* must be rendered between the beginning and ending dates of the grant. All travel must occur by the ending date of the grant. All *materials and equipment* must be delivered before the ending date of the grant and must be ordered and delivered in time to substantially benefit the current grant period and in no case after the ending date of the grant. In most instances, goods or services delivered near the end of the grant period are viewed by FVA as not necessary to

accomplish the objectives of the current grant program and FVA or an auditor may disallow the expenditures.

Funds granted through this project must be used for those purposes described in the Grant Agreement. Applicants may elect to use additional resources and other sources of financial support to help maximize the effectiveness of the project goals and objectives.

The applicant must commence and perform project activities according to the timelines described in the contract. Failure to do so may result in reduction and reallocation of funds.

Project funding is based on appropriation by the authorized governmental body and on general budget approval by the FVA commission or the state legislature, as applicable.

## **H. Financial Assistance**

Grantees provide much needed financial assistance to veterans. While it is not the policy of the FVA to dictate to grantees how to run their program, below are guidelines which FVA would like grantees to follow.

### Definitions

*Financial Assistance (FA)*: a short-term program to assist veterans and their dependents on a temporary basis. Financial assistance is not a pension, income supplement or an automatic entitlement program.

*Income Supplement*: funds that are provided to allow the claimant's (individual receiving assistance from grantee) monthly obligations to routinely exceed their monthly income i.e., living above one's means.

To determine need for Financial Assistance a situation should possess all of the following characteristics:

- It arose unexpectedly.
- There is an immediate need for financial assistance.
- The situation at hand or in question was not a result of the applicant's own misconduct.

## **i. Guidelines for Financial Assistance**

### Utilities Guidelines

- Payments for utilities are to be made directly to the vendor.
- Payments for utilities should only be considered if the utilities are in the name of the veteran or spouse and at the location currently claimed as the veteran's residence.
- Poor payment history by the claimant may be grounds to deny assistance.

### Rental & Mortgage Guidelines

- In order to be considered for assistance in the form of rent or a mortgage payment, the claimant must provide a current lease agreement or mortgage statement.

- Payment for rent and mortgage shall be made to the landlord or mortgage company.
- The grantee will not make payment for rent or mortgage assistance if the claimant is living with the landlord or if a family member is the owner of the property.

### Employment Considerations

- Sudden unexpected unemployment constitutes a well-grounded claim for EFA. In these situations it is important to remember that each case is unique and should be evaluated on a case-by-case basis. Regardless of whether assistance is provided, the grantee should provide information on and encourage the claimant to seek additional avenues of assistance provided by local government and nonprofit organizations.
- A claimant who states to be self-employed must provide their previous year's Federal Income Tax statement and their previous month's bank statement. Refusal to do so could result in a denial of the claim.

### Medical Expenses

- Due to the nature of how medical expenses are paid (after services are rendered) FVA may not consider medical expenses as a financial emergency. Of course each case is unique and should be considered on a case-by-case basis.

### Payments for Home Repairs

- Assistance may be granted for claimant's home repairs or repairs necessary for normal household living. Client should have written documentation from the repair company stating the nature of the repair needed in order for the application to be considered for approval. Care must be taken that the repair does not constitute a capital expense as capital expenses are an unallowable expense per these Fiscal Guidelines. (Except for Housing 4 Texas Heroes grantees)
- The veteran must also have proof of ownership of the property and must reside at the property. No repair payment will be made to landlords of rental property occupied by the veteran or client.
- Examples of repairs that may be considered are: water heater or plumbing repair or replacement, furnace repair, electric repair, refrigerator or stove repair or other items necessary for normal household living.
- No cosmetic or unnecessary repairs or improvements will be considered. Additional information may be requested before granting a decision.

**ii. Situations which are Ineligible for Financial Assistance**

FVA does NOT consider the following to be issues for the purpose of financial assistance. This is not an all inclusive list:

- Rent or mortgage or land contracts to any relative of the veteran
- Personal taxes
- Cable television/Direct TV
- Personal loans
- The expense of school projects or graduation expenses
- The expense of Christmas or other holidays
- Bills in a name other than the veteran, their spouse or a payee for the applicant
- Legal fees to include court ordered fines, bankruptcy, bail and child support payments

Other possible reasons for denial of assistance:

- Evidence that the applicant lives beyond the means of the household
- Chronic unemployment with no evidence of attempts to become employed
- Criminal conduct resulting in financial hardship, e.g., DUI, DUS, driving without insurance, shoplifting, non support of child support payments etc
- Poor financial management or decision making