



Office of the Governor Office of Economic Opportunity

OEO Fiscal Guidance and Procedural Manual

1. **Purpose.** This manual was developed to replace the Office of Economic Opportunity's (OEO), previous Fiscal/Technical Assistance Memorandums to assist with compliance issues. Every effort has been made to ensure the accuracy of the material in this manual; however, if any discrepancy exists between the language in this manual and in any applicable statute, regulation, or policy issuance, the language in the statute, regulation, or policy issuance is controlling. This manual establishes uniform standards for budgeting, financial reporting (FSR's), procurement, grant compliance, internal controls, disposal of property and audit. These standards will apply to all OEO administered grants when applicable: Department of Health and Human Services, Community Services Block Grant (CSBG) made available under public law 106-133 and Low Income Home Energy Assistance program (LIHEAP) made available under Public Law 105-78, the U.S. Department of Energy (DOE) – Weatherization Program (WAP) established under Title IV of the Energy Conservation and Production Act and amended by the National Energy Conservation Policy Act, the Energy Security Act, the Human Services Reauthorization Act of 1984, and the State Energy Efficiency Programs Improvement Act of 1990, the U.S. Department of Housing and Urban Development (HUD), Emergency Shelter Grant Program (ESGP) authorized by Subtitle B of Title IV of the McKinney-Vento Homeless Assistance Act, 42 USC 11301 (1988) and Project Share funds.

2. **Supersession.** This manual supersedes all previously issued fiscal guidance and procedures.

3. **Applicability.** This manual will be utilized by OEO subgrantees in conjunction with all Federal, State and Local regulations as it relates to each grant and executed grant agreement. Subgrantees will refer to the Office of Management and Budget (OMB) Circulars A-110, A-122, and A-133 to ensure compliance or reference any principle not outlined in this manual.

4. **Information Contact.** If you have any questions or concerns regarding this manual, please contact the Director of the Office of Economic Opportunity or the Senior Manager for Fiscal Services at 1205 Pendleton Street, Columbia, SC 29201. Other contact information: phone number (803) 734-0662, web address www.oep.sc.gov/oeo/.

5. **Effective Date.** The guidance and procedures established in this manual will be effective from the date of issuance and will remain in effect until the manual is revised or replaced.

Table of Contents

Section

I. Definitions

II. Pre-Awards

- Grant Agreements
- Boards
- Budget Approval
- Salaries
- Fringe Benefits
- Program Income
- Budget Change Form
- Budget Items to Review
- General Budget Instructions

III. Post Award Requirements

- Payments
- Conditions of Payments
- Re-Allocation of Undisbursed Program Funds
- Interest Income
- Program Income
- Program Changes
- Budget Revisions
- Property Standards
 - Identification
 - Assignment
 - Usage
 - Maintenance
 - Insurance
- Surplus Property
 - Equipment Disposal
- Fixed Assets
 - Definitions
 - Fixed Asset Management Standards
 - Procurement
 - Insurance Coverage
 - Other Use
 - Disposition
 - Fixed Asset Records
 - Depreciation
- Procurement Policies and Procedures
 - Annual Equipment Budget Requirements

Indirect Cost
Travel
 Mileage
 Meals
Lodging
Rent
Insurance
Contractual (Professional) Services
Cost Allocation
Internship and Staff Training
Materials Inventory

IV. Reports and Records

Financial Status Reports (FSR's)
Request for Additional information and Incomplete Reporting
 Notice of Non-Receipt
 Notice of Incomplete Reporting
Record Retention
Closeout
General Procedures for Financial Status Reporting (FSR's)
Review Procedures for Program Year Closeouts

V. Audit

Single Audit
Definition
Audit Requirements
Sanctions
Audit Costs
Selection of Auditors
Independent Audit Report Submission
 Data Collection Form or Statement
 Reporting Package
OEO Audit Responsibilities
OEO Desk Audit
Payment of Disallowed Cost
Field Audit Procedures
Subgrantee Audit Responsibilities

VI. Forms and Instructions

OEO Organizational Chart
CSBG/LIHEAP Budget Forms
WAP Budget Forms
Budget Approval Form
Budget Change Form
FSR's
 CSBG
 LIHEAP
 WAP
Vehicle Log
Sole Source

**VII. Subgrantee
Directory**

**VIII. Program Calendars
CSBG/LIHEAP
Weatherization (WAP)**

I. DEFINITIONS *(OMB Circular A-110 & A-122)*

- 1) **Accrued expenditures** means the charges incurred by the recipient during a given period requiring the provision of funds for: (1) goods and other tangible property received; (2) services performed by employees, contractors, subrecipients, and other payees; and, (3) other amounts becoming owed under programs for which no current services or performance is required
- 2) **Award** means financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money or property in lieu of money, by the Federal Government to an eligible recipient. The term does not include: technical assistance, which provides services instead of money; other assistance in the form of loans, loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; and, contracts which are required to be entered into and administered under procurement laws and regulations.
- 3) **Closeout** means the process by which a Federal awarding agency determines that all applicable administrative actions and all required work of the award have been completed by the recipient and Federal awarding agency.
- 4) **Contract** means a procurement contract under an award or subaward, and a procurement subcontract under a recipient's or subrecipient's contract.
- 5) **Disallowed costs** means charges to an award that the Federal awarding agency determines to be unallowable, in accordance with the applicable Federal cost principles or other terms and conditions contained in the award.
- 6) **Equipment** means tangible nonexpendable personal property including exempt property charged directly to the award having a useful life of more than one year and an acquisition cost of \$2,500 or more per unit. However, consistent with the recipient's policy, lower limits may be established.
- 7) **Excess property** means property under the control of any Federal awarding agency that, as determined by the head thereof, is no longer required for its needs or the discharge of its responsibilities.

- 8) **Federal awarding agency** means the Federal agency that provides an award to the recipient.
- 9) **Obligations** means the amounts of orders placed, contracts and grants awarded, services received and similar transactions during a given period that require payment by the recipient during the same or a future period.
- 10) **Prior approval** means written approval by an authorized official evidencing consent prior to requested activity/transaction.
- 11) **Project costs** means all allowable costs, as set forth in the applicable Federal cost principles, incurred by a recipient and the value of the contributions made by third parties in accomplishing the objectives of the award during the project period.
- 12) **Subrecipient** (*subgrantee*) means the legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided. The term may include foreign or international organizations (such as agencies of the United Nations) at the discretion of the Federal awarding agency.
- 13) **Supplies** means all personal property excluding equipment, intangible property, and debt instruments as defined in this section, and inventions of a contractor conceived or first actually reduced to practiced in the performance of work under a funding agreement ("subject inventions"), as defined in 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts, and Cooperative Agreements."
- 14) **Reasonable costs**. A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions thereof which receive the preponderance of their support from awards made by Federal agencies. In determining the reasonableness of a given cost, consideration shall be given to:
 - a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.

b. The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award.

c. Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, clients, the public at large, and the Federal Government.

d. Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

15) Applicable credits. The term applicable credits refer to those receipts, or reduction of expenditures which operate to offset or reduce expense items that are allocable to awards as direct or indirect costs. Typical examples of such transactions are: purchase discounts, rebates, or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing or received by the organization relate to allowable cost, they shall be credited to the Federal Government either as a cost reduction or cash refunds, as appropriate.

16) Direct Costs

a. Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization. However, a cost may not be assigned to an award as a direct cost if similar cost in other programs incurred for the same purpose, in like circumstance, has been allocated to an award as an indirect cost. Costs identified specifically with awards are direct costs of the awards and are to be assigned directly thereto. Costs identified specifically with other final cost objectives of the organization are direct costs of those cost objectives and are not to be assigned to other awards directly or indirectly.

b. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for such cost is consistently applied to all final cost objectives.

c. The cost of certain activities are not allowable as charges to Federal awards (see, for example, fundraising costs in OMB Circular A-122: Attachment B. Fundraising). However, even though these costs are unallowable for purposes of computing charges to Federal awards, they must be treated as direct costs for determining indirect cost rates and be allocated their share of the organization's indirect costs if they represent activities which (1) include the salaries of personnel, (2) occupy space, (3) benefit from the organization's indirect costs and

(4) The costs of activities performed primarily as a service to members, clients, or the general public when significant and necessary to the organization's mission must be treated as direct costs whether or not allowable and be allocated an equitable share of indirect costs. Some examples include:

- a. Maintenance of membership rolls, subscriptions, publications, and related functions.
- b. Providing services and information to members, legislative or administrative bodies, or the public.
- c. Promotion, lobbying, and other forms of public relations.
- d. Meetings and conferences except those held to conduct the general administration of the organization.
- e. Maintenance, protection, and investment of special funds not used in operation of the organization.
- f. Administration of group benefits on behalf of members or clients, including life and hospital insurance, annuity or retirement plans, financial aid, etc.

17) **Indirect Costs**

a. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct cost of minor amounts may be treated as indirect costs under the conditions described in OMB Circular A-122: Attachment A: Direct Cost, Section B. After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.

b. Because of the diverse characteristics and accounting practices of non-profit organizations, it is not possible to specify the types of cost which may be classified as indirect cost in all situations. However, 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.

c. Indirect costs shall be classified as: "Facilities" and "Administration." "Facilities" is defined as depreciation and use allowances on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel, library expenses and all other types of expenditures not listed specifically under one of the subcategories of "Facilities" (including cross allocations from other pools, where applicable). See indirect cost rate reporting requirements in OMB Circular 122: Attachment A, Section D: Allocation of Indirect Cost and Determination of Indirect Cost Rates.

18) Direct allocation method

a. Some non-profit organizations treat all costs as direct costs except general administration and general expenses. These organizations generally separate their costs into three basic categories: (i) General administration and general expenses, (ii) fundraising, and (iii) other direct functions (including projects performed under Federal awards). Joint costs, such as depreciation, rental costs, operation and maintenance of facilities, telephone expenses, and the like are prorated individually as direct costs to each category and to each award or other activity using a base most appropriate to the particular cost being prorated.

b. Each joint cost is to be prorated using a base which accurately measures the benefits provided to each award or other activity. The bases must be established in accordance with reasonable criteria, and be supported by current data. This method is compatible with the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations issued jointly by the National Health Council, Inc., the National Assembly of Voluntary Health and Social Welfare Organizations, and the United Way of America.

c. Indirect costs consist exclusively of general administration and general expenses. In all other respects, the organization's indirect cost rates shall be computed in the same manner described in OMB Circular A-122: Attachment A, Section C, Indirect Cost.

19) Negotiation and approval of rates

a. Unless different arrangements are agreed to by the agencies concerned, the Federal agency with the largest dollar value of

awards with an organization will be designated as the cognizant agency for the negotiation and approval of the indirect cost rates and, where necessary, other rates such as fringe benefit and computer charge-out rates. Once an agency is assigned cognizance for a particular non-profit organization, the assignment will not be changed unless there is a major long-term shift in the dollar volume of the Federal awards to the organization. All concerned Federal agencies shall be given the opportunity to participate in the negotiation process but, after a rate has been agreed upon, it will be accepted by all Federal agencies. When a Federal agency has reason to believe that special operating factors affecting its awards necessitate special indirect cost rates in accordance with OMB Circular A-122: Attachment A: Section D – Special Indirect Rates, it will, prior to the time the rates are negotiated, notify the cognizant agency.

b. A non-profit organization which has not previously established an indirect cost rate with a Federal agency shall submit its initial indirect cost proposal immediately after the organization is advised that an award will be made and, in no event, later than three months after the effective date of the award.

c. Organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency within six months after the close of each fiscal year, or as determined by current Indirect Cost Rate agreement.

d. A predetermined rate may be negotiated for use on awards where there is reasonable assurance, based on past experience and reliable projection of the organization's costs, that the rate is not likely to exceed a rate based on the organization's actual costs.

e. Fixed rates may be negotiated where predetermined rates are not considered appropriate. A fixed rate, however, shall not be negotiated if (i) all or a substantial portion of the organization's awards are expected to expire before the carry-forward adjustment can be made; (ii) the mix of Federal and non-Federal work at the organization is too erratic to permit an equitable carry-forward adjustment; or (iii) the organization's operations fluctuate significantly from year to year.

f. Provisional and final rates shall be negotiated where neither predetermined nor fixed rates are appropriate.

g. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the non-profit organization. The cognizant agency shall distribute copies of the agreement to all concerned Federal agencies.

h. If a dispute arises in a negotiation of an indirect cost rate between the cognizant agency and the non-profit organization, the dispute shall be resolved in accordance with the appeals procedures of the cognizant agency.

i. To the extent that problems are encountered among the Federal agencies in connection with the negotiation and approval process, OMB will lend assistance as required to resolve such problems in a timely manner.

II. PRE-AWARD (*OMB Circular A-110: Subpart B*)

Grant Agreements, Agency **Board Review**, Budget Approval, Salary Increases and Using Merit/Cola/FB/IDC Salary Adjustments Budget Line Item for OEO Programs (CSBG/LIHEAP/WAP) (*formerly memo F01-01, 04-01, partial, F07-01*)

Grant Agreements:

The State of South Carolina's Governor's Office, Office of Economic Opportunity obtains funds from the Federal awarding agencies categorized by the **Catalog of Federal Domestic Assistance (CFDA)**. The following CFDA numbers represent funds administered by OEO: CSBG – CFDA #93.569, LIHEAP - CFDA #93.568, DOE Weatherization – CFDA #81.042 and ESGP – CFDA #14.231. Project Share programs are bound by the requirements in the LIHEAP Administrative Guide. These funds are then subawarded by an executed grant agreement. By signing the grant agreement the subgrantee acknowledges and accepts the responsibility of operating these grant programs based on standards set forth by Federal, State and Local governments. Grant Agreements will not be issued and subgrantees cannot begin any program activities until the application budgets and work plans are approved by OEO.

Boards: (*formerly F07-01*)

The Office of Economic Opportunity (OEO) recognizes the need for subgrantees to effectively serve those persons who lack the income, housing, resources and support to overcome the challenges of achieving

self-sufficiency and becoming productive members of their respective communities. To help accomplish this, it is important that the Community Action Agency's Boards of Directors are kept informed and provide accountability and leadership.

As the State administering agency, and as a result of the Federal requirements, the OEO distributes a summary of each fiscal and program monitoring report to the Board Chairperson and Executive Director of each Community Action Agency.

In an effort to maintain this information and keep current data to meet Federal grant requirements, the OEO requires written notification within 30 days of any change in Board members or subgrantee staff, regarding positions, name, address, telephone number and any other pertinent data. This information is to be submitted to the OEO Director.

It is also suggested as a best practice that each agency incorporate within its policies and procedures safeguarding processes which protect the agency. An example of a recommended security measure would be establishing a policy to complete background investigations on all agency Board Members and key staff such as directors, financial personnel and all staff, especially those working around the youth. It is also recommended that this practice be extended to program directors/managers and any individuals having purchasing and budgetary authority. These policies must conform to the Fair Credit Reporting Act (FCRA). Agencies should obtain clear and written disclosure of prior authorization by each individual.

Budget Approval: *(formerly F01-01)*

Application and First Amendment budgets (based on the Actual Award) must initially be reviewed by the agency's Board. A completed Community Action Agency Budget Approval Form (attached) may be submitted to OEO for documentation of budget review and approval. If an agency chooses to submit signed Board minutes, instead of utilizing the form, the minutes must provide the same items of documentation as the Community Action Agency Budget Approval Form. Acknowledgment of the budget review, the representation of the total allocation of all awards represented in the budget, noting specific approval of Salary/Wage increases, (New Positions), as well as procurements that require approval, must be included. Position descriptions must be maintained in accordance with the agency's approved policies and procedures and will be reviewed by audit. The budget package, when submitting to OEO for approval, is to include all documents to support compliance with procedural requirements. A rubber stamped signature on the budget documents will not be accepted.

Signatures are to be in blue ink and the budgets are to be submitted in color print.

Salaries:

Each agency is responsible for establishing employee salary increases. Salary increases are to be based on each agency's available funds, sustainability, reasonableness and documented approval and are to be in compliance with state and federal regulations and the agency's policies and procedures.

Based upon the State's projected allocations and budget approval, all salary increases planned/anticipated for the program year should be included in the Application and/or First Amendment budgets in the Merit/Cola/FB/IDC line items. A detailed explanation supporting the proposed increases should also be presented. Wage and salary increases can be affected only from the Merit/Cola/FB/IDC line items during the program year without additional OEO approval.

Salary and wage adjustments must be administered within the time frame reflected within the approved budget and can not be retroactive. However, upon receipt of the grant's ACTUAL AWARD, subgrantees will be permitted to amend the originally established Salary and/or Merit/Cola/FB/IDC line items for salary increases based on the issuing of the Actual Award. The increases may be retroactive to the beginning of the current grant year and again documentation of the budget approval must accompany the amended budget.

Note from OMB Circular A-122: Attachment B: Support of Salaries and Wages:

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports...

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s).

Fringe Benefits.

Note from OMB Circular A-122: Attachment B: Compensation for Personal Services:

(1) Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are allowable, provided such costs are absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each.

(2) Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workmen's compensation insurance, pension plan costs (see subparagraph h), and the like, are allowable, provided such benefits are granted in accordance with established written organization policies. Such benefits whether treated as indirect costs or as direct costs, shall be distributed to particular awards and other activities in a manner consistent with the pattern of benefits accruing to the individuals or group of employees whose salaries and wages are chargeable to such awards and other activities.

(3) (a) Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made shall not exceed the present value of the liability.

(b) Where an organization follows a consistent policy of expensing actual payments to, or on behalf of, employees or former employees for unemployment compensation or workers' compensation, such payments are allowable in the year of payment with the prior approval of the awarding agency, provided they are allocated to all activities of the organization.

Budget Change Form:

After the first amendment budget is approved, if an agency has budget revisions, a Budget Change Form may be utilized. This form is to be used only when a couple of budget line items require revising to accommodate the variance between the budget and the grant expenditures. A justification for each revision will be provided. If the budget line item being revised requires a detailed narrative on the full

budget, the revised narrative will be required when submitting the Budget Change Form. The form will reflect the current total allocation.

Program Income

Program expenditures associated with program income are to be identified in the appropriate narrative section of the budget. As this will only be an estimate, a dollar amount is not required. (See section III, Program Income for more information.)

Budget Items to Review:

- Are documents properly signed? Please be reminded that the Executive Director's signature is the only signature required on all budgets submitted to OEO for approval after the first budget amendment (based on the actual award) is approved.
- Has the Board reviewed and approved the budget? Board review will only be required after the application and the first amendment budgets when funding award is increased during the program year or unless otherwise stated by OEO.
- Have new positions been detailed on the completed Community Action Agency Budget Approval Form or Board minutes?
- Have all salaries current, planned/anticipated been properly represented on the budget in the salary detail or Merit/Cola budget line items?
- Has all procurement requiring approval by the Board and/or Executive Director been properly documented for review and approval?
- Are the allocation figures being budgeted accurately reflected on the completed Community Action Agency Budget Approval Form or Board minutes?
- Final Budgets will require that names of all employees charged to the program be listed on the Salary Detail Form.
- Non-Personnel expense categories (all budget line items except salary/wages, fringes, and indirect costs) reported on FSR's may vary up to fifteen (15) percent. Variances of more than fifteen (15) percent may be permitted with the OEO approval prior to the expenditure of funds.

- Periodic reviews of budget line item balances should be conducted to ensure a budget revision is submitted when needed.
- Any necessary budget amendments are required prior to the last thirty (30) days of the program year.
- Salary adjustments moving budget out of the Merit/Cola/FB/IDC line items and into the appropriate salary/wage detail are to be completed by the final budget submission for the program year.
- OEO may request justification of any budget and/or procurement as it relates to the direct cost to the OEO funded program.
- All budgets, supporting documentation, and purchases requiring OEO approval (except for CSBG/LIHEAP application budget which will be submitted to the appropriate OEO Senior Program Manager) should be sent to the OEO Budget Analyst in the Fiscal Division.
- The last budget amendment will be the final document used for audit purposes.

Note from OMB Circular A-110: Subpart B, 14:

Special award conditions. If an applicant or recipient: (a) has a history of poor performance, (b) is not financially stable, (c) has a management system that does not meet the standards prescribed in this Circular, (d) has not conformed to the terms and conditions of a previous award, or (e) is not otherwise responsible, Federal awarding agencies may impose additional requirements as needed, provided that such applicant or recipient is notified in writing as to: the nature of the additional requirements, the reason why the additional requirements are being imposed, the nature of the corrective action needed, the time allowed for completing the corrective actions, and the method for requesting reconsideration of the additional requirements imposed. Any special conditions shall be promptly removed once the conditions that prompted them have been corrected.

III. POST AWARD REQUIREMENTS *(OMB Circular A-110: Subpart C & A-133)*

Financial Management prescribes standards regarding payments, program income, revisions of budgets, property and procurement. *(formerly memo, F02-01, F03-01, F05-01, F06-01, F09-01, F11-01, F12-01, F13-01, F02-03, F01-05, F03-05)*

Payments: (formerly F01-05)

OMB Circular A-133: Compliance Supplement, (C.) Cash Management, Control Objectives, states, when funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients. Pass-through entities (OEO) must monitor cash draw downs by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and amounts as apply to the pass-through entity. In an effort to improve compliance with the Federally mandated Cash Management Act (CMIA) 31CFR 205 passed by Congress in 1990, as amended in 1992, the Office of Economic Opportunity (OEO) is revising procedures regarding cash management. Effective January 1, 2006, the beginning of the 2006 CSBG and LIHEAP program year and April 1, 2006 for the Weatherization program year, disbursements to subgrantees will be processed by OEO based on the following methods:

| | |
|------------------------|--|
| First Payment: | A check will be issued to subgrantees in an amount equal to 25% of the allocation (based on the projected allocation) stated in and contingent on a subgrantee's executed grant agreement, approved work plan and budget and Federal availability. |
| Second Payment: | A check will be issued to subgrantees in an amount equal to 25% of allocation stated in subgrantee's executed grant agreement contingent on the following compliance: OEO has received federal availability and 2 nd month's FSR documents expenditures, accruals, and obligations of at least 13.33% reporting of the current budget. |
| Third Payment: | A check will be issued to subgrantees in an amount equal to 25% of allocation stated in subgrantee's executed grant agreement contingent on the following compliance: OEO has received federal availability, the Final Financial Status Report (FSR) of the previous grant period and fifth month's FSR documenting expenditures, accruals, and obligations of at least 33.33% reporting of the current budget (should include the reallocation of the prior program year unexpended.) |
| Final Payments: | A check will be issued to subgrantees in an amount equal to 25% of the allocation stated in subgrantee's executed grant agreement contingent on the following compliance: OEO has received federal availability and eighth month's FSR documenting expenditures, accruals, and obligations of at 53.33% reporting of the current budget (should include prior program year unexpended.) |

Note:

If an agency cannot document expenditures, accruals and obligations of at least the required percentage or is requesting additional program funds prior to the next scheduled disbursement, the agency Executive Director

should submit a letter of justification to the OEO Director explaining the extenuating circumstances that have prevented meeting the goals required. If the justification is accepted by the OEO Director, a check will be issued. If the justification is not accepted, OEO may make a training and technical assistance visit to the agency to determine the nature of the problem and help the agency find a workable solution. Once the agency and the OEO have agreed on a workable solution, a check will be issued to the agency.

Conditions of Payment:

- If Federal funding is awarded to the States based on a Continuing Resolution and/or Federal Authority is withheld, advance payments to OEO subgrantees will be calculated based on the amount of Federal Authority received. Disbursement adjustments will be made immediately upon the receipt of the full year funding (Actual Award.)
- Agency's have executed grant agreements and approved work plans and budgets.
- Payments will be made to subgrantees within thirty (30) days of the receipt of an approved FSR documenting the required expenditures and compliance of conditions of payment.
- Payments will be subject to required expenditures and compliance of conditions of payments and based on grant performance requirements as provided in the agency's executed grant agreement.
- Disbursement of funds for the month of July's allocation is usually advanced to subgrantees early due to the State Fiscal Financial Year ending on June 30th, which can cause a delay in processing the disbursements.

Note:

The above referenced payment procedures may require modification and payments may vary when extenuating circumstances occur. (Example: Federal Awarding Agency issues supplemental grant funds that must be expedited)

Re-Allocation of Undisbursed Program Funds:

In recent years, it has become more the rule than the exception for Federal funding to the states to be delayed. Therefore, at the beginning of the grant periods agencies are allowed to retain funds from the close of the previous grant period (unless instructed otherwise.) With OEO's authorization, agencies are allowed to expend against prior year unexpended funds. Expenditures must

comply with the agency's most current program year's approved work plan, budget, and signed grant agreement. This should ease the burden on agencies of having to sustain programs during periods of delayed federal awards as they will be able to immediately begin expending against prior year funds. Closeout procedures will continue as in previous years with actual prior year unexpended funds being incorporated in the first amendment budget.

Interest Income: *(formerly F12-01) (Revised 11/03/08)*

In accordance with the guidance provided by the Federal grantors of OEO funded grants, that funds received in advance from OEO and placed in an interest bearing account will follow the following procedures regarding the monitoring, reporting and use of interest:

- 1) There will be NO remittance of interest income as part of the program year closeout or any other period of time within OEO administered grants.
- 2) Interest earned on all OEO administered grant funds may be retained by the agency. OEO will allow the first \$250.00 of interest earned to be retained for administrative purposes of tracking and reporting interest earned and for used to offset bank charges. All interest earned over \$250.00 is required to be used to provide further client assistance for the grant to which the interest is attributable.
- 3) All interest shall be tracked in accounts separate from OEO grant funds and other program income.
- 4) The agency shall report interest income on the final FSR in the same manner as program income, separately.
- 5) The Audit division reserves the right to audit interest revenue and subsequent expenditure of interest to ensure compliance.

Program Income:

Note from OMB Circular A-110: Subpart C: Program Income:

To ensure that the application of appropriate procedural processes and to maintain the integrity of grant funds, the following procedures will pertain to the standards set forth in the OMB Circular A-110 for program income related to projects financed in whole or in part with Federal funds. Program Income earned shall be retained and added to the funds committed to the project or program and used to further eligible project or program objectives. OEO will sample program income to ensure

revenue is properly recorded and supported with adequate documentation and in compliance with OEO procedures, grant agreement, budget and FSR requirements. As such, program income is to be identified in the chart of accounts and the trial balance. Program income and related approved expenditures are to be reported in the appropriate section of the FSR. See section IV: B General Procurement.

Moreover, per the Department of Energy (DOE) Weatherization Program Notice 07-1, section 1.6 – Program Income, income generated MUST be used to complete dwelling units in accordance with DOE Rules. This should be incorporated in the appropriate section of the updated WAP Budget (Budget Narrative Only).

Program Changes: *(formerly F11-01)*

Federal audits require file documentation provide justifiable evidence that revised program costs are reasonable and appropriate. Due to this requirement, subgrantees must submit in writing, in advance, any request to deviate from the approved program year's state plan and/or work plan. The written request must be sent to the appropriate Senior Program Manager for their review and written approval. The OEO Senior Manager will then provide written approval to OEO Fiscal to coordinate the program changes with the agency's budget revision. If these procedures are not followed, the expenditures associated with the program change could be disallowed.

Budget Revisions:

Subgrantees are required to report deviations from budget and program plans, and request prior approval for budget and program plan revisions such as:

1. Change in the scope or the objective of the project or program which require prior written approval when revising the work plan and the budget.
 2. Changes to comply with the 15% line item variance allowed on certain budget line items.
 3. Changes due to funding level adjustments: OEO grant funds allocated and budgeted in this basic method –
- Application Budget – represents projected funding based on the prior program years actual federal award.

- First Amendment Budget - represents the actual federal award for the current program year and any re-allocated prior program year's unexpended funds.
- Additional Budget Amendments – A full budget revision may be required if there are several budget line items to be adjusted. If only a couple of budget line items are revised, the Budget Change Form may be utilized. (See section II, Budget Change Form.)
- Work Plans - All changes to your agency's approved work plan for CSBG, LIHEAP and Weatherization, requiring OEO approval, are to be submitted to the appropriate Senior Program Manager.

Property Standards: *(formerly F06-01)*

The following policies have been established to address the acquisition, identification, assignment, usage and maintenance of vehicles. Through these policies, the OEO seeks to achieve maximum cost-effective management of property purchased in support of the agency's performance targets and objectives for OEO funded programs and eliminate unofficial and unauthorized use of grant property; those that are not a direct cost to these grants.

Acquisition:

Board Approval: Provide, with the budget, a copy of the signed Community Action Agency Budget Approval Form or Board minutes listing the property vehicle purchase information as being presented and approved by the Board.

Justification: Provide criteria and cost analysis based on how the property will be utilized for grant purposes. For vehicles, indicate the number of program operators. Utilization of the property will clearly benefit the grant's intent and will ensure compliance with all state and federal transportation regulations. Vehicles must comply with Jacob's Law.

Identification:

The agency will ensure that all OEO funded vehicles are clearly identified as such through the use of affixed license plates and seal decals. Vehicle identification will not be removed until the vehicle is

processed for disposal. Decals must be replaced if they become unrecognizable. No OEO funded vehicle will be exempt from this identification requirement. The agency will maintain a current inventory of OEO funded property which will indicate the make, model, acquisition date and cost, the manufacturer's identifying serial number, location, depreciation method and estimated useful life.

Assignment:

The agency will develop policies and procedures that ensure property is used in the most cost-effective manner. Property purchased with OEO funds are not for personal use. Vehicles must be placed in a motor pool and assigned based on the following criteria:

1. For use authorized to accomplish program objectives.
2. Employees have approval for program use.

Usage:

Assignment of an agency vehicle purchased with OEO funds is not allowed as a prerequisite of employment.

Vehicles are intended for agency employees who are required to travel in the performance of official program related business. All persons utilizing vehicles will log each trip on a form (see forms) providing the following information: date of travel, staff traveling in vehicle, beginning and ending odometer reading, and specific program related function being performed. Vehicle logs must be retained by the agency for a minimum of three (3) years following the close of the grant period. Current program year logs are to include the beginning and ending odometer reading for the program year and are to be maintained in an active file and readily available upon request during the OEO monitoring and audit visits.

- Any mileage incurred for personal use is prohibited. An employee "on-call" does not justify personal use or sole use of an OEO funded vehicle.
- Official miles must be appropriate for the program related travel.

Maintenance:

The OEO will monitor the cost-effectiveness of the OEO funded property. The agency will provide records which supply sufficient

and accurate maintenance information to evaluate compliance. OEO may deny procurement or transfer of vehicles from agencies failing to comply with these requirements.

Insurance:

Agencies will ensure adequate insurance coverage is maintained on program property and that procurement procedures are followed when obtaining the insurance coverage. Agencies are reminded to remove coverage at the time of disposal.

Surplus Property: *(formerly F09-01)*

The Office of Economic Opportunity (OEO), as administering agent, is authorized to utilize the State of South Carolina's Office of General Services for disposal of surplus property. The following are procedures for reporting the disposal of unwanted property:

1. Subgrantee will send a letter requesting the disposal of surplus property to the OEO Senior Manager of Fiscal Services with the following details: location of the property, description of property with serial number, year purchased, quantity and acquisition cost per unit and for vehicles, VIN number and mileage. Book value and market value when desiring to transfer property.
2. OEO will require all agencies, utilizing the State's Surplus Property method of disposal, to complete the appropriate form for proceeds to be returned to the agency. If the agency decides to use surplus property, it must obtain an account number. OEO will submit a Turn-In Document (TID) Surplus Property and submit the form to the Office of General Services, Surplus Property Office. The OEO will retain a copy of this document for tracking purposes. Questions regarding a request to surplus property should be directed to the OEO Senior Manager for Fiscal Services.
3. The Surplus Property Office will review the Turn-In Document and send a Screener out to determine if the property is of any value. They will arrange for pick-up of the property and determine if the property will be sold at public auction or by competitive sealed bid. **Please note, agencies are allowed to stipulate a minimum amount required before a bid will accepted.**

4. The Office of General Services will deposit the proceeds from the sale less the expense of the sale in the fund designated on the Turn-In Document.

When liquidation occurs for any property purchased with Federal funds, (for example: an insurance check for a totaled vehicle) proceeds must be returned to the source of funds from which the property was originally purchased to offset the purchase of replacement property. Where Surplus Property determines that OEO program inventory is of no resale value, the agency must then assume responsibility for timely and proper disposal.

Once the agency is notified of the final determination by Surplus Property, within ten (10) working days, the agency Executive Director must notify the OEO Senior Manager for Fiscal Services in writing of the final disposal.

Equipment Disposal:

OMB Circular A-110: Subpart C: Property Standards states, “when acquiring replacement equipment, the recipient may use the equipment to be replaced as trade-in or sell the equipment and use the proceeds to offset the costs of the replacement equipment subject to the approval of the Federal awarding agency,” (OEO). Therefore, when the decision has been made by the agency to utilize inventory items (purchased with OEO funds) for trade or sell, a written request is to be submitted to OEO prior to the transaction. If replacement is not the intent, it should be so stated in the letter of disposal along with the other required information. When it is anticipated that cash will be received, the agency must notify OEO in writing on how the funds will be used. Once approved, OEO will notify the agency in writing.

Asset Rules and Regulations: *(formerly F03-05)*

These procedures have been developed to assist the subgrantees in establishing proper procedures for obtaining effective internal control and record maintenance for assets (capitalized (fixed) and non-capitalized assets) purchased with OEO funds. The agency must be able to account for all property whether sold or traded, in compliance with the terms and conditions stipulated in the OEO Grant Agreement (A-110: Subpart C: Property Standards.)

1. **Definitions:**

- a. **Fixed Asset:** Tangible and intangible nonexpendable property having a useful life of more than one year (e.g. equipment, machinery, automobiles, furniture, real property) OMB Circular A-110: Subpart A: Definitions and, for OEO purposes, that has an acquisition cost equal to or greater than the lesser of \$5,000 or the subgrantee's capitalization policy threshold.
- b. **Capital Expenditure:** The acquisition cost of equipment or expenditures for capital improvements that materially increase the asset's value or useful life. OMB Circular A-122: Attachment B: Equipment and Other Capital Expenditures.
- c. **Acquisition Cost:** The net invoice price plus any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable. Taxes, transit insurance, freight and installation may be included or excluded in accordance with the subgrantee's capitalization policy. OMB Circular A-122: Attachment B: Equipment and Other Capital Expenditures.

2. **Assets Management Standards:**

Titles shall vest with the subgrantee on the condition the subgrantee uses the assets for the authorized purpose of the project as long as is needed. In compliance with the OEO grant agreement, subgrantee's management systems shall provide for effective control over and accountability for all funds, property and other assets. The subgrantee shall adequately safeguard all such assets and assure they are used solely for authorized purposes. Adequate written procedures must be in place to determine the reasonableness, allocability and allowability of costs and to guard against loss, damage and theft. Loss, damage and/or theft are to be reported immediately to the OEO (OEO notification applies to fixed assets only). OMB Circular A-110: Subpart C: Standard for Financial Management Systems, and Equipment.

3. **Procurement:**

Subgrantee shall establish procurement procedures in accordance with OEO procurement procedures as well as written standards for code of conduct for employees, officers and agents and standards that allow for competition in accordance with OMB Circular A-110: Subpart C: Procurement Standards.

4. **Insurance Coverage:** The subgrantee shall provide adequate insurance coverage for all assets acquired with Federal funds in compliance with OMB Circular A-110: Subpart C: Insurance Coverage, and as outlined in OEO procurement procedures. The subgrantee shall terminate insurance coverage once the agency has properly disposed of the insured assets in accordance with OEO surplus property and equipment disposal procedures.
5. **Other Use:** In accordance with OMB Circular A-110: Subpart C: Equipment - a subgrantee may make all assets available for use to other projects that have purposes consistent with those authorized by the subgrantee. Within an agency, preference shall be given first to other OEO-sponsored projects/programs, then to other federally-funded programs and lastly to non-federal programs/organizations whose purpose is consistent with those authorized by the subgrantee.

Other CAA's and Non-federal programs/organizations shall be charged a fee equal to that charged by private companies for similar services. These fees are to be charged as "other program income" and accounted for separately from OEO disbursed "grant revenue" on financial records. This revenue is to be returned and used solely for the OEO program for which the equipment/property was initially purchased.

6. **Disposition:** Procedures for Surplus Property and Equipment Disposal and OMB Circular A-110: Subpart C: Equipment. Be mindful that the subgrantee must obtain OEO's written approval prior to the sale of or use of the assets for trade-in and prior to transferring asset(s) to other federally-sponsored programs (approval applies to fixed assets only). If the agency obtains OEO's authorization to sell, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return. For all non-capitalized assets, the Agency may perform sales and disposals without OEO notification. Sales procedures for these assets shall also be established to provide for fair competition to the extent practicable and result in the highest possible return.
7. **Asset/Inventory Records:** The agency must maintain records to verify the existence and current utilization of all OEO-funded assets for all periods in which the asset is in use and to account for all assets sold or traded-in in compliance with the OEO grant agreement and OMB Circular A-110: Subpart C: Equipment.

Records shall be retained in compliance with OMB Circular A-110: Subpart C: Retention access requirements for records.

The subgrantee must ensure that asset records contain the following information: asset description, serial and model number, acquisition date and cost, depreciation method and useful life (for fixed assets), asset location, condition and disposal date and revenue generated from said disposal, in compliance with OMB Circular A-110: Subpart C: Equipment. Assets are to be capitalized according to OMB Circular A-122: Attachment B: Equipment and other Capital Expenditures and the agency's capitalization policy.

In accordance with OEO procedures, based in part on OMB Circular A-110: Subpart C: Equipment, the agency shall conduct an annual physical review of capitalized (fixed) assets and document asset locations and conditions as of the end of the agency fiscal year. OEO also realizes that there are some assets that are not capitalized and expended in the current period that the Agency must track and monitor (E.G. computers, printers, office furniture, and tools) that are not capitalizable in order to prevent waste and abuse of said assets. In order to establish a limit to classify these non-capitalized assets for presentation on the inventory listing of the Agency, OEO requires that all OEO assets with an acquisition value of \$500 or greater be included on the inventory listing unless the Agency's policies and procedures require a lower limit. The document shall be compared to the asset listing produced by the external auditor (at agency's fiscal year end, for fixed assets only). Any differences shall be documented and explained in the agency's fixed asset reconciliation. OEO reserves the right to inspect non-capitalized assets on this listing to ensure the listing's accuracy. Differences could result from asset purchases or disposals transacted after the agency's fiscal year end.

OEO audit will require the following supporting documents:

- Copy of asset listing produced by external audit
- Copy of documented asset locations and conditions
- Asset reconciliation sheet
- Documents to support asset purchases
- Documents to support asset disposals

OEO requests that a copy of this listing be submitted annually with audit report of the external auditor. Submission of this report and

the audit report should be made to the attention of the Senior Audit Manager.

8. **Depreciation:** Depreciation is a cost allocation that represents the physical deterioration of property due to age, wear or market conditions. Depreciation computation shall be based on the asset's acquisition cost (invoice price) and directly attributable costs necessary to bring the asset into working condition. Adequate depreciation records must be maintained indicating the amount of depreciation taken each period and the total amount of accumulated depreciation (OMB Circular A-122: Attachment B-11).
9. **Assets Provided by OEO:** Assets purchased and provided by OEO to subrecipients should be treated as property of the Agency; however, title to property is vested with the State. The Agency is responsible for all up keep and maintenance of property while in their possession. Should the Agency no longer need the equipment or wish to dispose of it, OEO requires that the asset be returned so that the OEO may dispose of the property as deemed necessary. All assets provided by OEO should be included on the inventory listing regardless of the value of the asset. OEO will audit the inventory sheets as they are submitted annually to ensure all OEO provided assets are included on the listing.

Procurement Policies and Procedures: *(formerly F02-01)*

It is the intent of OEO to maximize program efficiency, ensure the application of appropriate procedures, and maintain the integrity of grant funds. These guidelines will assist Executive Directors, Board of Directors and agency personnel in conducting procurement transactions in a timelier manner and in maximizing each agency's purchasing effectiveness.

1. Procurement documentation of equipment, supplies and services shall be based upon clear and accurate written descriptions, including any applicable technical specifications.
2. All professional services in excess of **\$600** must receive prior OEO approval.
3. All procurement expenditures must be adequately documented with a voucher/check, invoice, endorsed delivery receipt, requisition/purchase order for each transaction and applicable approval as may be required within the subgrantee's procedures.

4. The subgrantee must incorporate these guidelines into its respective procurement procedures as part of the Financial Policies and Procedures Manual.
5. The OEO Audit Division will review the subgrantee's procurement procedures and purchases during the Field Audit. Inconsistencies and non-compliance issues will be noted for corrective action.
6. OEO may request justification and documentation supporting how any purchase is a direct cost and related to OEO funded programs.
7. Agencies must ensure that all transactions associated with OEO grant funds are in compliance with conflict of interest requirements, such as but not limited to: using an official position for private gain, giving preferential treatment to any person or vendor, losing complete independence or impartiality, making official decisions outside official channels, or adversely affecting the confidence of the public in the integrity of the government or the program.
8. Agencies must ensure that all officers, employees and agents neither solicit nor accept gratuities, favor, or anything of monetary value from contractors, or parties to the agency.
9. All property and equipment acquired with OEO award funds must have adequate insurance coverage that safeguards against loss and/or damage.
10. All purchasing decisions resulting in a direct cost to OEO funded grants should follow best practices that incorporate periodic reviews (every 3 years) of quotes obtained for expenditure items such as insurance coverage, audit services and other service contracts and agreements. **Please Note:** The Weatherization program subcontractor agreements/contracts are required to be issued based on the program year, will be negotiated and authorized every program year, and require OEO approval.

The following state Procurement Code section 11-35-1550 shall be utilized in conducting procurements unless the proposed purchase is from a vendor who is selected from the current State Procurement Contract, which must be verified through the State's Materials Management Office (MMO). The OEO reserves the right to question any procurement found during a monitoring or audit visit that it considers to be unreasonable.

Additional information to assist with clarifying the justification of the purchase as it relates to program needs may be requested by OEO.

- A. Small Purchases less than \$5,000** may be accomplished without securing competitive quotes if the prices are considered to be reasonable. Such purchases shall be distributed equitably among qualified vendors. When practical, a quote is to be solicited from another vendor prior to placing a repeat order. This will assist in verifying the reasonableness of the price and detecting instances of overpricing. Larger purchases of like goods or services may not be subdivided in order to circumvent the procurement requirements.
- B. Purchases greater than the cumulative of \$5,000 to \$10,000** will require solicitations of verbal or written quotes from a minimum of three (3) qualified sources of supply and documentation of the quotes will be attached to the purchase requisition. If the lowest bid is not accepted, the procurement must follow the Sole Source procedures in item D. The subgrantee's Executive Director can execute the proposed purchase in accordance with these requirements and the requirements contained in the grabt agreement.
- C. Purchases greater than \$10,000 requires** solicitation of written quotes from a minimum of three (3) qualified sources of supply and documentation of the quotes will be attached to the purchase requisition. Any purchase greater than \$10,000 must be advertised in a major metropolitan newspaper for three (3) consecutive days to obtain competitive quotes for the purchase. The subgrantee's Board of Directors must approve the purchase to be documented in the minutes. Documentation of Board approval along with the three (3) competitive bids detailing the proposed purchase must be forwarded to the OEO office for review and approval.
- D. Sole Source** procurement is determined when the decision is made to restrict procurement to one potential vendor. In cases of reasonable doubt, competition should be solicited to support the Sole Source decision. A written explanation as to why no other vendor will be suitable or acceptable to meet the need will be forward to OEO for review and approval prior to the transaction. (see form)

E. Emergency Procurements may be made when there is an immediate threat to public health, welfare, critical economy or efficiency, or safety, and provided that such emergency procurements are made with as much competition as is practical under the circumstances, with a follow-up written report from the Executive Director on the basis of the emergency and the selection of the vendor.

F. Audit Services See Section V Audit, Selection of auditors for further procurement requirements when obtaining audit services.

Annual Equipment Budget Requirements:

Allowable “equipment” is tangible non-expendable personal property charged directly to the award having a useful life of more than one (1) year and an acquisition cost threshold of **\$2,500**. For the purpose of OEO funded grants, all technology purchases such as computers and printers are to be listed on the Annual Equipment Budget form regardless of the acquisition cost. A copy of the specifications will be attached to the form. This form is a budgeting tool and may not be representative of your agency’s capitalization policy for fixed assets. Proposed equipment purchases will require the procurement documentation and justification upon the submission of the budget. When OEO approves a subgrantee's budget, the identified equipment will be reviewed and approved for procurement within the program year. If additional equipment is needed after the budget is approved, a revised Annual Equipment Budget Form and documentation must be submitted with the revised budget for OEO approval. Subgrantees must obtain Board approval when required (greater than \$10,000.) Once this process is accomplished and all provisions are satisfied, the agency is ready to complete the procurement which must be executed prior to the close of the grant period.

Note from OMB Circular A-110: Subpart C: Competitions

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient shall be alert to organizational conflicts of interest and noncompetitive contract practices among contractors that may restrict or eliminate competition or otherwise restrain trade. Contractors that develop or draft specifications, requirements, statements of work, invitation for bids and/or requests for proposals shall be excluded from competing for such procurements. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill. Any and all bids or offers may be rejected when it is in the recipient's interest to do so.

Indirect Cost: *(formerly F03-01)*

The Office of Economic Opportunity (OEO), as administering agent for CSBG, LIHEAP and Weatherization is required to conduct fiscal audits of the subgrantees under these Federal grants. During these audits, the OEO Audit Division is responsible for ensuring the appropriate indirect cost rates are applied.

Currently, all CAA's, except Charleston County Human Services (OEO approves), receive direct approval from USDHHS' Division of Cost Allocations for indirect cost agreements. OEO Fiscal and Audit requires **a copy of the revised agreement** be submitted with the budget and within thirty **(30) days of the indirect cost agreement changing.**

Indirect costs must comply with OMB Circular A-122: Attachment A: Indirect Cost, regarding reasonableness, allocability and allowability. The dollar amount of indirect costs allocable to a grant will be determined by multiplying the approved indirect cost rate by the applicable financial base of the grant period.

All OEO funds are obligated and allocated as they are received, making it impossible to acknowledge indirect cost under-recoveries in subsequent years. It is then advised that quarterly reviews of agency indirect costs are conducted to ensure compliance with the financial procedures. At the end of an OEO grant period, indirect costs on the Final FSR are to be adjusted to the most current indirect cost rate.

No revisions to the FINAL (Closeout) FSR will be allowed after the closeout period. Any changes to fund balance after the closeout period due to indirect cost over-recoveries will be determined by OEO Audit. The OEO Fiscal Division will be notified of any changes and collection procedures.

Travel: *(formerly F05-01)*

The following information is provided by the Office of Economic Opportunity (OEO) in an effort to update current state levels for travel reimbursements effective January 1, 2010:

Mileage:

- When an agency vehicle is available, reimbursement is 46.0 cent (\$.460) per mile or 4 cents (\$.04) less the current rate established by the Internal Revenue Service (IRS), or which ever rate is the lowest.

- When an agency vehicle is not available, reimbursement is 50.0 cent (\$.50) per mile or the current rate established by the Internal Revenue Service (IRS), or which ever rate is the lowest.

Meals:

In-State Meals

| | |
|-----------|---------|
| Breakfast | \$ 6.00 |
| Lunch | \$ 7.00 |
| Dinner | \$12.00 |

Out-of-State Meals

| |
|---------|
| \$ 7.00 |
| \$ 9.00 |
| \$16.00 |

Lodging:

- The current GSA standard rates for lodging are listed at the following web site: www.gsa.gov.

Subgrantees' travel expenditures required to carry out the provisions of the OEO administered grants may be determined based on using the methods established by the State of South Carolina's Travel Policies listed above.

If an agency chooses to develop its own Travel Policy, the travel cost may be charged on an actual basis, on a per diem or mileage basis, or on a combination of the two, provided the method used results in charges consistent with those normally allowed by the organization in its regular operations (OMB Circular A-122: Attachment B: Travel Costs. As with all expenditures charged to OEO programs, please ensure that the travel costs directly benefit the program are reasonable, follow established policies and are properly documented.

Rent: *(formerly F02-03)* Space used by the subgrantee for administrative or program activities that represents a direct cost to the OEO funded grant: OMB Circular A- 122: Attachment B: Rental Cost.

- Must be reasonable and comparable to other available properties in the same market area.
- Rental or lease agreements for \$500 and above per month must be submitted to OEO, in writing, with supporting documentation of comparable properties. Subgrantees must receive prior written approval from OEO before the execution of the agreement.
- Rental and/or Lease agreements must include a termination clause.
- See Grant Agreements- CSBG, LIHEAP and WAP allowable costs.

Insurance: Agency's are responsible for maintaining adequate insurance coverage based on sound business practices and must insure sufficient coverage of officers. OMB Circular A-122: Insurance and Indemnification.

- Types of insurance coverage are Building & Personal Property, Data Processing, Automobile Liability and Collision, General Liability and Workers' Compensation and Employee Health.
- Fidelity (Tort) coverage is required to insure against financial loss.
- WAP requires Pollution Occurrence Insurance.
- All subcontractors must provide agencies and OEO with certificates of insurance representing adequate general liability coverage and when applicable, workers' compensation coverage.
- Insurance rates and premiums should be reasonable.
- Insurance, including Employee Health, will comply with procurement standards.
- See Grant Agreements- CSBG, LIHEAP and WAP for allowable cost.

Contractual (Professional) Services: Cost for contractual (professional) and consultant services rendered by a person who possesses a special skill (excluding maintenance or repair agreements) and who is not an officer or employee of the agency: OMB Circular A-122: Professional Services Costs.

- Rate of compensation must be reasonable in relation to the service.
- To contract for the service, the service must be necessary and the agency must be unable to provide said service.
- See Section V. Audit selection of Auditors when obtaining audit services.
- Must show how the service was accomplished in prior grant periods.
- Must show whether the service can be performed more economically by existing employees rather than contracting.
- Contracts and or agreements must include a termination provision.
- Supporting documentation of the contract should support all of the above.
- See Grant Agreements- CSBG, LIHEAP and WAP for allowable cost.

Cost Allocation: Cost allocation procedures for rent, insurance, contractual services must be implemented when these costs benefit more than one program. Several methods of allocating costs should be reviewed to determine the fairest method to administer cost to each related program. Adequate documentation supporting the cost allocation method used must accompany the procurement. OMB Circular A-122: Attachment A: Indirect Cost

Stipends and Staff Training: (formerly F13-01)

OMB Circular A-122: Attachment B: Participant Support Cost states that participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia, or training projects are direct costs. These costs are allowable with the prior approval of the awarding agency.

The Office of Economic Opportunity (OEO), as the administering agency for CSBG (Youth Leadership Program), agrees to allow stipends that are directly related to the purpose and strategies of the CSBG grant program. All proposed stipends must be submitted with the work plan to the CSBG Senior Manager in writing, clearly justifying the relativeness to program success (e.g. Employment Skills Training/Internships). The OEO Program Manager will approve the stipend with the approval of the work plan. Each client file must provide adequate documentation to support these expenditures. Clients must not be paid simply for participating in the program, attending classes, rewards, gifts etc.

OMB Circular A-122: Attachment B: Training Cost states that staff training and education costs are allowable expenditures as outlined in this section. To be approved, OEO requires the agency demonstrate that all staff training and education costs are directly related to the program requirements and are designed to increase the employee's effectiveness within the program.

The following information must be submitted to OEO for approval if **stipends** are being charged:

1. Identify eligibility criteria
2. Define who's eligible
3. Explain how you arrived at the stipend figure
4. Explain why the stipend is being offered (stipends are allowed for childcare, transportation, or time lost from a job to attend sessions and must be justified with receipts)

The following information must be submitted to OEO for approval if **internships** are being charged:

1. Must be outlined in agency's policies and procedures manual.
2. Identify eligibility criteria
3. Define who's eligible
4. Explain how you arrived at the hourly rate
5. Memorandum of Understanding is required between agency and employer and must include termination policy (termination should occur as soon as possible if internship is not working appropriately)
6. 1099 Forms must be provided to each student receiving more than a total of \$600 per year for income tax purposes and tax regulations must be adhered to

CSBG funds may not be used to pay stipends and/or internships for the following reasons:

- rewards, gift cards, and/or gift certificates are unallowable

If these processes are not followed, these expenditures could be disallowed.

Materials Inventory

Based on OMB Circular A-110 Subpart C and to ensure inventory costs are recorded in the program year which receives the most benefit, agencies are to comply with the following procedures. For **cumulative** residual materials inventory at program year end that is:

1. **Less than \$1,500**

The agency is to provide an itemized listing identifying the material, quantity, unit price and total costs. The total dollar amount should tie to the Trial balance.

2. **Greater than \$1,500**

The agency is required to buy the inventory from the program with non-state, non-federal funds. Once spending is authorized for the subsequent program year, the agency can use current year program funds to repurchase the inventory. The agency buy back is to be supported by a computer generated copy of the journal entry or a copy of the check.

IV. Reports and Records:

- A. **Financial Status Reports (FSR's):** *(formerly 04-01)* All FSR's are to be submitted to the OEO Business Manager in the OEO Fiscal Division by the 15th of the month following the reporting period unless instructed otherwise. All FSR's **must be signed.**

When the report is projected to be submitted late to OEO, agencies may email the FSR to avoid late submission, however, hardcopies are still required to be mailed to the OEO office with signatures. Accounting system generated Trial Balance will be required to accompany the **last month's FSR and the Final (Closeout) FSR**. **The reports provided must clearly reflect the balance represented on the FSR.**

B. General Procedures for Financial Status Reporting (FSR's):
(formerly F10-01, F01-03)

1. OEO allows for a 15% variance in expenditures compared to the budget on budget line items not related to Salaries, Fringes and Indirect Cost. Variances of more than 15% may be permitted with OEO approval prior to the expenditure of funds.
2. It is the responsibility of the Subgrantee to ensure upon the submission of the Final FSR that Indirect Cost is properly expended and reported. This may result in a negative balance, which must be approved by OEO before submission of Final FSR.
3. The Total Administration fund balance of any OEO grant **cannot** reflect a negative balance.
4. A program closeout memo will be issued for each OEO grant. This memo will instruct subgrantees to retain or refund the fund balance at the time of the closeout. If a refund is required, a check will accompany the FINAL (Closeout) FSR. If agencies are instructed to retain the fund balance, these funds will be included in the Actual Allocation for the subsequent program year.
5. If you have over expended your agency's allocation, you cannot transfer revenue from another source to offset the over expenditure. You can only move expenditures out to another source of funds.
6. No revisions in the FINAL (Closeout) FSR will be allowed after the closeout period. Any changes to fund balance after the closeout period will be reviewed during OEO's audit process and reported to the OEO Fiscal Department.

7. In addition to the WAP closeout FSR, OEO requires submission of the Materials Inventory Report or copy of the journal entry transferring the value of the inventory on hand at the close of the grant period in line with materials inventory procedures identified in section III.
8. WAP FSR has been updated to reflect the reporting of program income.
9. All obligations of grant funds should be paid by the grant close – out. Therefore, there should be no obligations listed on the Final FSR. If obligations exist, they must be supported by agency accounting system generated A/P ledger.

C. Non-Receipt and Request for Additional Information:
(formerly F 01-03)

As a recipient of Federal funds, OEO is required to ensure that appropriate fiscal controls and program procedures are in place to assure proper accounting and timely/effective disbursement of public funds. The OEO state plans and grant agreements outline specific provisions for Subgrantee Responsibilities and Reporting Requirements, and those include: Financial Status Reports (FSR), Program Status Reports (PSR), ROMA, board approval, program budgets and budget narratives.

In hopes of improving and ultimately eliminating non-compliance issues, OEO will communicate corrective action information in writing. This information will be included and reviewed as part of OEO Audit procedures. OEO Fiscal, will also conduct an annual review of information collected from notices and will be used to develop agency specific training

Notice of Non-Receipt:

- When OEO has not received a budget by the date indicated in the program allocation letters or for FSR's by the 15th of each month or the FINAL FSR by the closeout period, a Notice of Non-Receipt will be sent to the agency's Executive Director (per their request) and Fiscal Officer.

Request for Additional Information:

- When OEO receives a budget or FSR and the form is incomplete, a Request for Additional Information Notice

will be issued and the reporting will be considered pending until corrections are received. Copies of this notice will be sent to the agency's Executive Director (per their request), preparer and Fiscal Officer.

- A copy of each notice will be retained in the OEO subgrantee program control file.

The Office of Economic Opportunity remains committed to continuing a review of internal policies to assist in the elimination of unnecessary administrative procedures in an attempt to accelerate reporting and approval processes. We respectfully request each Executive Director's assistance in improving this process at the agency level by assuring timely and accurate reporting which is pivotal to providing information to funding sources that may affect appropriations and program services.

D. Closeout: (formerly F 10-01)

By Federal definition, **closeout** is the “process by which a Federal awarding agency determines that all applicable administrative actions and all required work of the award have been completed by the recipient...” All grants administered by the Office of Economic Opportunity (OEO) require a grant year-end closeout process, including Project Share. The following is a list of grants and the date closeout documentation is due:

| <u>Grant</u> | <u>Date Closeout Due to OEO</u> |
|----------------------------------|--|
| CSBG (ending December 31) | February 25th |
| LIHEAP (ending December 31) | February 25th |
| Weatherization (ending March 31) | April 30th |
| Project Share (ending June 30) | July 15th |

E. Review Procedures for Program Year Closeouts:

1. Closeout Includes:

- Completed FSR
- Trial Balance
- Justification of account payables
- WAP dwellings must be completed prior to the close of the grant
- WAP requires a materials inventory recap report or a copy of the journal entry transferring the value of inventory, whichever is applicable.

- Final Program reports as required (PSR's, ROMA)
- Check for the program fund balance (if required)

2. Completed FSR reflects:

- Correct reporting period
- Final allocation and revenue budgeted
- Final approved budget
- YTD expenditures agree with all previously reported expenditures
- No negative balances in Total Administration
- Expenditures do not exceed 15% allowable variance
- Total Allocation for the program year is not over expended
- Provide Year-End Clients Served or students
- Final FSR's will not reflect obligations on the obligations worksheet
- Proper signatures
- Salaries and salary related items can not exceed approved budget

3. Trial Balance reflects:

- Current program year revenue and expenditures
- Revenue agrees with the grant agreement and Final approved budget for the program year
- Agencies must practice sound accounting principles when establishing accruals at the end of each program year. The expenditure must have been a transaction that occurred within the program year and be supported by appropriate documentation and paid to vendors by closeout of each grant.
- No listings of Due To's or Due From – all transactions should be complete by the submission of the Final FSR
- All accounts payable items should be supported by an itemized list identifying vendor invoice, dates, amounts and justification.
- Trial Balance amounts should tie to the YTD expenditures on the FSR
- A reconciliation is required if multiple trial balances are used to calculate YTD expenditures
- Cash balance should agree with unexpended funds reported on the FSR, if not, the agency is to provide a reconciliation

- Indirect Cost should be properly charged by the close of the program year

These closeout procedures have been developed to comply with federal reporting requirements and to expedite the reallocation of program funds. To assist with the closeout process, a copy of the review procedures will be provided with each program closeout memorandum.

All checks remitted to OEO for unexpended funds, findings, or other remittance should be sent directly to the OEO Business Manager in Fiscal. All checks must be made payable to the Office of Economic Opportunity.

F. Retention:

Note from OMB Circular A-110: Subpart C: Retention and Access Requirement for Records (a) this section sets forth requirements for record retention and access to records for awards to recipients. Federal awarding agencies shall not impose any other record retention or access requirements upon recipients.

(b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency. The only exceptions are the following.

(1) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.

(2) Records for real property and equipment acquired with Federal funds shall be retained for 3 years after final disposition.

(3) When records are transferred to or maintained by the Federal awarding agency, the 3-year retention requirement is not applicable to the recipient.

(4) Indirect cost rate proposals, cost allocations plans, etc. as specified in OMB Circular A-122: Attachment A: Negotiation approval of Indirect Cost Rates.

V. Audit:

Single Audit Review and Appeals Procedures for Nonprofit Organizations
(formerly F 08-01)

Purpose:

This guidance is to set forth standards for obtaining consistency and uniformity among entities expending federal awards and to permit a thorough and fair review of audit questions and disallowances. The OEO shall revise these procedures as needed in order to maintain compliance with state and federal requirements.

The following regulations are federal audit requirements for grant agreements with the Office of Economic Opportunity:

1. Human Services Reauthorization Act of 1984, Public Law 98-558.
2. OMB Circular A-133: Audits of States, Local Governments, and Non-Profit Organizations (Issued pursuant to the Single Audit Act of 1984, Public Law 98-502 and the Single Audit Act Amendments of 1996, Public Law 104-156).
3. OMB Circular A-110: Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.
4. OMB Circular A-129: Policy for Federal Credit Programs and Non-Tax Receivables, Part V Delinquent Debt Collection.
5. OMB Circular A-122: Cost Principles for Non-Profit Organizations.

Single Audit:

1. **Definition:** An audit of federal awards as described in OMB Circular A-133 which includes the subgrantee's financial statements and required schedules related to Federal awards.
2. **Audit Requirements: Subpart B: Audits** Subgrantees that expend \$500,000 or more in a fiscal year in federal awards shall have a single audit conducted for that year in accordance with the provisions of this part.
 - Refer to Subpart E: Auditors for requirements for audit scope, audit report and reporting audit findings.

- Refer to Subpart E: Auditors for major program, program risk and low auditee criteria.
3. **Sanctions:** Subpart B: Audits When a subgrantee demonstrates a continued inability or unwillingness to have an audit conducted in accordance with these standards, OEO will institute appropriate sanctions which could include, but are not limited to, withholding future federal awards, disallowing overhead costs, suspending or terminating federal awards until the audit is completed and submitted.
 4. **Audit Costs:** Subpart B: Audits Professional fees associated with audits are allowable charges if made in compliance with OMB Circular A-133 and may be allocated as indirect cost. Generally, the percentage of costs charged shall not exceed the percentage derived by dividing OEO program funds by total federal funds expended by the subgrantee during the agency's fiscal year under audit.

Selection of Auditors: Subpart C: Auditees

When procuring audit services, each Request for Proposal for audit services shall be for a period not to exceed three (3) consecutive fiscal years. The subgrantee shall use the guidelines provided under the Procurement Policies and Procedures section of this manual. At a minimum, procurement of audit services shall include advertisement of the Request for Proposal in the South Carolina Business Opportunities newsletter, published by the State Budget and Control Board, and the newsletter of the South Carolina Association of Certified Public Accountants.

When requesting proposals for audit services, the objective and scope of the audit should be made clear. Submitted proposals should include a copy of the firm and partner current licensure and a copy of the most recent peer review. Licenses can be verified by the State Board of Accountancy. Factors to consider in evaluating each proposal include responsiveness to the proposal, inclusion of license and peer review report, relevant experience, staff professional qualifications, technical abilities, and price. Whenever possible, the subgrantee is encouraged to make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises (OMB Circular A-133.)

In line with the Sarbanes-Oxley Act of 2002 Sec. 203, an incumbent auditor can submit bids for consecutive subsequent periods; however, the lead auditor or audit partner responsible for reviewing the audit may provide such services for

no more than five (5) consecutive fiscal years. After such time, a new lead auditor or audit partner shall be appointed.

Independent Audit Report Submission Subpart C: Auditees

The independent audit shall be completed and submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the subgrantee's fiscal year-end. Within thirty (30) days of receipt of the independent audit report, the subgrantee must provide OEO:

- Two (2) copies of the Independent Audit Report; one original and one photo copy
- An explanation for differences between amounts reported on the FSR and amounts reported on the audit schedules
- Any necessary supporting documents
- Any other information that may be pertinent to the grant(s) under audit, such as auditor verification of Project Share expenditures identified by program years

The subgrantee will forward at least one (1) copy of the independent audit report to each funding source represented in the report, exclusive of OEO's required copies.

The audit report submission is to include the elements outlined in OMB Circular A-133 for financial statements, report submission, audit scope, audit reporting and audit findings and is to include the following:

1. Data Collection Form or Statement as required in Subpart C: Auditees

A copy of the form may be found at

<http://harvester.census.gov/sac/collect/formoptions.html>

or a statement containing the following information:

- a. agency name, employer ID #, name, title and phone number of certifying official
- b. audit firm or auditor name, address, phone number, name and title of lead auditor and audit partner
- c. list of Federal awarding agencies who will receive copies of reporting package
- d. yes or no statement pertaining to the types of compliance requirements listed in Subpart C: Auditees

2. Reporting Package as required in Subpart C: Auditees

- a. Financial Statements as required in Subpart C: Auditees
- b. Schedule of Expenditures as required in Subpart C: Auditees and is to:
 - include either on the schedule of expenditures or schedule of Federal awards a note describing significant accounting policies used in schedule preparation

- identify program year and or effective period and OEO approved budget and related under/over budget per program year on the schedule of expenditures
- c. Audit Reporting as required in Subpart E: auditees to ensure:
1. Independent Auditor's Reports with respect to major programs, includes:
 - an opinion (or disclaimer of opinion) on financial statements
 - a statement on compliance and internal controls over financial reporting based on the audit of financial statements
 - an opinion (or disclaimer of opinion) on compliance with laws, regulations, contracts and grant agreements and a statement on audit results on internal controls
 2. Schedule of Findings and Questioned Costs as required in Subpart E: Auditors:
 - a. Summary of Audit Results identifying
 - the Catalog of Federal Domestic Assistance (CFDA) number for major programs
 - why an auditee does not qualify as low-risk, if applicable
 - b. Financial Statement Findings and Finding and Questioned Costs for Major
 - Programs contain an auditor recommendation and agency response per finding
 3. The Summary of Schedule of Prior Audit Findings as required in Subpart C: Auditees includes:
 - corrective action taken Subpart C: Auditees
 - planned corrective action and partial action taken or
 - an explanation if corrective action differs significantly from original action plan

OEO Audit Responsibilities Subpart D: Federal; Agencies and Pass through Entities

OEO is to ensure that federal awards are used for authorized purposes and in compliance with the laws and regulations governing the provisions of each grant agreement, that the subgrantee has satisfactorily met the fiscal year-end audit requirements and that the subgrantee takes appropriate and timely corrective action. OEO will follow up on prior year's audit findings and issue a desk audit report.

OEO Desk Audit

The desk audit consist of a review of the single audit to determine audit acceptability, to ascertain agency compliance, to examine questioned costs and findings reported in the independent audit report, to determine grant agreement violations not reported in the independent audit report and to determine any fund balances due OEO.

Audit acceptability will be determined by compliance with the OMB Circulars, Government Auditing Standards, generally accepted auditing standards, generally accepted accounting principles, and laws, regulations, contracts and grant agreements.

The single audit review will be conducted within six (6) months following receipt of the subgrantee's independent audit report. The desk audit will include an analysis of program activity with a separate analysis for indirect cost. Program variances will address completed program years while partial year program variances considered material will be subject to sampling. Indirect cost analysis will be performed after receipt of the single audit and the corresponding indirect cost rate agreement for the year(s) audited.

The desk audit report will describe and provide justification for each audit finding, questioned cost and area of concern. The report will identify whether each questioned cost is an allowed or disallowed cost, the amount of funds involved, if any, and the total sum in question for each OEO program.

OEO will address reports and follow up correspondence to the Executive Director unless otherwise requested by the subgrantee's Board. The preliminary Desk Audit Report and Indirect Cost Analysis afford the Executive Director an opportunity to address matters prior to completion of the initial report. The subgrantee shall provide a written response to the preliminary report to OEO Audit within thirty (30) days of the date of the report, unless otherwise stated, and shall respond to the initial report as indicated.

Failure to respond to the preliminary or initial report within the required time frame will be interpreted as agency agreement with the report's findings. If the subgrantee fails to respond to follow-up correspondence within the requested time frame, this will also be interpreted as agency agreement and correspondence indicating non response will be sent to the Board Chairperson. The agency's failure to respond may result in a suspension of future funding.

Payments of Disallowed Cost

Disallowed costs shall be payable to the OEO within forty-five (45) days from the date of the correspondence identifying disallowed costs. Payment methods permitted to satisfy disallowed costs are as follows:

1. Lump-sum Payment

The OEO must receive the total disallowed sum within the aforementioned time period. If the subgrantee is financially unable to make full payment within this time frame, this fact must be stated to the OEO Senior Auditor in writing within twenty (20) business days of the date of the correspondence identifying disallowed costs. The subgrantee

will be subject to an OEO audit to document the non-federal/non-state funds available for repayment of delinquent debt.

2. Installment Payments

Subsequent to verification of the subgrantee's inability to repay in lump-sum, OEO will establish a written agreement binding the subgrantee to the terms and methods outlined. The standard repayment period is twelve months, not to exceed a thirty-six month maximum time allowance. Monthly payments will be due OEO by the 15th of each month. Quarterly payments will be due OEO by the 15th day of the last month in the quarter.

3. Delinquent Payments

If a subgrantee fails to repay funds within the required time frame, the regulations mandated by OMB Circular A-129: Policies for Federal Credit Programs and Non-Tax Receivables, Part V-Delinquent Debt Collection and 4 CFR Chapter 11-Federal Claims Collection Standards (General Accounting Office – Department of Justice) may be exercised in the collection of delinquent debt.

Field Audit Procedures: *(formerly F02-05)*

The Office of Economic Opportunity (OEO) performs a routine year-end closeout audit to ensure federal awards are expended in compliance with applicable federal and state laws and regulations and that the sub-grantee's business management system provides for operational effectiveness and efficiency that results in reliable financial reporting and that the agency has taken appropriate action to resolve prior year findings.

Approximately thirty (30) days prior to the actual visit, OEO will send a written confirmation to the Executive Director of the field audit date along with the Document Request which lists the items and information the agency is to submit prior to the on-site visit and documents to be readily available upon arrival. Additional documents may be requested as needed during the field audit.

Upon arrival at the agency, OEO Audit staff will conduct an entrance conference with the subgrantee's Executive Director, fiscal officer and others as deemed appropriate by the Executive Director or OEO staff.

The objective of OEO's on-site audit is to ensure activities are supported with the proper documentation and are in compliance with the OMB circulars, Federal and State laws and regulations, contracts, OEO grant agreement and budgets. Audit procedures will employ, but not limited to, the use of sampling, analysis, observations and reviews to assess the agency's internal controls and

aforementioned compliance requirements. The audit will include, but is not limited to the following:

1. Review cash management to ensure revenue is received, deposited, and properly recorded in a timely manner and payments are properly supported
2. Ensure assets are properly supported, recorded, maintained and safeguarded
3. Inventory, where appropriate, is properly accounted for and costed
4. Accruals are properly supported or use reasonable estimations
5. Payroll is properly supported by time sheets, payroll reports and cancelled checks and human resource policies and procedures are followed, i.e. pay and authorized deductions are documented in employee files
6. Client eligibility and assistance is properly documented
7. Other expenditures comply with program objectives and are adequately supported by proper documents
8. Balance sheet and income statement accounts are used in a consistent manner to ensure comparability
9. Proper procurement and disposition procedures are followed

Prior to leaving the agency, OEO Audit staff will conduct an exit conference with the agency's Executive Director, Fiscal Officer, Program Director(s) and any additional persons the Executive Director or OEO staff deem necessary. Information discussed in the conference will be based on a review of the information at that time but does not preclude OEO from reporting on information obtained from subsequent analysis and reviews upon return to the OEO.

Under normal circumstances, where no additional information is required, a report will be submitted to the agency's Executive Director within approximately sixty to ninety days from the date of the exit conference. A copy of the report will be sent to the Board.

Subgrantee Audit Responsibilities:

The subgrantee is responsible for preparing all the documents within the requested time frame, responding to any findings or areas of concern and developing a corrective action plan as needed.

Disallowance of Expenditures Reimbursed by OEO (incorporated on 11/3/08)

As grantor of the grants received by OEO and administered to the CAP Agencies, the OEO is responsible for the assurance that subrecipients comply with all federal regulations. In regards to ensuring subrecipients do not charge

expenditures for disallowed costs and activities (see OMB Circular A-87 and the grant award for information regarding disallowed cost and activities), OEO reserves the right for the Audit division to disallow cost during an audit that are not originally disallowed during the reimbursement of expenditures process if payment of such expenditures is in direct violation of the rules and regulations of the grant. Further, it is the Agency's responsibility to ensure all cost and activities are allowable under the grant award prior to submission to the OEO for reimbursement. OEO does not assume responsibility or liability for charges erroneously made by Agencies that are disallowable.