

Fiscal Guidelines for TVCFVA Grants

Purpose

This document sets forth the financial requirements for TVC funds that are contracted through FVA grants. This guide covers state and agency administrative and cost requirements that are applicable to TVC funds. While the Fiscal Guidelines includes 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. Please email grants@tvc.state.tx.us.

Effective Date

These guidelines are effective immediately.

Distribution of Manual

These 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>.

Request for Fiscal Technical Assistance

Organizations may request clarification on the requirements of this manual by e-mailing grants@tvc.state.tx.us.

Updates

Updates to the Guidelines will generally be made annually to coincide with the beginning of the state's fiscal year, September 1. Updates may be made more frequently when significant changes require more timely revisions. The date a section was last updated is identified at the beginning of the section.

General Information

Be sure to follow these guidelines for coordination with the Business/Accounting office and for financial management:

- To ensure compliance with required accounting procedures, all applicants are strongly encouraged to consult with their business office about assignment of budgeted items to the proper categories *before submitting the application*. Advance coordination with the business office will expedite negotiation and processing of the application and may assist in avoiding audit exceptions for the grantee.
- Grantees 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 grant application. The applicant must maintain effective control over and accountability for all funds, property, and other assets.
- All nonprofit must demonstrate financial stability and the capability to comply with federal financial management and accounting standards.
- Texas Veterans Commission Fund for Veterans' Assistance (TVCFVA) reserves the right to conduct a pre-award audit or post-award audit to determine if a grantee maintains a proper financial management system and to deny or terminate the award if it is determined that the grantee 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 and OMB Circular A-122, Cost Principles for Nonprofit Organizations will result in audit exceptions and the disallowance of all expenditures paid from the grant.

Determination of Financial Stability

(nonprofit organizations only)

A nonprofit organization must be financially stable at the time the organization applies for a grant. The TVCFVA staff will determine each organization's financial stability based on the financial reports that are required to be submitted along with the application. Only financially stable organizations are eligible to receive a Fund for Veterans' Assistance Reimbursement Grant.

- **Nonprofit organizations requesting \$500,000 or more** must submit, along with the Grant Application, indicators of financial stability, including but not limited to the following:
 - The previous year's audit report, including the management letter, statement of financial position, statement of activities (income statement), statement of cash flows, and note disclosures.
 - 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.
- **If the nonprofit organization is new, has not yet had the first annual audit conducted, and/or if the amount requested falls within \$100,000 - \$500,000,** the organization may have a review prepared by a certified public accountant. The review must also be prepared in accordance with the standards promulgated by the American Institute of Certified Public Accountants.
- A review report entails:
 - The CPA obtaining a working knowledge of the industry in which the entity operates and acquiring information on key aspects of the organization, including operating methods, products and services, and material transactions with related parties.
 - The CPA making 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. Essentially, a review is

designed to see whether the financial statements "make sense" without applying audit-type tests.

- **If the nonprofit organization is new, has not yet had the first annual audit conducted, and/or if the amount requested falls 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 a certified public accountant. The compilation report must also be prepared in accordance with the standards promulgated by the American Institute of Certified Public Accountants.
- A compilation report entails:
 - The CPA becoming 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.
 - The CPA compiling the financial statements, reading them and considering whether they are appropriate in form and free from obvious material errors. The CPA then issues a standard report that says, in effect, that the financial statements were compiled, but because they were not audited or reviewed, no opinion is expressed.
- TVCFVA 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 the original submission will not be considered for funding.
- For a Grant Application that has sufficient financial data, TVCFVA will use that data to determine whether the applicant is financially stable based on 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.

Cost Reimbursement Grants

The Texas Veterans Commission Fund for Veterans' Assistance (TVCFVA) awards 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 with payments being made to reimburse the grantee for actual cash disbursements supported by adequate documentation. If applicable, required matching costs must also be incurred before reimbursement takes place.

An initial payment of 10% of the total amount of the grant can be made for start up costs. This 10% start up payment must be fully expended before TVCFVA will reimburse additional costs.

- To be reimbursed for allowable expenses, all grantees are required to submit periodic expenditure reports and supporting documentation. Reimbursements will generally occur monthly, following the submission of an accurate expenditure report and complete supporting documentation. Supporting documentation will take the form of an invoice, time sheets, receipt or contract, travel voucher, etc. The expenditure report will record all expenses incurred and matching funds expended.
- All expenditures will be reported by budget category. TVCFVA will deny any expenditure report as follows: where the grantee is claiming expenditures in a category not budgeted in the approved application, where the amount claimed is in a category that exceeds the allowable budget variation for that category, where the total amount exceeds the total amount of the grant, or where supporting documentation does not match the reimbursement request. Reimbursement for expenses will not be made until both the expenditure report and supporting documentation are correct.
- The final expenditure report must be filed within 60 days after the ending date of the grant. Final payment is contingent upon receipt of the final expenditure report and all required programmatic reports or documents. TVCFVA 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 and may in no case exceed the total cumulative expenditures recorded in the financial accounting records of the grantee organization.
- If cost share or matching is required per the grant budget, the grantee must report the total cost share or match expended on the final expenditure report. The grantee is reimbursed only for that portion or percentage of grant funds that meets cost-share or match requirements.
- If the final expenditure report indicates a refund is due to TVCFVA, 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.

- Included with the expenditure reports will be supporting documentation of all allowable expenses incurred. Allowable expenses are based on the approved grant project budget and/or the appropriate OMB Circulars:
 - 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.
- For wage and fringe 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, and be prepared at least monthly and coincide with one or more pay periods. (A state or local government 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.
- The use of in-kind contributions (e.g., donated services, goods or facilities for which a dollar value can be established) can only be used for matching purposes if they are allowed in the approved budget. TVCFVA reserves the right to disallow any expenditure that is not documented or is in excess of reasonable costs for services, facilities, or goods provided. Detailed information on in-kind contributions is located in OMB Circular A-110, Section 23.

Use of Funds/Reasonable and Necessary Costs

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

Definitions of Reasonable and Necessary

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 requested 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 TVCFVA as not necessary to accomplish the objectives of the current grant program may disallow the expenditures.

In general, the budget forms must evidence the following:

- Project costs are reasonable in relation to expected outcomes:
 - 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.

Reasonable Costs

Determine the *reasonableness* of a cost by considering whether it meets the following:

- The cost is of a type generally recognized as ordinary and necessary for the operation of the organization or grant performance.
- Restrictions or requirements are imposed for generally accepted, sound business practices, arms-length bargaining, state laws and regulations, grant award terms, and conditions.
- Individuals acted with prudence in the circumstances of responsibility to the organization, its members, employees, clients, the public, and federal or state government.
- There are no significant deviations from established practices of the organization that may unjustifiably increase grant costs.

Allowable Costs

Allowable costs for The TVCFVA grant program is 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 grantee organization and for complying with the respective cost principles in budgeting and expending funds.

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

Grantee Type	Applicable OMB Circular
Government entities, e.g. state agencies, counties, cities, public school districts, etc.	<u>OMB Circular A-87, Cost Principles for State and Local, and Indian Tribal Governments</u>
Nonprofit organizations, e.g. community-based organizations and faith-based organizations.	<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 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 Generally Accepted Accounting Principles (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, consideration shall be given to:
 - 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.

This document addresses certain specific costs only and is not intended to be all-inclusive.

Advertisements

- o 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.
- o Advertisements are allowed only when the costs are considered necessary as part of the grant's outreach efforts.

Alcoholic Beverages

Alcoholic beverages are not allowable under any circumstances.

Audit Fees

Audit fees are allowable in accordance with the following:

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

Awards for Recognition and Incentives for Participation

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

- o Gifts or items that appear to be gifts.
- o Souvenirs, memorabilia, or promotional items.
- o Door prizes, gift certificates, etc.
- o Costs related to ceremonies, banquets, celebrations, etc.
- o 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.
- Capital expenditures are not allowed, except in the following case:
 - o **For local government applicants only:** Expenditures for vehicles to transport veterans, with a unit cost not to exceed \$50,000, are allowable with agency approval.
 - o Nonprofit organizations are **not** allowed to purchase vehicles or to make capital purchases.

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.

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 TVCFVA.
- 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.

Land Purchase and Improvements

Land purchase and improvements to land are not allowable costs, unless specifically approved by TVCFVA.

Legal Fees

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

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.

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.

Professional or Individual Liability Insurance

Professional liability insurance for individual employees is not an allowable cost.

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.

Renovation, Remodeling, or Construction

Renovation, remodeling, or construction is not allowable.

Salaries and Wages – Documentation Required

Each staff position either partially funded or totally funded through TVCFVA grants, must keep time sheets. Employees must prepare time sheets 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. NOTE: Salaries and wages of employees used to meet cost share or matching requirements must be supported with time and effort records in the same manner.

Subgrants

Subgrants are 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.

Travel Costs

- 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>.
- All out-of-state travel must be pre-approved by TVCFVA.
- The following travel expenses are allowable:
 - 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 cannot exceed the rate established by the Texas Comptroller. **Effective January 1, 2010, reimbursement for mileage is not to exceed 50 cents per mile.** 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.
 - 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.

In-State Overnight Travel - For overnight travel in-state, an employee may be reimbursed for the actual cost of the employee's meals, not to exceed \$36. An employee may be reimbursed for the actual cost of lodging, not to exceed the standard maximum rate found on the U.S. General Services Administration webpage at <http://www.gsa.gov/portal/category/21287>. Cities or counties not listed will be reimbursed at the maximum lodging rate of \$85 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 TVCFVA.

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).

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.

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 Office of Management and Budget (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.

Obligation of Funds

- All encumbrances, expenditures, and obligations of funds for this program must occur on or after the effective date of the application (the date the application was received in TVCFVA, or the first day of the grant availability period, whichever is later) and within the grant beginning and ending dates. All goods must be received and all services must be rendered between the beginning and ending dates of the project.
- 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. 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 TVCFVA as not necessary to accomplish the objectives of the current grant program and TVCFVA or an auditor may disallow the expenditures.
- Funds granted through this project must be used for those purposes described in the application. 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 application. 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 TVCFVA commission or the state legislature, as applicable.

Monitoring Frequency and Type

The overall purpose of monitoring and evaluation is the measurement and assessment of performance in order to more effectively manage the outputs and outcomes of grant expenditures. Thus, monitoring will not be a one-time event. Grants will be reviewed periodically.

- The TVCFVA expects to periodically monitor grants according to the Risk-Based Assessment Tables based on such criteria as the amount of the grant, duration of project, sophistication of project, and prior experience the Veterans Commission might have had with the grantee.
- On-going monitoring will be conducted during the life of the grant. Monitoring could include techniques such as desk reviews of written reports from the grantee, on-site visits (announced and unannounced), audits, telephone contacts, and e-mails.

Desk Review – A desk review is a review of documents submitted by the grantee to the TVCFVA. Proper monitoring of all grants will always include some type of desk review. Documents typically included in a desk review are:

- Periodic Expenditure Reports - These will be reviewed for reasonableness in relation to the grant budget and will include the submission of backup documentation such as copies of invoices.
- Periodic Programmatic Reports – These will be reviewed in relation to the requirements of the grant agreement. Programmatic reports play a crucial role in ensuring that funds are spent in accordance with the intended purpose of the grant.
- Audit Reports – Copies of a grantee’s audited financial statements (and accompanying audit reports, if applicable) prepared during the life of the grant will be reviewed when available. Any issues that may impact the success of the grant program must be followed up on by TVCFVA. Serious concerns in an audit report may require a site visit (see Site Visit section below).

Site Visits – For purposes of this document, a site visit is defined as a review that occurs on-site at the grantee’s location. Site visits can be used for a variety of purposes. It may be used to perform a more in-depth review of the grantee and its operations than can be performed in a desk review; or it may occur after review of an audit report where there are findings that may impact the success of the grant.

- Frequency of Site Visits: Even when grant objectives are being met and there are no particular concerns, it is important to make physical contact with grantees. To this end site visits will be performed as needed for those grantees with Risk Levels I and II, in year one and alternating years afterwards for those grantees with Risk Level III, and yearly for grantees with Risk Level IV.

- **Goals of Site Visits:** The key goals of a site visit are for the TVCFVA to become more familiar with the operations of the grantee, to conduct a more thorough review of supporting documentation than can be conducted in a desk review, and to learn about the grantee’s programmatic results or problems. A site visit may also be conducted for the purpose of investigating a specific problem or issue that was uncovered during a desk review.

- Topics of review during a site visit may include:
 - General Operational Review
 - Facility Review
 - Staff Interviews
 - Review of Supporting Documentation
 - Review of Programmatic Results (completed projects, client records, etc.)

Audit Review – Audited financial statements (and associated audit reports, if applicable) will be reviewed as part of a department’s monitoring activities. For purposes of this document, there are two major types of audits that may be a part of a monitoring plan:

- Audits conducted or initiated by the state granting agency
- Externally prepared financial statements or Single Audit Reports

Risk-Based Assessment Tables

Risk-Based Assessment Tables	Complexity	
Size of Grant Award	Low	High
Less than \$99,999	I	II
\$100,000 to \$249,999	II	II
\$250,000 to \$499,999	II	III
\$500,000 and Over	III	IV

Complexity rating factors include but are not limited to:

- a) Duration of project where low is a single year, high is multiple years.
- b) Sophistication where low is a basic program and high is a complex program such as determining a cause and effect or dealing with clients.

c) Prior experience with the grantee where low is good prior performance and high is no experience or poor performance on previous grant reporting.

Using the Complexity Ratings above, monitoring activities are defined as follows:

	Risk Financial Monitoring	Programmatic Level Monitoring
I	<p>Advance payment not to exceed 10% of grant award.</p> <p>Desk review of Financial report of expenditures quarterly and within 60 days of end of grant period as defined in grant agreement.</p>	<p>Quarterly and within 60 days of end of grant period as defined in grant agreement.</p>
<p>On-site visits as needed; e-mail correspondence and phone assistance on request.</p>		
II	<p>Advance payment not to exceed 30 days of anticipated costs or 10% of grant award and only for start-up costs and personnel and operating costs.</p> <p>Desk review of Financial report of expenditures monthly and within 60 days of end of grant period as defined in grant agreement.</p>	<p>Quarterly and within 60 days of end of grant period as defined in grant award.</p>
<p>On-site visit as needed; e-mail correspondence and phone assistance on request.</p>		

Risk Financial Monitoring	Programmatic Level Monitoring
<p>III Advance payment for start-up costs plus not more than 30 days of other operating cost not to exceed 10% of grant award.</p> <p>Desk review of Financial report of expenditures monthly, and within 30 days of month end, and 60 days of end of grant period as defined in grant agreement.</p>	<p>Monthly and within 60 days of end of grant period as defined in grant award.</p>
<p>On-site visits in year one and in alternating years thereafter; e-mail correspondence and phone assistance on request.</p>	
<p>IV Advance payment for start-up costs plus not more than 30 days of other operating cost not to exceed 10% of grant award.</p> <p>Desk review of Financial report of expenditures monthly, and within 30 days of month end, and 60 days of end of grant period as defined in grant agreement.</p>	<p>Monthly and within 60 days of end of grant period as defined in grant award.</p>
<p>On-site visit every year; e-mail correspondence and phone assistance on request.</p>	

TOP FINDINGS FROM SITE VISITS AND DESK REVIEWS

- Personnel billed to grant are not the same positions 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.

OMB Circular A-133 Single Audits

- Grantees that are **nonprofit organizations** and that expend \$500,000 or more total in any fiscal year are required to conduct a Single Audit or program-specific audit in accordance with the requirements in OMB Circular A-133 (under the Single Audit Act). Grantees must report audit findings as follows to the TVCFVA:

With findings: If the schedule of findings and questioned costs discloses audit findings relating to any awards provided by TVCFVA, the grantee must submit a copy of such audit to TVCFVA.

Status of prior-year findings: If the summary schedule of prior audit findings reports the status of any audit findings relating to any awards provided by TVCFVA, a copy of such audit shall also be submitted to TVCFVA.

No audit findings: If the schedule of findings and questioned costs discloses **no audit findings** related to any awards provided by TVCFVA, or the summary schedule of prior audit findings does not report on the status of any prior audit findings related to any awards provided by TVCFVA, written notification (via letter) shall be provided to TVCFVA that an audit was conducted in accordance with OMB Circular A-133.

- **Submission of A-133 Audit Reports to TVCFVA:** Nonprofit organizations shall submit the Single Audit report (or letter, if no audit findings) to TVCFVA. Audit reports must be submitted to TVCFVA within 30 days of receipt of the report from the auditor or 9 months after the end of the fiscal year, whichever comes first. Failure to submit a copy of the audit (or letter, as appropriate) to TVCFVA could result in a reduction of funds paid to the grantee, a refund to TVCFVA, termination of the grant, and/or ineligibility to receive additional grant awards from TVCFVA.

Annual Audits (Where an A-133 Audit Is Not Required)

- All grantee organizations that were not required to have a Single Audit conducted under the Single Audit Act (OMB Circular A-133) must submit a copy of the complete annual audit/financial report to the TVCFVA within 30 days of the receipt of the report from the auditor.

Frequently Asked Questions

Question: What is meant by ‘cost reimbursement’ grant funding?

Answer: Reimbursement means that grant funded organizations must first expend their own money for activities identified in the grant application. Organizations will then be reimbursed by TVCFVA for actual costs incurred.

Question: What costs are eligible for reimbursement?

Answer: Only costs identified in the grant application budget are eligible for reimbursement. Support documentation showing actual costs expended must be included when submitting a quarterly or monthly expenditure report for reimbursement.

Question: What documents would be considered ‘supporting documentation’ for cost reimbursement?

Answer: Copies of invoices, receipts, timesheets, checks for contractual payments, or equipment purchases, and account or fund expenditures, are examples of supporting documentation.

Question: Does a separate account to track costs associated with the grant activity need to be established?

Answer: A means of separating expenses for grant activity from general or other agency costs must be established. Depending on the organization accounting procedures, this can be accomplished through a separate account, a separate fund, or through specifically identified budget lines.

Question: What should I do if I can’t meet the deadline because I’m missing supporting documentation?

Answer: Expenditure reports need to be submitted by the established due dates, even if without supporting documentation. However, a reimbursement will not be made until appropriate documentation is identified and submitted. It may be necessary to contact the accounting office of TVCFVA to determine if substitute documentation will suffice. The expenditure report should contain a notice that support documentation will follow, or that contact with our office will be made by your financial officer.

Question: Do I need to submit an expenditure report if there were no cost incurred for the reporting period?

Answer: Yes. Expenditure reports should indicate ‘0’ costs and be submitted by the established due date.

Question: Who should I contact if I have a financial question regarding our grant?

Answer: The program director and grant coordinator identified in your approval letter should be able to answer your questions, or you may contact Wilfredo Ruiz, Grant Accountant, for the Texas Veterans Commission at (512) 463-2552.