



***Hawai'i Commission for National
and Community Service***

University of Hawai'i
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Fiscal Manual

I. TEN RULES OF FUNDS MANAGEMENT FOR AMERICORPS PROGRAMS

A sound financial management system is essential to operating a successful AmeriCorps program. A weak system jeopardizes control over federal resources and places a program at risk of having material findings during an audit. The following are ten rules of funds management for AmeriCorps programs:

1. Know Your Regulatory Requirements
2. Document Your Policies and Procedures
3. Maintain Adequate Documentation to Support Expenditures
4. Manage Cash Effectively
5. Design an Efficient Accounting System
6. Maintain Effective Budgetary Controls
7. Document and Report Employees and Members Activities Accurately
8. Meet Matching Requirements and Document In-Kind Contributions Appropriately
9. Report Timely and Accurate Financial Information
10. Maintain Strong Internal Controls

Rule #1 Know Your Regulatory Requirements

Regulatory requirements provide the guidance and foundation for your financial management system. For AmeriCorps programs, the following requirements apply:

- The National Community Service Act (<http://www.access.gpo.gov/congress/cong009.html>)
- AmeriCorps Provisions (included with your Contract)
- State Requirements (terms of your Contract)
- OMB Circular Requirements (<http://www.whitehouse.gov/omb/circulars/index.html>)

OMB (Office of Management and Budget) circulars describe a wide variety of financial management issues including administrative requirements, cost principles, and audits. A fiscally sound program should comply with the OMB circulars specifically applicable to the type of institution or organization through which the AmeriCorps program is housed (the legal applicant entity for the program). The full text of all OMB circulars can be found on the internet at the address provided above. Applicable OMB circulars are as follows:

For Educational Institutions

- A-110=Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations
- A-21=Cost Principles for Educational Institutions
- A-133=Audits of States, Local Governments, and Nonprofit Organizations

For Non-Profit Organizations

- A-110=Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations
- A-122=Cost Principles for Nonprofit Organizations
- A-133=Audits of States, Local Governments, and Nonprofit Organizations

For State and Local Government Entities

- A-87=Cost Principles for State, Local and Indian Tribal Governments
- A-102=Grants and Cooperative Agreements with State and Local Governments
- A-133=Audits of States, Local Governments, and Nonprofit Organizations

Rule #2 Document Your Policies and Procedures

Documented policies and procedures are important because:

- They are the standards for the organization's operations

- They help in maintaining information that is crucial to operations that would otherwise remain in employees' heads
- They help in orienting new employees and substitutes if the appropriate personnel are absent

Documented policies and procedures may include such items as:

- Chart of Accounts
- Identification and description of the principal accounting records (e.g., general ledger, budgets, reports)
- Assignment of responsibilities, delegation of authority, etc.
- Explanations of documentation and approval requirements for expenditures
- Instructions for recurring tasks such as preparing monthly reports, bank reconciliations, preparing, completing, and reviewing FSRs, reviewing budgets and match requirements, acceptable standards of conduct, vacation, sick leave, overtime, or holidays for staff, staff performance reviews, etc., procurement standards, requisition and check request approvals, check signer limits, disposal of assets, travel, etc.

Rule #3 Maintain Adequate Documentation to Support Expenditures

All expenditures should trace back to source documentation and should include descriptions that support why the transaction is allowable for AmeriCorps purposes. Design a filing system that groups grant activities and documents such as the:

- grant contract, amendments, original application and changes
- documents from any subgrantees if you subgrant
- expenses/vendors, consultant agreements, etc.
- general correspondence
- monthly financial reports (budget to actual)
- lease agreements
- general liability insurance policy
- in-kind contributions documentation
- other relevant financial documents

Records must be maintained on all equipment in use by the program and should include at a minimum:

- description and funding source
- manufacturer serial number
- title holder's name and address
- acquisition date and cost
- percentage of federal financial participation

Equipment and supplies must be handled in accordance with 45 C.F.R. 2541–Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Government or with 45 C.F.R. 2543–Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit organizations.

Rule #4 Manage Cash Effectively

The Hawai'i Commission for National and Community Service issues AmeriCorps grants on a reimbursement basis except for the first month advance in which case programs must minimize the time that elapses between the receipt of funds and the disbursement of these funds.

The AmeriCorps funds from the Commission are federal funds, and as such, should be deposited in an interest bearing account. Accounting systems should track interest earned on federal funds. Separate general ledger accounts for each grant you receive (federal, state, or private) should be maintained. Bank reconciliation should be prepared monthly. And, a schedule of all bills to be paid should be prepared and maintained.

Rule #5 Design an Efficient Accounting System

An efficient accounting system separates accounts for each grant/award, maintains federal and non-federal matching funds separate from grant funds, and records in-kind contributions as both revenues and expenses. Accounting records should be complete with all AmeriCorps expenditures and local match entered into the general ledger system. Financial statements should reflect the receipt and use of cash and in-kind contributions. The general ledger should form the basis for the Periodic Expense Report and the Financial Status Report.

An effective accounting structure should facilitate easy transaction input and report generation. The structure should allow for the efficient transfer of information for reports from the accounting system into the Web-Based Reporting System (WBRS).

Rule #6 Maintain Effective Budgetary Controls

The budget is a central part of fiscal control, which, when compared to actual spending can provide important information about variances from the original spending plan. In other words, effective budgetary controls should allow for easy comparison of expenditures against the budget and provide for revisions as appropriate.

To produce useful budgetary information, follow these steps:

Step One: Design and effective accounting system

Step Two: Set up the budget control process

Step Three: Accumulate monthly expenditures

Step Four: Compare actual expenditures to budget

Step Five: Make appropriate revisions.

Rule # 7 Document and Report Employees and Members Activities Accurately

All stipends or salaries/wages charged against the AmeriCorps grant (either the grant funds or the match funds) must be supported by signed time and attendance records. This requirement is twofold:

For AmeriCorps Members:

- Programs must document everything for AmeriCorps members in terms of each member's eligibility, enrollment, time logs, activities (separating direct service from training), etc. All time logs should be signed by both the AmeriCorps member and his or her supervisor. The supervisor should be an individual who is able to account for the member's time and activities. Members cannot supervise other members.

For Staff:

- In compliance with OMB A-133, any staff that is charged against the grant or the match for the grant, depending on your regulatory requirements, must keep monthly time and attendance records signed by a supervisor. Detailed job descriptions should be on file for AmeriCorps staff. Exceptions to this include:

State, Local and Indian Tribal Government programs

These programs must comply with OMB A-87, which states that

- an employee working on a single indirect cost activity such as accounting needs no

- further documentation beyond normal payroll procedures;
- an employee working solely on a single federal award or cost objective (in other words, like 100% on the AmeriCorps grant) must keep a semi-annual certification stating that the employee worked solely on that grant for the period covered by the certification. The certification must be signed by the employee and his/her supervisor.
- an employee working on multiple activities across more than one federal award keep personnel activity reports reflecting after the fact distribution of the actual activity, keep a monthly report, and it must be signed by the employee.

Educational Institution programs

These programs must comply with OMB A-21, which abides by a principle of after-the-fact confirmation or determination, such as a signed annual statement with after-the-fact activity records.

Rule #8 Meet Matching Requirements and Document In-Kind Contributions Appropriately

All match contributions, both cash and in-kind, must be properly valued and clearly identifiable from the grantee's records, have adequate supporting documentation, and meet the criteria established by the appropriate circular, A-110 or A-102 implemented by 45 C.F.R. 2541.

Programs must meet the proposed and approved match amount. AmeriCorps member support costs must be matched with non-federal cash, with the exception of health care. This cash match must be met by each reporting period. Other operating costs (member training, staff costs, operating expenses, evaluation, and administration) may be matched with federal, state, or local cash, or with in-kind contributions. This match must be met by the end of the program year.

Rule #9 Report Timely and Accurate Financial Information

Periodic Expense Reports (PERs) are due on a **monthly** basis and Financial Status Reports (FFRs) are due on a **quarterly** basis. Final PERs and FFRs are due 90 days after the close of the program year.

Rule #10 Maintain Strong Internal Controls

Maintaining strong internal controls protects organizational resources from waste, fraud, and inefficiency, ensures accuracy and reliability in accounting and operating information, ensures compliance with organizational policies, and assists in evaluating organizational performance. Examples of good internal controls include:

- Adequate segregation of duties. The same employee should not authorize, purchase, sign the check and reconcile the statement in the accounting system.
- There should be a specific approval process for disbursing funds. This includes written policies on approving purchases or other disbursements, for instance, multiple signatures required for purchases over a certain amount and clear delineation of who can authorize/make purchases up to a certain amount.
- Maintain documented policies and procedures.
- Establish an adequate review process for financial reports and budgets.
- Maintain adequate cash management procedures, such as monthly bank reconciliations.
- Ensure the physical safety of assets by insuring, maintaining, and tracking property.
- Establish and maintain a system for tracking time and activities of members and staff.
- Establish a system to follow-up on problems identified to ensure resolution.

II. AMERICORPS PROVISIONS & RULES

The AmeriCorps Provisions and Rules are binding on the Grantee. By accepting funds under this Grant, the Grantee agrees to comply with the AmeriCorps Provisions, Rules, and all applicable federal statutes, regulations and guidelines. The Grantee agrees to operate the funded Program in accordance with the approved Grant application and budget, supporting documents, and other representations made in support of the approved Grant application. The Grantee agrees to include in all subgrants the applicable terms and conditions contained in this award. All applicable Provisions of the Grant, including regulations and OMB circulars that are incorporated by reference shall apply to any Grantee, subgrantee, or other organization carrying out activities under this award. A link to the full text of the AmeriCorps Provisions can be found on the Hawaii Commission website at:

<http://www.americorpshawaii.org/resources>

III. ALLOWABLE COSTS

A cost is considered allowable under the grant if it is:

- Reasonable
- Within a budget category
- Complies with generally accepted accounting principles
- Complies with OMB cost principles
- Treated consistently with other costs incurred by the organization
- Documented

An allowable cost is allocable to the AmeriCorps grant if it is:

- Incurred specifically for the AmeriCorps program (direct program cost) or
- Benefits both the AmeriCorps program and other work, but can be distributed fairly between the grant and another funding source (this may be a direct program cost OR an administrative cost, depending on specific information about the particular cost)
- Necessary to the overall administration of the program

Administrative (or indirect) costs mean general or centralized expenses of overall administration of an organization that receives Corporation funds and DOES NOT include specific program costs. Administrative costs must be consistent throughout the organization. If you can identify the cost specifically to the program, then it is a direct cost, not an administrative (indirect) cost.

Certain costs are unallowable. Unallowable costs include, but are not limited to:

- Bad Debts
- Losses on Other Contracts
- Contributions/Donations
- Entertainment
- Alcohol
- Fines and Penalties
- Defense of Fraud Proceedings
- Interest
- Lobbying/Legislative Costs
- Certain Advertising, Public Relations, and Organization Costs

Funds cannot be charged against the AmeriCorps budget for organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, or similar expenses. Similarly, funds cannot be charged against the AmeriCorps budget to support the staff time for fundraising activities.

All budgeted funds for Member Support Costs are directly related to the number of AmeriCorps members the program proposed to enroll. If that threshold of members is not obtained, or if members leave the program early, these funds may not be used to pay for other costs. Also, once a member is suspended, terminated, or exited, they may not continue to receive a living allowance.

Payments to individuals for consultant services under the AmeriCorps grant **may not exceed \$750 per day** (exclusive of any indirect expenses, travel, and supplies).

IV. MATCH REQUIREMENTS

Programs must provide and account for matching funds. Overall costs of the program may not exceed a federal cost of \$13,300 per member service year (MSY).

Under the new AmeriCorps Rules, the overall Match Requirements will increase up to 50% over a 10 year period following the schedule in the table below.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10 and on
Minimum Overall Share	N/A	N/A	N/A	26%	30%	34%	38%	42%	46%	50%

Programs must meet the full match proposed in the application budget. All match specified in the budget is part of the grant award, and is subject to all programmatic restrictions and audit requirements. Further, match in excess of the statutory requirements cannot be reduced by the program once the grant proposal is approved without Commission approval.

Matching funds must be accounted for in the general ledger. Many programs utilize in-kind match (a program’s contribution of non-cash outlays of materials or resources to support a percentage of grant award activities). This may include non-cash outlays contributed by other public agencies and institutions, private organizations and individuals. Examples include donated office supplies, equipment, space, and professional services. In general, the value of in-kind contributions is determined by fair market value. A sample in-kind match tracking form can be requested from Commission staff (this is not a required form, but may assist organizations that do not currently have a document for tracking in-kind contributions). If you are including supervisor hours as part of your program’s matching, you must document and track supervisor hours properly. A sample Supervisor Certification form can also be requested from Commission staff. You may also use supervisor timesheets as documentation. You may NOT use member timesheets as a way to document supervisor time.

V. BUDGET CHANGES

In accordance with the Contract between the Hawai’i Commission for National and Community Service and the program, a program must obtain permission to modify the approved budget when cumulative budgetary line item changes exceed 10% of the total contract amount. This permission must be

obtained through the Hawai'i Commission for National and Community Service, and may require Corporation for National Service approval as well. Further, in accordance with the AmeriCorps Provisions, the grantee must obtain permission from the Corporation for National Service, via the Commission liaison, in order to modify the approved budget in any of the following ways:

- Reallocation of funds from the "Member Support Costs" category
- Specific costs requiring prior approval before incurrence under OMB A-21, OMB A-87, or OMB A-122
- Purchases of equipment over \$5,000 using grant funds, unless specified in the approved application and budget

Beyond specific budgetary changes, programs must obtain written approval from the Corporation for National Service via the Hawai'i Commission for National and Community Service before making any of the following modifications:

- Changes in the scope or specific goals and objectives of the program
- Changes in (or absences of) the program director and other designated personnel
- Changes in the level of member supervision
- Subgranting or contracting out any program activities (if not already approved in the original grant)
- Changes in the grant period

Again, all budgeted funds for Member Support Costs are directly related to the number of AmeriCorps members the program proposed to enroll. If that threshold of members is not obtained, or if members leave the program early, these funds may not be used to pay for other costs.

Grantees should not assume approvals have been granted unless documentation from the Hawai'i Commission for National and Community Service and the Corporation for National Service as applicable, has been received

VI. PAYMENTS

The Hawai'i Commission for National and Community Service issues a Contract to each approved program. Programs may not charge against the grant until a fully executed Contract (with all signatures from both the grantee and the University of Hawaii) has been issued. Except for the 1st month advance, the method of payment under the AmeriCorps grant is cost reimbursement with all contract costs charged to the approved budget categories specified in the total contract amount of the budget. If costs incurred are allowable and warranted, the Hawai'i Commission for National and Community Service will reimburse the program on a need basis. To receive payment, the program shall submit a Request for Reimbursement form or Cash Request (Form 300), which must include an authorized signature, to the Commission. Programs may request reimbursement at any time, but are encouraged to submit on a monthly basis. The Cash Reimbursement Form (Form 300) is available in paper format or can be e-mailed upon request; however, it cannot be electronically submitted as it requires an authorized original signature. A Cash Reimbursement Form will be provided by Commission staff. **To receive payment, corresponding monthly Periodic Expense Reports (PERs) must be submitted online via the OnCorps Reporting System and Federal Financial Reports (FFRs) must be completed each quarter also via the OnCorps Reporting System. Also, please keep documentation of all expenditures being charged to the Corporation as well as documentation of match (cash and in-kind). We will be reviewing these documents when we do site visits and monitor the program.**

Programs requiring advance payments may request funds based on actual and immediate cash needs in order to minimize cash on hand in accordance with policies established by the U.S. Department of the

Treasury in 31 C.F.R. 205. Advance payments are subject to financial management standards specified in OMB Circular A-102 and its implementing regulations (45 C.F.R. 2541) or A-110 and its implementing regulations (45 C.F.R. 2543), as applicable. In accordance with the Contract between the program and the Hawai'i Commission for National and Community Service, no more than one month's advance amount can be outstanding at the end of any two month period. Further, advance payments may be limited or eliminated at any time by the Hawai'i Commission for National and Community Service. Lastly, programs must deposit advance funds in federally-insured, interest-bearing accounts (with exceptions to this as noted in the AmeriCorps Provisions).

VII. MONITORING

The Hawai'i Commission for National and Community Service monitors program compliance and progress through a variety of meetings which include program director meetings, attendance at special events, on-going phone technical assistance, review of progress and financial reports, and formal and informal site visits. The monitoring philosophy of the Commission is to develop a level of mutual trust between the Commission and its programs so as to encourage programs to seek technical assistance from the Commission without feeling threatened by bureaucracy. While step-by-step compliance is part of program monitoring by both the Commission and the program, the Commission views program monitoring and evaluation as a means to enhance the continuous improvement processes of programs. The Commission engages in both formal, but more so, informal meetings and visits with programs and program staff in order to gauge needs, celebrate successes, and provide ongoing support to programs.

Site visits provide a valuable opportunity to accomplish a number of things, including: 1) to gather information beyond written reports (including the review of programmatic, member, and financial files); 2) to make sure the program is making progress toward goals; 3) to identify problem areas first-hand and identify opportunities for improvement; 4) to facilitate a partnership between the Commission and program staff to better understand each others' needs and address problems together in a supportive way; and 5) to celebrate success and achievements. Overall, site visits are meant to ensure success at the outset by forming effective partnerships. Programs are called by Commission staff to schedule a site visit. The Commission believes that site visit scheduling should be done in cooperation with sites and at a time that is convenient, rather than intrusive, to the operating of programs. The Commission takes a risk-based approach to formal monitoring of its AmeriCorps programs. Programs are categorized according to risk. The risk-based monitoring categories and approach, as well as the monitoring review instrument used by the Hawai'i Commission can be found on the [Resources page](#) of the Commission's website.

Performance monitoring is not optional on the part of the program. In accordance with both the AmeriCorps Provisions and the Contract between the Hawai'i Commission and the program, the program shall permit the Commission, the Corporation for National & Community Service, or any other duly authorized agent or governmental agency, to monitor all activities conducted by the program pursuant to the grant. Further, audits or inspections of a program's records can be done at any time during the term of the Contract and for a period of three (3) years following the termination or close of the grant.

In the event of non-performance on the part of the program, the Commission may exercise remedial actions should it find that a program substantially failed to satisfy or perform the duties and obligations outlined in the grant. Remedial actions may include: the withholding of payment; a request for the removal from work on the grant of employees who are determined to be incompetent, careless,

insubordinate, unsuitable, or otherwise unacceptable; denial of payment for services or obligations which have not been performed and which due to circumstances caused by the program cannot be performed or if performed would be of no value to the State; or termination of the grant. These terms can be found in the Contract between the University and the program.

VIII. AUDITS

Organizations that expend \$500,000 or more of total federal awards in a fiscal year are required to obtain a single audit for that year conducted by an independent auditor in accordance with the Single Audit Act, as amended, 31 U.S.C. 7501, et seq., and OMB Circular A-133. "Single audit" is a term to explain one audit process wherein the organization administering various federal grant programs is audited annually across all of the federal grants it receives. The single audit is required as a basic financial statement audit does not get to the kind of things the federal government is looking for, such as compliance issues (both programmatic and financial). A grantee that does not expend \$300,000 in a fiscal year in federal funds is exempt from the single audit requirements of OMB Circular A-133 but must conduct financial management reviews of its programs, and records must be available for review and audit. An A-133 requires: a financial statement audit of the organization; a preparation of a schedule of federal awards and expenditures; a test of internal management controls (procurement, payroll, eligibility, cost principles, monitoring, compliance, etc.); an opinion level assurance of the organization's ability; and typically uses a formula driven determination and risk assessment to cover only major programs. Thus, while an organization may undergo an A-133 audit annually, the AmeriCorps program may not be a major focus if it is not considered a major program under the formula.

In addition to required or voluntary audits, AmeriCorps programs need to be aware that under the authority of the Inspector General Act of 1978 (IG Act), as amended, the Office of the Inspector General (OIG) for the Corporation for National Service may conduct audits and investigations related to AmeriCorps programs and operations. A primary purpose of these activities is to detect and deter fraud, waste, abuse, or mismanagement of government funds. Audits by the OIG may be conducted by OIG staff auditors (employees of the federal government) or by auditors of audit firms under contract to perform audits for the OIG. Auditors are authorized by the IG Act to have full access to any grantee records, reports, or other materials necessary to conduct an audit. All audits conducted by the OIG are conducted in accordance with generally accepted government auditing standards. Investigations by the OIG may be conducted by special agents (investigators) who are duly authorized federal law enforcement officers or by other administrative investigators who specialize in noncriminal matters. OIG investigators are authorized by the Act to have full access to any records, reports, or other materials necessary to investigate allegations of fraud or abuse concerning their respective agency's programs and operation. OIG investigators are also authorized to take statements under oath.

During the past six years, OIG audits and "pre-audit surveys" of national service grantees have detected problems ranging from instances of noncompliance with grant provisions to failure to maintain adequate financial systems or management controls to properly administer the AmeriCorps grant funds. OIG findings include questioned costs in 66% of the grantees visited between 1995 and 1998, totaling \$6.2 million. Further, during this time period (1995-1998), the OIG found inadequate accounting systems and management controls for reporting grant expenditures in 56% of the grantees visited, found inaccurate and/or delinquent Financial Status Reports in over one-third of national service grantees visited, found inadequate records of staff and member time in 47% of grantees visited, found

unsupported or unmet match in over one-third of grantees visited, and a variety of other substantial findings. Several OIG investigations have resulted in criminal prosecution in federal courts.

IX. REPORTING REQUIREMENTS

Expenditure reports or Periodic Expense Reports (PERs) must be completed monthly using the OnCorps system. The Periodic Expense Report Form serves as a tracking mechanism for the grant as the grantee draws funds from each budget line item. The PER mimics the approved budget for each program and allows programs to enter expenses against both the grant and the match in each line item. The Program Officers and the Executive Director review the PER for each month before approving cash requests.

The Federal Financial Report (FFR) is a federal report (269A) that tracks the amount of money spent from both the grant and match. The Commission and University staff as well as the Corporation for National Service review these reports for accuracy. It is very important that this report accurately reflects both the match as well as grant funds. FFRs must be completed using the OnCorps system.

Program Director's must also submit Progress Reports due semi-annually using the OnCorps system.

In addition, programs must submit required programmatic reports and member forms, and must comply with requests for data or additional reports from the Hawai'i Commission for National and Community Service and/or the Corporation for National Service. This may include, but is not limited to, an annual estimate of unexpended funds in order to gauge funds available for the following year, an annual estimate of expenses to set up accounts payable for the close of the state fiscal year, and specific data, reports, or studies commissioned by the Hawai'i Commission for National and Community Service and/or the Corporation for National Service.

If for any reason you cannot submit any of these reports in a timely manner, please let our office know as missing these documents could result in withholding payment on cash requests.

X. CLOSE-OUT OF YOUR GRANT

Close-out of a grant must be completed at the end of a 3-year cycle. Staff will notify your Program as to when a close-out needs to be completed. The Hawai'i Commission for National and Community Service sub-grant closeout process includes two sets of procedures: requirements for closing out program activities and requirements for finalizing fiscal issues. Program closeout procedures include successfully documenting member service terms and program progress toward stated objectives.

Fiscal closeout procedures will include submission of final invoices within 60 days of grant termination date and submission of final FSRs within 90 days of the grant termination date.

The following steps are needed to complete the programmatic closeout of a sub-grant. We will reserve the right to withhold final payment on a program's outstanding invoices until we receive the following documents or have assurance that the program has performed the following procedures:

1. Verify that Exit Forms have been entered into eGrants for all AmeriCorps members.

2. Review all member files and submit the Member Grant Closeout form assuring the Commission that all required member documentation is in the member files. Remember, the file should include all time sheets documenting member service hours and end of term evaluations.
3. Submit a cover letter indicating that tasks 1 and 2 are completed including a statement indicating where the files will be stored and procedures indicating how documents can be retrieved by the Commission in the event of an audit of the program.