



# **Grantee's Financial Reference Guide For Managing CDC Grants & Cooperative Agreements**



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Dear Grantee:

It is my pleasure to introduce the Centers for Disease Control and Prevention's *Grantee's Financial Reference Guide for Managing CDC Grants and Cooperative Agreements*. As a CDC partner, you play an important role in helping the CDC achieve its mission of promoting health and improving quality of life. CDC's goals can only be realized when CDC and its partners work efficiently and cooperatively.

This Guide was developed to provide you with an effective tool for managing the business aspects of your Grant or Cooperative agreement. The Guide explains the financial processes in which you will be involved and provides references to enhance your understanding of the policies and requirements governing federal funding. We hope this Guide will aid you in successfully managing your grant or cooperative agreement.

The Guide is not intended to replace governing laws, statutes or regulations or the close relationship that should exist between you and your Grants Management Officer. Our grants management staff is always happy to help you with your funds management questions. It is our hope that the Guide will be another tool to help you determine your need and decipher the requirements.

As information changes, CDC will post updates to this Guide on the CDC intranet at <http://www.cdc.gov/od/pgo/funding/pubcommt.htm>. If you have suggestions for future revisions to the guide, please relay them to your Grants Management Officer at the Procurement and Grants Office.

Yours truly,



William P. Nichols, MPA

Director

Procurement and Grants Office

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## **Introduction**

This Reference Guide was written by the Centers for Disease Control and Prevention (CDC) Procurement and Grants Office (PGO) and is intended for use by grantees of grants and cooperative agreements from the CDC. This document serves as a reference guide to selected topics relating to the regulatory and procedural requirements that govern the CDC grants process. It does not replace established Federal policies or regulations governing the administration of grants and cooperative agreements.

The information contained herein is based on established policies and regulations that are current as of the date of publication. Grantees are responsible for being aware of and abiding by all applicable statutes, regulations, principles and policies; and for staying abreast of changes or issuances relating to the administration of grants and cooperative agreements. Grantees should read this guide in its entirety and periodically review the source documents cited in this Guide for changes and updates. We recommend that grantees visit the Notice to Grantees section of the CDC website at <http://www.cdc.gov/od/pgo/funding/pubcommt.htm> for announcements and updates to this Guide.

## Frequently Used Acronyms and Abbreviations

**ATSDR** – Agency for Toxic Substances and Disease Registry

**CDC** – Centers for Disease Control and Prevention

**CFDA** – Catalog of Federal Domestic Assistance

**CFR** – Code of Federal Regulations

**CIO** – Centers, Institute, and Offices of CDC/ATSDR as follows:

- ? **NCBDDD** – National Center on Birth Defects and Developmental Disabilities
- ? **NCCDPHP** – National Center for Chronic Disease Prevention and Health Promotion
- ? **NCEH** – National Center for Environmental Health
- ? **NCHS** – National Center for Health Statistics
- ? **NCHSTP** – National Center for HIV, STD, and TB Prevention
- ? **NCID** – National Center for Infectious Diseases
- ? **NCIPC** – National Center for Injury Prevention and Control
- ? **NIP** – National Immunization Program
- ? **NIOSH** – National Institute for Occupational Safety and Health
- ? **EPO** – Epidemiology Program Office
- ? **PHPPO** – Public Health Practice Program Office

**DCA** – Division of Cost Allocation

**FAR** – Federal Acquisition Regulations

**FSR** – Financial Status Report

**GAAP** – Generally Accepted Accounting Principles

**GMA** – Grants Management Assistant

**GMO** – Grants Management Officer

**GMS** – Grants Management Specialist

**GPD** – Grants Policy Directive

**HHS** – Department of Health and Human Services

**IRB** – Institutional Review Board

**NOA** – Notice of Award

**NIH** – National Institutes of Health

**OMB** – Office of Management and Budget

**PA** – Funding opportunity announcement

**PD** – Project Director

**PI** – Principal Investigator

**PGO** – Procurement and Grants Office

**PHS** – Public Health Service

**PMS** – Payment Management System

**PO** – Project Officer/Program Official

**RFA** – Request for Application

**SF** – Standard Form

**SPOC** – Single Point of Contract

## Definitions

**Allowable Cost** - a cost incurred by a recipient that is reasonable for the performance of the award; allocable; in conformance with any limitations or exclusions set forth in the Federal cost principles applicable to the recipient's organization or in the NOA; consistent with recipient policies and procedures; accorded consistent treatment; and determined in accordance with GAAP. See OMB Circulars A-21, A-87 and A-122, 45 CFR Part 74, Appendix E, and FAR 31.2.

**Application** - a request for financial support of a project/activity, submitted to CDC on specified forms and in accordance with instructions provided by the GMO/GMS/GMS.

**Appropriated Funds** - funds authorized by an act of Congress and signed by the President that provides authority to permit Federal agencies to incur obligations or to make payments out of the Treasury for specified purposes.

**Approved Budget** - the financial expenditure plan (as shown in the Notice of Award), including any revisions approved by CDC for the grant-supported project. The approved budget may consist of Federal grant funds and/or non-Federal funds.

**Award** - the provision of funds or direct assistance in lieu of funds based on an approved application and budget to provide general financial assistance to a recipient to carry out an activity or program.

**Budget Period** - the interval of time (usually 12 months) into which the project period is divided for budgetary and funding purposes.

**Carryover Balance** - unobligated funds from a previous funding period under a grant that are authorized for use to cover allowable costs in a current funding period.

**Closeout** - the process by which CDC determines whether all applicable administrative actions and all work required by the grant have been completed by the recipient and the awarding agency for a project.

**Cooperative Agreement** - an alternative assistance instrument that is used in lieu of a grant, where substantial Federal involvement is anticipated with the recipient during performance. The difference between grants and cooperative agreements is the degree of Federal programmatic involvement rather than the type of administrative requirements imposed.

**Direct Assistance** - a financial assistance mechanism whereby goods and services are provided to grantees in lieu of cash. Direct assistance generally involves the assignment of Federal personnel or the provision of equipment or supplies such as vaccines.

**Direct Cost** - any cost that can be identified specifically with a particular final cost objective (e.g., project, program).

**Disallowed Cost** - a proposed cost that is determined to be unallowable by the GMO/GMS.

**Equipment** - tangible nonexpendable personal property that has a useful life of more than 1 year and an acquisition cost of \$5,000 or more per unit. However, consistent with recipient policy, lower limits may be established.

**Financial Status Report** - a report of expenditures of the financial status of grants/cooperative agreements according to the official accounting records of the grantee organization. A standard Federal form, SF-269 (long form) or SF-269A (short form), used to monitor the financial progress of the grant/cooperative agreement and show the status of funds in non-construction programs. Both forms require data by grant/cooperative agreement budget period and information on total outlays (Federal share) and unobligated recipient balances.

**Grant** - a financial assistance mechanism whereby money and/or direct assistance are provided to carry out approved activities. A grant is used whenever the awarding office anticipates no substantial performance with the recipient during performance of the financially assisted activities.

**Grantee/Grant Recipient** - the organizational entity or individual to which a grant or cooperative agreement is awarded, and which is responsible and accountable for the use of the funds provided and for the performance of grant-supported activities.

**Grants Management Specialist** - a Federal staff member who oversees the business and other non-programmatic aspects of one or more grants and /or cooperative agreements. These activities include, but are not limited to, evaluating grant applications for administrative content and compliance with regulations and guidelines, negotiating grants, providing consultation and technical assistance to grantees, post-award administration, and closing out grants.

**Indirect Cost** - any cost that not directly identified with a single, final cost objective, but identified with two or more final cost objectives.

**Matching or Cost Sharing** - the value of allowable third party in-kind contributions and the allowable costs of a Federally-assisted project or program not borne by the Federal government.

**Monitoring** - a process whereby the programmatic and business management performance of a grant are continuously reviewed through the collection and assessment of information gathered from audit, financial, and progress reports; continuation applications; correspondence; grantee Board minutes; newspaper articles; site visits; and other sources. Monitoring also includes taking corrective action, as needed.

**Noncompeting Continuation** - CDC approval of additional time, not to exceed 12 months, to any budget period, including the final budget period, of a previously approved project period. The extension may be made with or without additional funds. Notice of extension must be made through the issuance of a revised NOA.

**Outlays or Expenditures** - charges made to the CDC sponsored program, which may be reported on a cash or accrual basis.

**Prior Approval** - the written permission provided by the CDC granting official before the recipient may deviate from the approved budget and program plans.

**Program** - a coherent assembly of plans, project activities, and supporting resources contained within an administrative framework, whose purpose is to implement an organization's mission or some specific program-related aspect of that mission.

**Progress Report** - a recipient report, which contains, for each grant/cooperative agreement, information on the comparison of actual accomplishments to objectives established for the period. In addition, where the output of the project can be quantified, a computation of the unit of output may be required.

**Project Period** - the total time for which support of a project has been approved. A project period may consist of one or more budget periods. The total project period comprises the original project period and any extensions.

**Redirection** - redirection of funds occurs when the grantee determines that a project can be improved if approved funds are moved from one budget category to another within the current budget period.

**Restricted Cost or Funding Restriction** - a cost for which additional information is needed or additional requirements must be met by the recipient prior to spending or engaging in any activity associated with that funding.

**Substantive Programmatic Work** - the primary project activities for which grant support is provided and/or a significant portion of the activities to be conducted under the grant.

**Suspension** - a temporary withdrawal of the grantee's authority to obligate grant funds pending corrective action by the grantee as specified by CDC or a decision by CDC to terminate the grant.

**Termination** - permanent withdrawal of a grantee's authority to obligate previously awarded grant funds before that authority would otherwise expire, including the voluntary relinquishment of that authority by the grantee.

**Terms of Award** - all legal requirements imposed on a grant by the Federal government, whether by statute, regulation, or terms in the grant award document. Each NOA may include both standard and special provisions that are considered necessary to attain the objectives of the grant, facilitate post-award administration of the grant, conserve grant funds, or otherwise protect the Federal government's interests.

**Unliquidated Obligation** - on a cash basis, this is the amount of obligations incurred by the recipient that has not been paid at the close of the budget period. On an accrued expenditure basis, it is the amount of obligations incurred by the recipient for which an outlay has not been recorded.

**Unobligated Balance** - that portion of the funds awarded by CDC that has not been obligated by the recipient at the close of the budget period.

## Selected Laws and Regulations Governing Federal Awards

Administrative regulations prescribe the legal parameters for grantees accepting a Federal government assistance instrument. By accepting a Federal Grant or Cooperative Agreement and then obtaining payments via that instrument from the Payment Management System (PMS), Grantees agree that they will adhere to all of the terms and conditions in the NOA and all applicable administrative regulations.

### Administrative Regulations

- ? Office of Management and Budget (OMB) Circulars provide instructions and/or information issued by OMB. OMB Circulars that govern the administration of grants and cooperative agreements are as follows:

**OMB Circular A-21** –establishes the cost principles for allowability of costs incurred by institutions of higher education under Federally-sponsored agreements.

**OMB Circular A-87** – establishes the cost principles for allowability of costs incurred by state, local and Federally-recognized Indian tribal governments under Federally-sponsored agreements.

**OMB Circular A-102** –establishes the administrative standards for grants (except for some block grants and entitlement grants) and cooperative agreements to state and local governments and Federally-recognized Indian tribal governments.

**OMB Circular A-110** –establishes the administrative standards for grants and cooperative agreements to institutions of higher education, hospitals and other non-profit organizations.

**OMB Circular A-122** –establishes the cost principles for allowability of costs incurred by nonprofit organizations under Federally-sponsored agreements.

**OMB Circular A-133** –establishes audit requirements for states, local governments, Indian Tribes, and non-profit organizations.

For a complete list of OMB Circulars, visit [www.OMB.gov](http://www.OMB.gov).

- ? [The Code of Federal Regulations](#) (CFR) is the codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government. [CFR Title 45](#) Department of Health and Human Services contains the Federal regulations applicable to HHS grants and cooperative agreements:

The CFR sections that govern the administration of grants and cooperative agreements are as follows:

**Title 45 CFR Part 74** – This part establishes uniform administrative requirements governing:

- (1) HHS grants, cooperative agreements, and subawards to institutions of higher education,

hospitals, other nonprofit organizations and only to commercial organizations in instances other than those involving procedures to make data available under the Freedom of Information Act; and (2) HHS grants, cooperative agreements, and subawards awarded to carry out entitlement programs.

**Title 45 CFR Part 92** – this part establishes uniform administrative requirements for Federal grants, cooperative agreements and subawards to state, local, and Indian tribal governments.

**Title 45 CFR Part 74, Appendix E** – this part establishes the cost principles for determining the allowability of costs applicable to research and development grants and cooperative agreements with hospitals.

### **Program Requirements**

- ? The terms and conditions binding upon grantees are contained in the NOA.

### **Other**

- ? **Federal Financial Assistance Management Improvement Act ([Public Law 106-107](#))**

The purpose of the Act is to improve the effectiveness and performance of Federal financial assistance programs. In addition, it is designed to simplify the application and reporting requirements for prospective grantees. The Act announces several initiatives, including:

- ? Standardized Funding Opportunity Announcement Formats
- ? Universal Identifier (DUNS) see below
- ? Central Contractor Registration (CCR) see below
- ? Electronic Application Capabilities
- ? Debarment and Suspension Regulations

### **Dun and Bradstreet (D&B) Universal Numbering System (DUNS)**

Beginning October 1, 2003, in order to receive a grant or cooperative agreement from the Federal government, applicants are required to provide a Dun and Bradstreet (DUNS) number. The DUNS number is a nine-digit identification number which uniquely identifies business entities. Obtaining a DUNS number is easy and is free of charge. A DUNS number is not required to submit a continuation application. To obtain a DUNS number, please visit <http://www.dunandbradstreet.com> or call 1-866-705-5711.

### **Central Contract Registration (CCR)**

When CDC funding opportunities are posted at [www.grants.gov](http://www.grants.gov), applicants will be able to apply for CDC funding opportunities online. An applicant will first need to register with CCR. When applicants register with CCR, they will be required to designate an E-Business Point of Contact.

This individual will become the sole authority of the organization with the capability of designating or revoking an individual's ability to submit grant applications on behalf of their organizations through Grants.gov.

This registration is important because CCR validates applicant information and electronically shares the secure and encrypted data with Federal agencies' finance offices to facilitate paperless payments through Electronic Fund Transfer (EFT). The CCR will store the applicant's information, allowing Grants.gov to use the information to verify the applicant's identity and to pre-fill organizational information on your grant applications.

Register with the CCR by calling the CCR Assistance Center at 1-888-227-2423 or by registering online at <http://www.ccr.gov>.

### **Grants.gov**

Grants.gov web-site is a "one stop shop" for all Federal grant and co-operative agreement funding opportunities. Grants.gov allows organizations to electronically find and apply for competitive grant opportunities from all Federal grant-making agencies. Grants.gov is THE single access point for over 900 grant programs offered by the 26 Federal grant-making agencies. The [US Department of Health and Human Services is proud](#) to be the managing partner for Grants.gov, an initiative that will have an unparalleled impact on the grant community.

Potential applicants need to be aware that in order to utilize the electronic application process, they must undergo a registration process. This one-time registration process is outlined on the Grants.gov website: <http://www.grants.gov/GetStarted>. Questions regarding the registration process should be directed via e-mail to [support@grants.gov](mailto:support@grants.gov) or call 1-800-518-4726.

## **The Awards Process**

### **Roles Responsibilities of CDC Staff Involved in the Grants Management Process**

**Grants Management Officer (GMO)** - the CDC PGO employee designated to serve as the CDC official responsible for the business management aspects of a particular grant(s) or cooperative agreement(s). The GMO serves as the counterpart to the business officer of the recipient organization. In this capacity, the GMO is responsible for all business management matters associated with the review, negotiation, award, and administration of grants and interprets grants administration policies and provisions. She/he works closely with the program or project officer who is responsible for the scientific, technical, and programmatic aspects of the grant.

**Grants Management Specialist (GMS)** - the CDC PGO employee who oversees the business and other non-programmatic aspects of one or more grants and/or cooperative agreements. These activities include, but are not limited to:

- ? Evaluating grant applications for administrative content and compliance with regulations and guidelines;
- ? Negotiating grants;
- ? Providing consultation and technical assistance to grantees;
- ? Post-award administration; and
- ? Closing out grants.

**Program Official/Project Officer (PO)** - the CDC employee designated as the official responsible for the programmatic, scientific, and/or technical aspects of CDC programs. He/she serves as the counterpart to the GMO/GMS who is responsible for all business management aspects of a grant approval.

### **The Notice of Award**

When an application is approved for funding, PGO will issue a Notice of Award (NOA) signed by the Grants Management Officer or his/her designee. The NOA is the official award document, signed by the GMO, or his/her designee, that:

1. Notifies the recipient of the award of a grant;
2. Contains or references all the terms and conditions of the grant, and Federal funding limits and obligations; and
3. Provides the documentary basis for recording the obligation of Federal funds in CDC's accounting system.

PGO will issue a revised NOA if an action occurs that results in a change in the amount of funds awarded, a change in the duration of support, or a change in the terms and conditions of the award. The terms of the award, contained in or referenced by the award document, are binding on the grantee unless a revised NOA is issued by PGO.

The NOA will include any additional requirements imposed by the CDC. (45 CFR 74.14)  
The CDC will remove additional requirements if the conditions that prompted them have been corrected.

## **Non Federal Sources of Funds—Matching and Cost Sharing**

Some programs require grantees to share in the cost of the project, or grantees may voluntarily share in the cost of the project. When required, the matching requirement is published in the funding opportunity announcement or continuation guidance, and will specifically state the percentage or amount of project costs that you must contribute in order to be eligible for funding.

Proposed budgets must include:

1. The specific costs or contributions that will meet the matching requirement;
2. The source of the cost or contribution; and
3. How the valuation was determined.

If the required match can not be met, grantees must contact the GMS immediately to determine its effect on the award.

### **Allowable Sources of matching or cost sharing**

Unless otherwise specified by statute or regulation, the source of matching or cost-sharing contributions may be:

1. A non-Federal source (e.g., State or local government, private non-profit foundation, private individual).
2. Program income if the NOA (or equivalent under mandatory grant programs) expressly permits or requires program income to be used for matching or cost sharing.
3. Federal funds awarded under other grants or contracts if the recipient is not required to account to the Federal government for their expenditure.
4. Unrecovered indirect costs, i.e., the difference between the amounts awarded for indirect costs and the amount that could have been awarded under the negotiated indirect cost rate. In this case, the recipient reduces its charge to the award for the indirect costs to which it would otherwise be entitled and the amount of the reduction qualifies as matching or cost sharing.

Generally, matching or cost-sharing requirements may **not** be met from the following sources:

1. Costs paid by another Federal award or subaward unless the authorizing Federal statute permits those costs to be used as matching or cost sharing. However, this limitation does not apply to fee or profit earned by a recipient or subrecipient from a contract awarded under another Federal assistance award.

2. Costs or contributions used to satisfy a matching or cost-sharing requirement on another Federal grant or procurement contract.
3. Costs or contributions of services or property financed by program income earned by contractors under a contract from the recipient or a subrecipient (apart from any fee or profit the contractor earns as a result of the contract), unless expressly authorized by the terms and conditions of the grant award.

### **Composition of costs**

Matching or cost sharing may be provided in the form of direct or indirect costs. As a result, if a category of cost, such as rent or executive salaries, is treated as an indirect cost for purposes of the organization's indirect cost rate, then contributions to a grant in these categories cannot be treated as a direct cost contribution.

1. The use of facilities or equipment already owned by a recipient may not be counted as a direct cost contribution where the cost or value of such use is reflected in the applicable indirect cost rate as depreciation or use charges.
2. Some third-party in-kind contributions are in the form of goods or services that would be considered indirect costs. Matching or cost-sharing credit for such contributions may be given only when payment for them would be an allowable cost if the party receiving the contributions (recipient, subrecipient, or cost-type contractor) were to pay for them and the recipient (or subrecipient or cost-type contractor) has established a special rate (in addition to its regular indirect cost rate) for allocating to individual projects or programs the value of such contributions.
3. If a recipient has established special or multiple indirect cost rates, the requirement for consistent classification of costs applies to the activities covered by each rate.

A third party in-kind contribution to a fixed-price contract under a grant, i.e., one in which the contractor is paid a previously agreed-on fixed amount regardless of the actual costs of the contract, may count toward satisfying a matching or cost-sharing requirement only if it results in:

1. An increase in the services or property provided under the contract (without additional cost to the recipient or subrecipient) or
2. A cost savings to the recipient or subrecipient.

Volunteer services may be furnished by professional or technical personnel, consultants, or other skilled or unskilled labor. Volunteer services may be counted as matching or cost sharing if they provide an integral and necessary part of an approved program or project and if payment for them would be an allowable cost if the party receiving the contributions (recipient, subrecipient, or cost-type contractor) were to pay for them and if the services furnished comply with the valuation of in-kind contributions section below.

## **Valuation of in-kind contributions**

Rates for volunteers must be consistent with established rates paid for similar work by the recipient or subrecipient. If the recipient or subrecipient does not have employees performing similar work, rates used must be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, a reasonable amount for fringe benefits may be included in the valuation.

When an employer other than the recipient, subrecipient, or cost-type contractor furnishes free of charge the services of an employee in the employee's normal line of work, these services shall be valued at the employee's regular rate of pay.

If a third party donates supplies, the contribution shall be valued at the market value of the supplies at the time of donation.

## **Valuation of third-party donated equipment, buildings, and land**

1. If a third party donates the use of equipment or space in a building but retains title, the contribution shall be valued at the fair rental rate of the equipment or space.
2. If a third party donates equipment, buildings, or land and title passes to a recipient or subrecipient, the treatment of the donated property depends upon the purpose of the grant or subgrant as follows:
  - a. If the purpose of the grant or subgrant is to assist the recipient in the acquisition of property, the market value of that property at the time of donation may be counted as matching or cost sharing.
  - b. If the purpose of the grant or subgrant is other than to assist in the acquisition of property, the following applies:
    - i. With GMO/GMS approval, the market value at the time of donation of the equipment or buildings and the fair rental rate of the land may be counted as matching or cost sharing. In the case of a subgrant, the terms of the grant award may require that the approval be obtained both from the GMO/GMS and from the recipient. In either case, approval may be given only if purchase of the equipment or rental of the land would be allowable as a direct cost. If any part of the donated property was acquired with Federal funds, only the non-Federal share of the property may be counted as matching or cost sharing.
    - ii. Unless GMO/GMS approval is obtained, no amount may be counted for donated land and only depreciation or use allowances may be counted for donated equipment and buildings. The depreciation or use allowances for such property are not treated as third party in-kind contributions. Instead, they are treated as costs incurred by the recipient or subrecipient. The allowances are computed and allocated (usually as indirect costs) in accordance with the cost principles in the same way as

depreciation or use allowances for purchased equipment and buildings. The amount of depreciation or use allowances for donated equipment and buildings is based on the property's market value at the time it was donated.

If a recipient or subrecipient donates real property for a construction or facilities acquisition project, the current market value of that property may be counted as matching or cost sharing. If any part of the donated property was acquired with Federal funds, only the non-Federal share of the property may be counted as matching or cost sharing.

Other in-kind contributions made by third parties for the specific benefit of the grant project or program may be accepted as matching or cost sharing provided that they are adequately supported and permissible under applicable law and regulations. Charges for such contributions must be fair, reasonable, and properly justified.

The costs borne by matching or cost sharing (including in-kind contributions) are subject to the rules governing allowability in 45 CFR 74.23 or 92.24. Those rules include allowability under the cost principles and other terms and conditions of the award, including any prior-approval requirements. Those rules also specify that Federal funds may not be used as matching or cost sharing for other Federal funds except as expressly provided in Federal statute.

Unless restricted by statute or regulation, matching or cost sharing may be provided as direct and/or indirect costs, consistent with the recipient's accounting system—and its usual method of charging for similar items—and any restrictions or limitations in the applicable cost principles.

Recipients may not use program income as a source of matching or cost sharing unless explicitly authorized in the NOA. All costs and contributions used to satisfy a matching or cost-sharing requirement must be documented by the recipient and are subject to audit.

If a recipient provides matching or cost sharing that exceeds that required by the NOA (or equivalent notification under mandatory grant programs), the excess amount is not subject to the requirements of 45 CFR Part 74 or 92 unless the amount is used to offset otherwise unallowable matching or cost-sharing amounts.

For additional information on matching or cost sharing, see Title 45 CFR Parts 74.23 and/or 92.24.

## **Financial Management Systems Requirements**

Grantees receiving Federal funds must use financial management systems that: will ensure Federal funds will be used appropriately; adequate documentation of transactions will be maintained; and assets will be safeguarded. The systems must satisfy these objectives by reporting financial results of grants, maintaining records on the source and use of grant funds, and safeguarding grant assets and funds. These systems must include accounting, property, procurement, and internal controls.

Financial management systems, policies, and procedures must meet the minimum requirements set forth in 45 CFR 92.20 for state, local, and Indian tribal governments, and 45 CFR 74.21 for Institutions of Higher Education, Hospitals, Other Nonprofit Organizations, and Commercial Organizations. There are no requirements for foreign organizations.

### **State, Local, and Tribal Governments**

The grant regulations at 45 CFR 92.20 contain separate requirements for financial management systems of state governments versus local and tribal governments. A state government system should account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds; and be sufficient to:

1. Prepare required reports; and
2. Trace funds to a level of expenditures adequate to establish that funds have not been used in violation of statutory restrictions.

Local and Indian Tribal Government systems should:

1. Provide for accurate, current, and complete disclosure of financial results of grant activities in accordance with applicable requirements;
2. Maintain accounting records which identify the source and use of grant funds to include awards, obligations, unobligated balances, assets, liabilities, expenditures, and income;
3. Maintain internal controls that account for grant cash, property, and assets, safeguard such, and assure that they are used solely for authorized purposes;
4. Compare actual expenditures with budgeted amounts, and relate financial information to performance;
5. Determine the reasonableness, allowability, and allocability of costs in accordance with cost principles, agency program regulations, and the terms of grant;
6. Support accounting records with source documentation; and

7. Manage cash balances to minimize the time elapsing between the transfer of funds and disbursement.

### **Institutions of Higher Education, Hospitals, Other Nonprofit Organizations, and Commercial Organizations**

Under grant regulations at 45CFR74.21, the financial management system of an Institution of Higher Education, Hospital, Other Nonprofit Organization, or Commercial Organization, should:

1. Provide for accurate, current and complete disclosure of financial results of each project or program;
2. Maintain accounting records which identify the source and use of grant funds to include awards, obligations, unobligated balances, assets, expenditures, income, and interest;
3. Maintain control over and accountability for grant funds, property and other assets, safeguard such, and assure that they are used solely for authorized purposes;
4. Compare outlays with budget amounts, and relate financial information to performance;
5. Provide for written procedures to minimize the time elapsing between the transfer of funds and disbursement;
6. Provide for written procedures to determine the reasonableness, allocability and allowability of costs in accordance with cost principles and award terms; and
7. Maintain accounting records, including cost accounting records that are supported by source documentation.

### **Requirements Incorporated by Reference**

The grant regulations at 45 CFR 92.20 and 45 CFR 74.21 incorporate by reference a host of other requirements that indirectly impact a grantee's financial management system. For example, a particular grantee's financial management system may need to:

1. Support the preparation of reports, such as: (a) the Financial Status Report, SF-269; (b) the Federal Cash Transactions Report, PSC- 272; (c) the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations, SF-SAC; (d) a budget presented in a grant application; or (e) an indirect cost rate proposal;
2. Provide evidence of compliance with statutory restrictions, such as, the Byrd Anti-Lobbying Amendment (45 CFR 93), and the Davis-Bacon Act;
3. Account for costs in accordance with cost principles, such as: (a) OMB Circular A-21, Educational Institutions; (b) OMB Circular A-87, State, Local, and Tribal Governments; (c) OMB Circular A-122, Nonprofit Institutions; (d) 45CFR74 Appendix E, Hospitals; or (e) 48CFR31.2, Commercial Organizations;

4. Pass audit requirements under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*;
5. Maintain advances of grant funds in interest bearing accounts, and remit excess interest to the government; or
6. Incorporate a certified Property Management or Procurement system.

The source of these requirements must be considered as program and administrative policies and the terms and conditions of individual awards supplement, rather than substitute for, governing statutory and regulatory requirements.

#### Common Areas of Noncompliance

Audits of grantees' financial management systems have identified common areas of noncompliance with Federal requirements. Those areas from most to least frequent are:

1. Allowable costs per cost principles;
2. Reporting;
3. Sub-recipient monitoring;
4. Special tests and provisions;
5. Cash management;
6. Eligibility;
7. Procurement;
8. Equipment and real property management;
9. Allowable activities;
10. Matching, level of effort, and earmarking;
11. Period of availability of funds;
12. Program income;
13. Davis-Bacon Act; and
14. Real property acquisition.

Audits identifying areas of noncompliance can result in cost disallowances which require grantees to return grant funds. Therefore, grantees should understand the importance of having adequate accounting documentation to support costs charged to Federal grants. Areas in which audit findings have resulted in questioned costs include:

1. Lack of time records to support salary costs charged to grants;
2. Lack of consulting agreements and invoices to support services related to the grant;
3. Indirect costs charged to the grant exceeded those allowed by the grantee's negotiated indirect cost rate agreement; and
4. Costs were unallowable in accordance with applicable cost principles.

## **Segregation of Activities**

A grantee's financial management system should be able to segregate activities and associated costs in order to demonstrate both compliance with grant performance goals and avoidance of prohibited types of activities or costs. Grants may contain performance goals that create a need for a breakdown of activities and costs at a level of detail below that of the overall grant. Likewise, grants may prohibit the use of grant funds to conduct certain types of activities or to pay for certain types of costs.

Grantees that conduct prohibited activities or incur prohibited costs should clearly segregate those activities and costs from allowable grant activities and costs. The distinctions between allowable grant activities and costs and non-grant activities and costs are sometimes not easy to make. For example, areas that might require careful review and documentation include: multiple activities performed under a single grant; a single activity sponsored by multiple funding sources; congressional lobbying versus legislative liaison; pre-award activities versus marketing activities; and entertainment versus business conferences or meetings. A helpful step is to involve the employees who incur such costs, in order to ensure that they clearly document and assign their time or effort and other costs to performed activities in sufficient detail to allow proper identification of those activities and costs.

## **Program Income**

45 CFR Part 92.95 states, “Grantees are encouraged to earn income to defray program costs. Program income means gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period . . . Program income includes income from fees for services performed, from the use or rental of real or personal property acquired with grant funds, from the sale of commodities or items fabricated under a grant agreement, and from payments of principal and interest on loans made with grant funds. Except as otherwise provided in regulations of the Federal agency, program income does not include interest on grant funds, rebates, credits, discounts, refunds, etc. and interest earned on any of them.” Grantees are accountable to CDC for certain kinds of program income in accordance with Title 45 CFR 24, and Title 45 CFR Part 92.25.

All general program income earned during the period of CDC grant support shall be retained by the recipient and shall be treated in accordance with one or a combination of the following options:

1. Deduction Alternative - Deducted from total allowable costs for the current period unless the terms of the NOA authorize deferral to a later period.
2. Matching Alternative - Used to satisfy all or part of a matching requirement.
3. Additional Costs Alternative - Used for costs that are in addition to the allowable costs of the project for any purposes to further the objectives of the legislation under which the grant was made.

Program income is required to be reported on the Financial Status Report (FSR).

## **Prior Approval of Expenditures Not Included in the Approved Budget**

The budget plan is the grantee's financial expression of the project or program as approved during the award process. It may include either the sum of the Federal and non-Federal shares, or only the Federal share, depending upon HHS awarding agency requirements, and or as stated in the NOA. It shall be related to performance for program evaluation purposes whenever appropriate. Grantees are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions, in accordance with Title 45 CFR 74.25. The primary reasons for prior-approval requirements are to:

1. Ensure that, for post-award changes, the project/program, as implemented by the recipient, retains a close connection with the project/program as approved by the CDC, and
2. Avoid inappropriate costs and possible audit disallowances.

Grantees shall obtain prior approvals from the GMO/GMS for any of the following:

1. Change in scope of work, Principal Investigator, Grantee Institution, Successor in Interest, or Recipient Institution Name;
2. Restrictions listed in the NOA- undertaking any activities disapproved or restricted as a condition of the award;
3. Transferring Substantive Programmatic Work to a third party;
4. Carryover of unobligated funds from one budget period to another within an approved project period;
5. Extensions of the budget/project period with or without additional funds;
6. Equipment purchase of \$25,000 or more;
7. Alternative use of salary support due to receipt of a research development award;
8. Alterations and renovations;
9. Audiovisual (AV) materials exceeding \$25,000 for a single AV product;
10. Transferring amounts previously awarded for trainee costs (e.g., stipends, tuitions, fees) to other categories;
11. Capital expenditures for land, buildings or real property;
12. Patient care cost (PCC) not previously approved by CDC and/or when a grantee desires to re-budget funds out of the PCC category;

13. Publication and printing cost exceeding \$25,000 for a single publication when not included in the original approved budget;
14. Consumer/provider board participation;
15. Pre-award costs incurred more than 90 days prior to the effective date of any new or competing continuation award – the incurrence of costs prior to the award of a grant imposes no obligation on the Federal government to make the award or increase the amount of the approved budget;
16. Need for additional funds;
17. Closely related work;
18. Indemnification against third parties;
19. Transfer of funds between construction and non-construction; and
20. Program Income.

Other prior approvals may be required by the terms and conditions of the award, specific program legislation, or regulation.

All requests that require prior approval must be initiated by the grantee; submitted in writing; bearing the signature of an authorized official of the **business office** of the grantee organization in addition to the principal investigator/project director; and submitted directly to the GMO/GMS. Failure to obtain prior approval when required may result in the disallowance of costs. Any requests not bearing dual signatures and/or referencing the cooperative agreement number may delay the request and may be returned to the recipient without action.

## SUMMARY OF PRIOR-APPROVAL REQUIREMENTS

Expenditure/activity	CDC prior approval is required for this expenditure/activity under the following circumstances	Unless
Alteration and renovation (A&R)	<p>Rebudgeting into A&amp;R costs in a single budget period that would exceed the lesser of \$150,000 (or higher amount established by an CDC in CDC policy) or 25 percent of the total approved budget for a budget period (direct and indirect costs).</p> <p>Any single A&amp;R project exceeding \$150,000 or higher ceiling established in CDC policy.</p> <p>Aggregate costs for A&amp;R projects that would exceed the lesser of \$150,000 (or higher amount established by the CDC in CDC policy) or 25 percent of the total costs reasonably expected to be awarded by the awarding office for a competitive segment.</p>	N/A
Capital expenditures (construction, land, or building acquisition)	All instances when purchase proposed; any proposal to convey, transfer, assign, mortgage, lease, or in any other manner encumber real property acquired with CDC grant funds.	N/A
Carryover of unobligated balances <sup>1</sup>	All instances	Provided as an expanded authority
Change in scope or objectives of the grant-supported activity	All instances.	N/A
Changes in status of Principal Investigator, Project Director, or other key personnel named on the NOA	<p>Replacement for PI/PD or PI's/PD's absence for any continuous period of 3 months or more; reduction of time devoted to project/program by 25 percent or more from level in approved application.</p> <p>Change in key personnel.</p>	N/A
Change of grantee organization	All instances.	N/A
Cost principles prior-approval requirements <sup>2</sup>	All instances as supplemented by HHS policy (e.g., A&R, and	Provided as an expanded authority (which does not include capital

<b>Expenditure/activity</b>	<b>CDC prior approval is required for this expenditure/activity under the following circumstances</b>	<b>Unless</b>
	equipment).	expenditures for land or buildings or indemnification against liabilities to third parties or any other loss or damage not compensated by insurance or otherwise) to recipients of non-construction grants under 45 CFR Part 74 and recipients of any type of grant under 45 CFR Part 92.
Deviation from award terms and conditions	All instances. Includes undertaking any activities disapproved or restricted as a condition of the award.	N/A
Equipment	General- and special-purpose equipment exceeding \$25,000 per unit if it would result in a change in scope.	N/A
Foreign component added to a grant to a domestic organization	All instances.	N/A
Indemnification of third parties	All instances.	N/A
Need for additional CDC funding <sup>3</sup>	All instances, including extension of a final budget period of a project period with additional funds.	N/A
No-cost extension	All instances.	Unless provided as an expanded authority for a one-time extension up to 12 months without a change in scope
Pre-award costs <sup>4</sup>	All instances.	Provided as an expanded authority for up to (and including) 90 days before effective date of the initial budget period of a new or competing continuation award, at recipient's own risk
Research patient care costs.	(1) For recipients under 45 CFR Part 74, when such costs were not part of the approved budget or a recipient wants to rebudget out of the approved research patient care category.  (2) For recipients under 45 CFR Part 92, all instances.	N/A

<b>Expenditure/activity</b>	<b>CDC prior approval is required for this expenditure/activity under the following circumstances</b>	<b>Unless</b>
Second no-cost extension or extension greater than 12 months <sup>5</sup>	All instances.	N/A
Significant re-budgeting	All instances.	N/A
Subawards	All instances.	Except the purchase of supplies, material, equipment or general support services
Transfer of funds between construction and non-construction work	All instances.	N/A
Transferring amounts for training allowances to other budget categories	All instances.	Provided as an expanded authority to recipients under 45 CFR Part 92
Transferring substantive programmatic work	<p>(1) For recipients under 45 CFR Part 74, all instances under non-construction grants that would result in a change in scope.</p> <p>(2) All instances under construction grants.</p> <p>(3) All other types of recipients under 45 CFR Part 92</p>	<p>(1) Provided as an expanded authority.</p> <p>(2) N/A</p> <p>(3) N/A</p>

## **Restrictive Use of Funds**

The following list of expenses is generally unallowable for reimbursement under a grant or cooperative agreement. Please refer to the cost principles (OMB Circular A-21, A-87, A-122, FAR 31.2, and Title 45 CFR Part 74, Appendix E) governing a grantee for more information.

- ? Alcoholic Beverages
- ? Bad Debts
- ? Contingencies
- ? Contributions or Donations
- ? Entertainment
- ? Fines and Penalties
- ? Goods or Services for Personal Use
- ? Goodwill
- ? Interest
- ? Lobbying (see “Lobbying Restrictions” section for details)
- ? Losses on Other Sponsored Agreements or Contracts
- ? Mischarging of costs
- ? Pre-award costs, unless prior approval is received
- ? Unreasonable costs

## List of Selected Items of Costs Contained in OMB Cost Principles Circulars

The following exhibit provides a listing of selected items of costs contained in each of the OMB cost principle circulars. The exhibit lists the selected items of costs along with a cursory description of its allowability. The reader is strongly cautioned not to rely exclusively on this summary exhibit but to place primary reliance on the referenced circular text.

Several cost items are unique to one type of entity and not to other entities (e.g., commencement and convocation costs are only applicable to universities). The numbers in parentheses refer to the cost item in the applicable circulars.

Selected Items of Costs			
Selected Cost Items	OMB Circular A-87, Attachment B State, Local, & Indian Tribal Gov't	OMB Circular A-21, Section J Educational Institutions	OMB Circular A-122, Attachment B Non Profit Organizations
Accounting	(1)-Allowable	Not specifically addressed	Not specifically addressed
Advertising & Public Relations	(2) – Allowable with restrictions	(1) – Allowable with restrictions	(1)-Allowable with restrictions
Advisory Councils	(3)-Allowable with restrictions	Not specifically addressed	Not specifically addressed
Alcoholic Beverages	(4)-Unallowable	(2)-Unallowable	(2)-Unallowable
Alumni/ae Activities	Not specifically addressed	(3)-Unallowable	Not specifically addressed
Audit Services	(5)-Allowable with restrictions <b>and</b> as addressed in OMB Circular A-133	Allowable with restrictions as addressed in OMB Circular A-133	Allowable with restrictions as addressed in OMB Circular A-1
Automatic Electronic Data Processing	(6)-Allowable with restrictions	Not specifically addressed	Not specifically addressed
Bad Debts	(7)-Unallowable unless provided in program regulations	(4)-Unallowable	(3)-Unallowable
Bonding Costs	(8)-Allowable	Not specifically addressed	(5)-Allowable with restrictions
Budgeting	(9)-Allowable	Not specifically addressed	Not specifically addressed
Civil Defense (local)	Not specifically addressed	(5)-Allowable with restrictions	Not specifically addressed
Commencement & Convocations	Not specifically addressed	(6)-Unallowable with exceptions	Not specifically addressed

Communications	(15)-Allowable	(7)-Allowable	(6)-Allowable
Compensation - Institution Furnished Automobile	Not specifically addressed	(8.g)- Unallowable that portion of costs attributed to personal use	(7.g)-Unallowable as overhead costs Unallowable that portion of costs attributed to personal use
Compensation for Personal Services	(11)-Unique criteria for support	(8)-Unique criteria for support	(7)-Unique criteria for support
Contingencies	(12)-Unallowable with qualifiers	(9)-Unallowable with qualifiers	(8)-Unallowable with qualifiers
Deans of Faculty and Graduate Schools	Not addressed	(10)-Allowable	Not addressed
Defense & Prosecution of Criminal & Civil Proceedings	(14)-Allowable with restrictions	(11)-Allowable with restrictions	(10)-Allowable with restrictions
Depreciation and Use Allowances	(15)-Allowable with specifications	(12)-Allowable with specifications	(11)-Allowable with specification
Disbursing Services	(16)-Allowable	Not specifically addressed	Not specifically addressed
Donations & Contributions	(13)-Unallowable	(13)-Unallowable with exception	(9,12)-Unallowable
Employee Morale, Health, and Welfare Costs	(17)-Allowable with restrictions	(14)-Allowable with restrictions	(13)-Allowable with restrictions
Entertainment	(18)-Unallowable	(15)-Unallowable	(14)-Unallowable with qualifier
Equipment and Other Capital Expenditures	(19)-Allowability based on specific requirements	(16)-Allowability based on specific requirements	(15)-Allowability based on specific requirements
Fines and Penalties	(20)-Unallowable with exception	(18)-Unallowable with exception	(16)-Unallowable with exception
Gains/Profits and Losses on Disposition of Depreciable Property and Other Capital Assets and Substantial Relocation of Federal Programs	(22)-Allowable with restrictions	(33)-Allowable with restrictions	(40)-Allowable with restrictions
General Government Expenses	(23)-Unallowable with exceptions	Not specifically addressed	Not specifically addressed
Goods or Services for Personal Use	Not specifically addressed	(19)-Unallowable	(18)-Unallowable

Housing & Personal Living Expenses	Not specifically addressed	(20)-Unallowable	(19)-Unallowable as overhead costs
Idle Facilities and Idle Capacity	(24)-Allowable with restrictions	Not specifically addressed	(20)-Facilities unallowable with exceptions; capacity allowable with restrictions
Insurance & Indemnification	(25)-Allowable with restrictions	(21)-Allowable with restrictions	(22)-Allowable with restrictions
Interest, Fund Raising, & Investment	(21,26)-Allowable with restrictions	(22)-Allowable with restrictions	(23)-Allowable with restrictions
Labor relations costs	Not specifically addressed	(23)-Allowable	(24)-Allowable
Lobbying/Executive Lobbying Costs	(27)-Unallowable (certain exceptions at State/Local level)	(17,24)-Unallowable	(21)-Unallowable
Losses on Other Sponsored Programs/Under recovery of Costs on Federal Agreements	(42)-Unallowable	(25)-Unallowable	(26)-Unallowable
Maintenance, Operations and Repairs	(28)-Allowable with restrictions	(26)-Allowable with restrictions	(27)-Allowable with restrictions
Materials and Supplies	(29)-Allowable	(27)-Allowable	(28)-Allowable
Meetings and Conferences	Not specifically addressed	Not specifically addressed	(29)-Allowable
Memberships, Subscriptions, & Professional Activities	(30)-Allowable for civic, community & social organizations with Federal Approval	(28)-Unallowable for civic, community & social organizations	(30)-Unallowable for civic, community & social organizations
Motor Pools	(31)-Allowable	Not specifically addressed	Not specifically addressed
Organizational Costs	Not specifically addressed	Not specifically addressed	(31)-Allowable with prior approval
Overtime, Extra-pay Shift, and Multi-shift Premiums	Not specifically addressed	Not specifically addressed	(32)-Allowable with prior approval of the awarding agency with exceptions for approval
Page Charges in Professional Journals	Not specifically addressed	Not specifically addressed	(33)-Allowable with restrictions
Participant Support Costs	Not specifically addressed	Not specifically addressed	(34)-Allowable with prior approval of the awarding agency
Patents	Not specifically addressed	(29)-Allowable with restrictions	(35)-Allowable with restrictions

Pension Plans	(11e)-Allowable with restrictions	(8f)-Allowable with restrictions	(7h)-Allowable with restrictions
Plant Security Costs	Not specifically addressed	(30)-Allowable with restrictions	(37)-Allowable with restrictions
Pre-Agreement/ Pre-award Costs	(32)-Allowable with restrictions	(31)-Unallowable unless approved by the sponsoring agency	(38)-Allowable with restrictions
Professional Services Costs	(33)-Allowable with restrictions	(32)-Allowable with restrictions	(39)-Allowable with restrictions
Proposal Costs	(34)-Allowable with restrictions	(34)-Allowable with restrictions	Not specifically addressed
Publication & Printing	(35)-Allowable	Not specifically addressed	(41)-Allowable with restrictions
Rearrangements and Alterations	(36)-Allowable (ordinary and normal); Allowable with prior approval (special)	(35)-Allowable (Ordinary and normal); Allowable with prior approval (special)	(42)-Allowable (Ordinary and normal); Allowable with prior approval (special)
Re-conversion Costs	(37)-Allowable with restrictions	(36)-Allowable with restrictions	(43)-Allowable with restrictions
Recruiting Costs	(2)-Allowable with restrictions	(37 [.b])-Allowable with restrictions	(44)-Allowable with restrictions
Relocation Costs	Not specifically addressed	(37.d)-Allowable with restrictions	(45)-Allowable with restrictions
Rental Cost of Buildings and Equipment	(38)-Allowable with restrictions	(38)-Allowable with restrictions	(46)-Allowable with restrictions
Royalties and Other Costs for Use of Patents	Not specifically addressed	(39)-Allowable with restrictions	(47)-Allowable with restrictions
Sabbatical Leave Costs	Not specifically addressed	(40)-Allowable with restrictions	Not specifically addressed
Scholarship and Student Aid Costs	Not specifically addressed	(41)-Allowable with restrictions	Not specifically addressed
Selling & Marketing	Not specifically addressed	(42)-Unallowable	(48)-Unallowable
Severance Pay	(11.g)-Allowable with restrictions	(43)-Allowable with restrictions	(49)-Allowable with restrictions
Specialized Services Facilities	Not specifically addressed	(44)-Allowable with restrictions	(50)-Allowable with restrictions

Student Activity Costs	Not specifically addressed	(45)-Unallowable unless specifically provided for in the sponsored agreements	Not specifically addressed
Substantial Relocation - Interest Provision	(26)-Possible adjustment if relocated within useful life	(22)-Possible adjustment if relocated within 20 years	(23)-Possible adjustment if relocated within 20 years
Taxes	(39)-Allowable with restrictions	(46)-Allowable with restrictions	(51)-Allowable with restrictions
Termination Costs	Not specifically addressed	(49)-Allowable with restrictions	(52)-Allowable with restrictions
Training and Education Costs	(40)-Allowable for employee development	(8.f)-Allowable	(53)-Allowable with limitations
Transportation Costs	Not specifically addressed	(47)-Allowable with restrictions	(54)-Allowable
Travel Costs	(41)-Allowable with restrictions	(48,50)-Allowable with restrictions	(55)-Allowable with restrictions
Trustees (travel expense)	Not specifically addressed	(50)-Allowable with restrictions	(56)-Allowable with restrictions
Under Recovery of Costs on Federal Agreements	(42)	(25)	(26)

## Reimbursement of Indirect Costs

Most organizations incur allowable costs which cannot be readily identified with an individual project or program. In these situations, the costs are allocated to the projects and programs as “indirect costs”. The end product of this allocation process is an indirect cost rate which is then applied to individual grant-supported projects to determine the amount of its indirect costs.

The establishment of an indirect cost rate is not necessary if the organization’s awards do not provide reimbursement for indirect costs. If the grantee incurs indirect costs but does not have a negotiated indirect cost rate, CDC will limit such reimbursement to 10% of salary cost for the first year of award only. For subsequent years, the grantee will need to obtain either a negotiated rate agreement or an approved Cost Allocation Plan from the HHS/Division of Cost Allocation (DCA). Information for obtaining negotiated indirect cost rates with nonprofit grantees can be obtained from the DCA at <http://rates.psc.gov/dcamgrs.htm>. Information for obtaining negotiated indirect cost rates with for-profit grantees can be obtained from the HHS/National Institutes of Health (NIH) at the following address:

Director  
Division of Financial Advisory Services, OAMP  
National Institutes of Health  
6100 Executive Boulevard, Room 6B05  
Bethesda, MD 20892-7540  
Telephone No.: (301)496-2444

CDC reimbursement for indirect costs is subject to the following provisions:

- ? Indirect costs under all training grants other than those awarded to State or Local government agencies will be reimbursed at 8% of total allowable direct costs exclusive of tuition and related fees and expenditures for equipment or at the actual indirect cost rates, whichever results in a lesser dollar amount;
- ? Indirect costs on Research (Career) Development Awards will be reimbursed at 8% of total allowable direct costs, exclusive of tuition and related fees and expenditures for equipment or at the actual indirect cost rates, whichever results in a lesser dollar amount;
- ? Indirect costs will not be paid on fellowships or similar awards where CDC funding is in the form of fixed amounts or the normal published tuition rates of an institution and for which the recipient is not required to account on an actual cost basis;
- ? Indirect costs will not be reimbursed on grants to individuals and foreign institutions;
- ? Indirect costs for conference support grants will not be allowed except in the most unusual circumstances and then only after negotiation between the recipient and the GMO/GMS;
- ? Grants on which indirect costs are limited or prohibited by law or regulation will be awarded in accordance with the legal or regulatory restrictions;

- ? When the grantee waives reimbursement of full indirect costs, either no indirect costs or only partial indirect costs will be awarded as appropriate;
- ? The total amount awarded by CDC shall be based on the most current indirect cost rate at the time of award and shall constitute a ceiling on the amount payable to the grantee for the grant;
- ? Grantees may re-budget between direct and indirect costs without CDC prior approval; and
- ? When a currently effective indirect cost rate is not available at the time of an award because the grantee was delinquent in the submission of its indirect cost proposal, the award shall not include funds for the reimbursement of indirect costs. If the grantee subsequently establishes a current effective rate, the GMO/GMS may exercise discretion to amend the award to provide an appropriate amount for indirect cost if the amendment can be made within the same Federal fiscal year in which the initial award was made.

## Subawards

The regulations contained in Title 45 Subtitle A of the Code of Federal Regulation apply to subawards made to third parties by recipients of HHS awards. (45 C.F.R. 74.5) Applicants generally should provide sufficient information about intended subaward activity in the application to allow CDC approval. Whether included in the application or as part of a post-award prior-approval request the applicant/recipient must include the following information:

1. A description of the activities or functions involved.
2. A justification for their performance by a third party.
3. A breakdown of and justification for the estimated costs, including the manner in which indirect costs, if any, will be reimbursed.
4. The method to be used to select the subaward and the type of contract/agreement expected to be awarded.
5. The kinds of entities to be solicited (if selection has already taken place, identify the organization and the reasons for selection).
6. CDC prior approval is required for a change in the approved application that would result in the transfer of substantive programmatic work to a third party by a subgrant, contract, or other agreement if:
  - a. The requirement to obtain CDC approval of subgranting, transferring, or contracting out of substantive programmatic work by recipients of non-construction grants under 45 CFR Part 74 has not been provided as an expanded authority.
  - b. The authority to approve subgranting, transferring, or contracting out of substantive programmatic work by recipients of non-construction grants under 45 CFR Part 74 has been provided as an expanded authority but the activity would result in a change in scope;
  - c. The recipient is a governmental entity subject to 45 CFR Part 92 under any type of grant; or
  - d. The grant is a construction grant and the recipient is subject to 45 CFR Part 74.
7. The transfer of substantive programmatic work is differentiated from acquisition of routine goods or services used in—or in support of—a project or program. Sometimes, because of the nature of a project/program, services that might otherwise be considered “routine” may be considered “substantive programmatic work.” The GMO/GMS should determine into which category a proposed activity falls, consulting with the PO as necessary.

8. Subgranting is allowable only if authorized by statute or regulation. For those programs where subgranting is authorized, the transfer of funds in that manner is integral to program design and, therefore, the grantee is expected to subgrant. The CDC generally does not have authority to review subgrants before or after award. However, if the authority to subgrant is not specified in the NOA, CDC prior approval is required to determine if there is statutory authority for the activity. See also AAGAM 5.01.101<sup>6</sup> in relation to mandatory grants.
9. If the program is intended as a “pass-through” program, prior approval for the transfer of substantive programmatic work generally is not required. A “pass-through” program is one where the recipient’s role is to select subawardees that are expected to provide the services that are the purpose of the grant, coordinating and overseeing their activities, and providing the administrative support needed to meet CDC requirements.
10. CDC prior approval for the transfer of substantive programmatic work to a third party by a subgrant, contract, or other agreement is intended to ensure that:
  - a. The proposed arrangement is consistent with applicable statutory authorities.
  - b. The recipient maintains an appropriate role in the project or program, i.e., the recipient maintains a substantive role in the project/program consistent with the approved application.
  - c. The contracting or transfer of funds is required for the efficient and effective accomplishment of grant objectives.
  - d. The recipient complies with applicable procurement requirements under 45 CFR Part 74 or 92.
  - e. Proposed costs are reasonable.
  - f. The business agreement between the parties is adequate to protect the CDC’s interests and to ensure performance accountability.
11. If prior approval is required, the CDC will review the proposed activities to be contracted or otherwise transferred, the cost of the contract or other agreement, proposed contractor or subrecipient, if known, and other circumstances of the contract or subaward.
12. CDC does not participate in selection of subawardees, specify a particular entity to receive a particular subaward, or review proposed subaward documents unless allowed by 45 CFR Part 74 or 92. If an applicant/recipient

submits a proposed contract/agreement, CDC review/approval does not constitute a legal endorsement by the CDC nor does such approval establish the CDC as a party to any of the contract/agreement provisions.

## **Lobbying Restrictions**

HHS grantees must be aware of restrictions on the use of HHS funds for lobbying of Federal or state legislative bodies. A Federal criminal statute provides that no part of money appropriated by Congress can be used directly or indirectly to pay for any personal service or thing intended to influence a Member of Congress, a jurisdiction, or an official of any government to favor or oppose any legislation, law, ratification, policy or appropriation unless directly authorized by Congress. The restrictions concerning actions intended to influence non-Federal government entities and expanding the statute to include laws, ratifications and policies was added in recent amendments to the statute.

In addition to this restriction, annual HHS appropriations acts routinely include a clause that states that no part of CDC appropriated funds shall be used directly or indirectly (other than for normal and recognized executive-legislative relationships) for publicity or propaganda purposes, for the preparation, distribution, or use of any kit, pamphlet, booklet, publication, radio, television, or video presentation designed to support or defeat legislation pending before the Congress or any State legislature, except in presentation to the Congress or any State legislature itself. This restriction also prohibits the use of any appropriated funds to pay the salary or expenses of any grant or contract recipient, or agent acting for such recipient, related to any activity designed to influence legislation or appropriations pending before the Congress or any State legislature. Another statute, 31 USC 1352, explicitly addresses grantees. That statute states that no funds appropriated by any Act may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with: (a) the awarding of any Federal contract; (b) the making of any Federal grant; (c) the making of any Federal loan; (d) the entering into of any cooperative agreement; or (e) the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

None of these restrictions prevent CDC grantees from engaging in any lobbying activity on their own personal time as long as they are not using any Federal (appropriated) funds to do so, and are not lobbying in their role as a Federally-funded grantee.

## **Progress/Performance Reports**

Grantees are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. Grantees are required to submit progress reports either annually, semi-annually, or quarterly. Annual reports are due 90 calendar days after the end of the budget period, and semi-annual and quarterly reports are due 30 days after the reporting period. The final performance reports, if required, are due 90 calendar days after the expiration or termination of the award. The NOA will stipulate the frequency of the report submission.

Progress reports should generally contain the following information:

- ? A comparison of actual accomplishments with the goals and objectives established for the period;
- ? Reasons why established goals were not met, if appropriate, and;
- ? Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

The original performance report, with a signed and dated cover letter which references the award on each copy of the report should be submitted to the GMS. A courtesy copy of the report may be sent to the PO. Both the GMS and PO will review the information contained in the Progress Report. The GMS will perform an analysis of the fiscal/business information in the report, and the PO will perform an analysis of the technical/programmatic information. The GMO/GMS must approve progress reports. Some of the factors considered in making a continuation award are: the results of the analysis, the availability of funds, and the best interest of the government. CDC may withhold an award due to delinquent reports, failure to show satisfactory progress, inadequate stewardship of Federal funds, or failure to meet the terms and conditions of the award.

Grantees shall immediately notify CDC of developments that have a significant impact on the award-supported activities and in the case of problems, delays, or adverse conditions which may materially impair the grantee's ability to meet the award objectives.

The notification shall include a statement of the action taken or contemplated, and any assistance needed to resolve the situation. CDC may make site visits, as needed.

## **Interim Progress Report and Non-Competing Continuation Applications**

The Interim Progress Report/Non-Competing Continuation Application is due to CDC from grantees no later than 90 days prior to the end of budget period. The information submitted by the grantee to CDC that will make up the grantee's non-competing continuation application consists of:

- ? Interim Progress Report - a report of progress from the beginning of the budget period through the date of the interim progress report.
- ? Detailed Line Item Budget to support the estimated funding amount for the new upcoming budget period, as requested in the Solicitation of Non Competing Continuation Notification letter received from PGO at least 45 days prior to the due date of the interim progress report.
- ? Any additional information or documentation requested in the Solicitation of Non Competing Continuation Notification letter received from PGO at least 45 days prior to the due date of the interim progress report.

The GMO/GMS and the PO will:

1. Review the interim progress report and all submitted attachments for completeness;
2. Provide an analysis of all submitted documentation with the PO reviewing the technical/programmatic portions and GMO/GMS reviewing the financial/business portions of the submittals;
3. Decide upon consensus if the continuation is awarded. This decision is based on the analysis of all documentation and facts, availability of funds, and if continuing the effort is in the best interest of the government; and
4. Sign a memo, which is retained in the grant file, documenting the analysis and decision made.

The Interim Progress report details the programmatic and fiscal activities conducted during the current budget period and documents the proposed activities and objectives for the upcoming new budget period. Current budget period activities are considered those activities initiated since the beginning of the current budget period to the date of the interim progress report. New budget period proposed activities are those activities proposed for the next budget period of the program. Submission of the completed Interim Progress Report and information requested in the Solicitation of Non-Competing Continuation Notification letter shall constitute the grantee's non-competing continuation application. This report is due 90 days prior to the end of the budget period reported. The Principal Investigator shall sign the Interim Progress report. The Principal Investigator and Business Office Official shall sign the accompanying detail budget and budget justification.

The Interim Progress report includes:

1. **Current Budget Period Activities Objectives:** For each objective, provide the status and a brief written discussion. The discussion must include:
  - (a) A description of lessons learned, barriers encountered, and how the barriers were addressed;
  - (b) The reasons why goals were not met; and
  - (c) Problems, delays, or adverse conditions which materially impair the ability to meet the objectives of the award and a statement of action taken or contemplated, and any assistance needed to resolve the situation.
  
2. **Current Budget Period Financial Progress:** Provide an estimate of the overall obligations for the current budget period.
  - (a) If unobligated funds are anticipated at the end of the current budget period based on the current rate of obligation, provide detailed actions to be taken to obligate the estimated unobligated amount before the end of the current budget period. If it is anticipated that the estimated unobligated amount will not be obligated by the end of the current budget period, the grantee must request that these unobligated funds be carried over to the new budget period if those unobligated funds are still required to support the program.
  - (b) If it is estimated that insufficient funding remains to support the project to the end of the current budget period, provide detailed justification of the shortfall and the anticipated or taken actions to bring the obligations in line with the authorized funding level, or request supplemental funds.
  
3. **New Budget Period Program Proposed Activity Objectives:** List proposed objectives for the upcoming budget period. These objectives must support the intent of the original funding opportunity announcement. Each objective must be time-phased, measurable, and have a performance or outcome measure by which the success of the objectives can be assessed. For each objective, list proposed activities that will be implemented to accomplish the objective. Provide a timeline for each objective accomplishment. Identify, justify, and explain the methodology for the implementation of any redirection of activities.
  
4. **Detailed Line-Item Budget and Justification:** Provide a detailed line-item budget and justification of the funding amount requested to support program activity for the upcoming budget period.
  
5. **Additional Information:** Updated assurances, IRB approvals, negotiated indirect cost rate agreements.

## The Financial Status Report (FSR)

All CDC grantees are required to submit a report of expenditures for each budget period. This information should be documented on the Standard Form 269, FSR. OMB Standard Form 269 can be found on the Internet (<http://granst1.nih.gov/grants/forms.htm>) and may be used to report expenditures. However, only outlays or expenditures for one budget period should be documented on each SF 269 submitted during the project period. **Forms containing cumulative amounts for the project are not acceptable and will be returned.** This information is to be submitted on an annual basis, and must be submitted no later than 90 days after the end of the budget period. Revisions to the FSR may be made up to 12 months from the due date of the original FSR. The report must cover any extension in time of the budget period authorized by the CDC awarding office.

Unobligated funds may be carried forward to the budget period immediately following the one in which the annual Financial Status Report (FSR) is due, if the unobligated balance is sizeable enough that current funds would remain unobligated. An estimated amount of unobligated funds for the current budget period should be reported in the interim progress report. This decision must be made by the GMO/GMS applying the “first-in-first-out” principle to the current funds. Current funds are funds already awarded for the budget period succeeding the period that is the source of the unobligated funds.

If an unobligated balance remains at the end of the budget period, the GMO/GMS, in conjunction with the PO, will determine the appropriate disposition of the unobligated balances. Depending on the outcome of the assessment, the GMO/GMS may:

- ? Withdraw the excess funds by issuing an amendment to the NOA for the current budget period; or
- ? Authorize some or all of the unobligated balance to be carried forward.

The carryover may be used as an:

- ? Offset (reduction) to new funding (e.g., the budget and activity for the budget period remains as previously approved); or
- ? Addition to the full level of previously approved funding (e.g., activities remaining from the prior budget are added to those of the current budget period and the budget is increased accordingly).

If there are restricted costs stated in your NOA for the current budget period, and the restriction has not been removed by the GMO/GMS, these costs should be included in the unobligated balance on the FSR.

## **Audit Requirements**

OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Institutions* establishes audit requirements for institutions of higher education and other nonprofit institutions receiving Federal awards. The main features of the circular are:

1. Non-Federal entities expending Federal awards of \$500,000 or more a year shall have a single audit or program-specific audit conducted for that year in accordance with the Circular. Effective for fiscal years ending after December 31, 2003, the audit threshold was increased to \$500,000.
2. The audits should be performed annually but not less frequently than every 2 years.
3. The audits must be on an organization wide basis and performed by an independent auditor in accordance with governmental auditing standards.
4. An audit performed in accordance with the Circular shall be in lieu of any financial audit required under individual Federal awards.

Grantees shall submit all audit reports and data collection forms within the earlier of 30 days after receipt of the auditor's report, or 13 months after the end of the audit period, to the Federal Audit Clearinghouse (FAC) at the following address:

U.S. Department of Commerce – Bureau of the Census  
Single Audit Clearinghouse  
1201 E. 10<sup>th</sup> Street  
Jefferson, IN 47132  
<http://harvester.census.gov/sac/>

No audit costs may be charged to Federal awards when audits have not been performed in accordance with the Circular. In cases of continued inability or unwillingness to have an A-133 audit conducted, CDC will take appropriate action using sanctions such as:

- ? Withholding a percentage of Federal awards until the audit is completed satisfactorily;
- ? Withholding or disallowing overhead costs;
- ? Suspending Federal awards until the audit is conducted; or
- ? Terminating the Federal award.

Grantees must follow a systematic method for ensuring timely and appropriate resolution of audit findings and recommendations. Grantees are usually allowed 30 days from the date of the request to respond to the responsible audit resolution official (Action Official) concerning audit findings. Failure to submit timely responses may result in cost disallowance or other actions by CDC or HHS. At the completion of the audit resolution process, the grantee will be notified of the Action Official's final decision. The grantee may appeal this decision through the Grants Appeal Procedures. Refunds owed to the Federal government as a result of audit disallowances must be made in accordance with instructions issued by the Action Official or CDC finance office.

## Methods of Payment

Funds awarded for CDC grants and cooperative agreements will be made to the Grantee through the Payment Management System (PMS). PMS is administered by the HHS Division of Payment Management, Program Support Center.

The PMS will forward: (1) the HHS Manual for Grantees Financed Under the Payment Management System (PMS); (2) the PMS-270 (Request for Advance and Reimbursement); (3) the PMS-272 (Status of Federal Cash) forms; (4) a contact person's name; and (5) instructions regarding direct deposit and other payment routes.

For U. S. Postal Service, the address is as follows:

Division of Payment Management  
FMS/PSC/HHS  
P.O. Box 6021  
Rockville, MD 20852

For all other carriers, the address is as follows:

Division of Payment Management  
FMS/PSC/HHS  
Rockwall Building #1, Suite 700  
11400 Rockville Pike  
Rockville, MD 20852

At CDC, grantees are placed on one of two methods of payment. These are direct payments (advances), and manual payments (advances or actuals). Grantees are generally placed on direct payments, however, under certain conditions; grantees are placed on manual payments.

Grantees placed on direct payments should request such directly from PMS. For those grantees placed on manual payments, the GMO/GMS will monitor, control and approve requests for payment. The PMS 270 forms, as well as correspondence related to payments must be forwarded to the GMS.

Submission of PMS 270 forms must be performed on a monthly basis, with a disbursement plan outlining anticipated or actual expenses by cost categories (see <http://www.dpm.psc.gov> for additional information). **Be sure to include the Award Number and the full name of the organization (no acronyms). On the cover letter, indicate the name and number of the person to be contacted if questions or issues need to be addressed.**

Requests for payments (advances) must be based on estimated Federal cash disbursements. Funds for contingencies (e.g., float or cushion position, excess cash) will not be approved.

A payment request for any period having ended is not considered an advance and the request must be made for ACTUAL EXPENSES incurred, which must be itemized in the disbursement plan format. Restricted funds as noted in the award must not be requested until a written amendment which rescinds the restriction(s) is issued by PGO, signed by the GMO/GMS, and received by the Recipient.

## **Closing Out the Grant/Cooperative Agreement**

As of the date of expiration or termination, grantees are precluded from incurring new obligations; however, they may seek payment for valid obligations incurred before that date. At least 60 days before the scheduled expiration date, the GMO/GMS will send a pre-closeout letter to the recipient indicating the CDC's expectations for closeout. Grants and Cooperative Agreements shall be closed out in accordance with Title 45 Part 74, Subpart D and Title 45 Part 92, Subpart D.

**Final Performance Report** - the narrative of your final progress report should include information to fulfill any specific reporting requirements in the notice of award, a summary statement of progress toward the achievement of the originally stated goals, and a list of the results considered significant (whether positive or negative). This report should be submitted no later than 90 days after the end of the project period. Revisions to the FSR may be made up to 12 months from the due date of the original FSR. An original and two copies should be sent to the GMO/GMS.

**Final FSR** - is to be submitted within 90 days after the end of the project period. The final report should not show any unliquidated obligations and must indicate the exact balance of unobligated funds. A cumulative FSR for the total project period is not acceptable and will be returned.

An original and two copies are required to be sent to the GMO/GMS. All excess funds reported on the FSR will be withdrawn from the award. Should that amount not agree with the final expenditures reported to the HHS, PMS, you will be required to update your reports to PMS accordingly.

If there are restricted costs stated in your notice of award and the restriction has not been removed by the GMO/GMS, these costs should be included in the unobligated balance on the FSR.

**Equipment** (See Title 45 Part 74.34) - When equipment acquired with CDC funds is no longer needed, the equipment may be used for other activities in accordance with the following standards:

- ? Equipment with a fair market value of \$5,000 or more, may be retained for other uses provided that compensation is made to CDC.
- ? If the equipment is no longer needed, recipient shall request disposition instructions from CDC/ GMO/GMS.

**NOTE: The purchase of equipment SHOULD NOT be made during the last six months of the project period without prior approval.**

CDC reserves the right to order the transfer of title to the Federal government or to a third party named by the CDC/ GMO/GMS. Such transfers are subject to the standards of 45 CFR 74 or 92.

**Record Retention** - All records pertaining to the activities performed under Programs shall be retained by the recipient for a period of three years in accordance with 45 CFR 74 or 92.

## **Websites for Accessing Grant Information**

FEDERAL REGISTER

<http://www.gpoaccess.gov/fr/index.html>

Title 45 CFR 92 – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS – A-102

[http://www.access.gpo.gov/nara/cfr/cfrhtml\\_00/Title\\_45/45cfr92\\_00.html](http://www.access.gpo.gov/nara/cfr/cfrhtml_00/Title_45/45cfr92_00.html)

Title 45 CFR 74 – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR AWARDS AND SUBAWARDS TO INSTITUTIONS OF HIGHTER EDUCATION, HOSPITALS, AND OTHER NONPROFIT ORGANIZATIONS, AND COMMERCIAL ORGANIZATION; AND CERTAIN GRANTS AND AGREEMENTS WITH STATES, LOCAL GOVERNMENTS AND INDIAN TRIBAL GOVERNMENTS – A-110

[http://www.access.gpo.gov/nara/cfr/cfrhtml\\_00/Title\\_45/45cfr74\\_00.html](http://www.access.gpo.gov/nara/cfr/cfrhtml_00/Title_45/45cfr74_00.html)

OMB CIRCULARS A-21, A-87, A-102, A-110, A-122, and A-133

<http://www.whitehouse.gov/omb/circulars/index.html>

CDC HOME PAGE

<http://www.cdc.gov>; [CDC Notices to Grantees](#)

GRANTS.GOV

<http://www.grants.gov>

HHS PAYMENT MANAGEMENT SYSTEM

<http://www.dpm.psc.gov>

FINANCIAL STATUS REPORT - Long Form

[http://grants1.nih.gov/grants/fsr\\_sf269\\_long.pdf](http://grants1.nih.gov/grants/fsr_sf269_long.pdf)

FINANCIAL STATUS REPORT - Short Form

[http://grants1.nih.gov/grants/fsr\\_sf269a\\_short.pdf](http://grants1.nih.gov/grants/fsr_sf269a_short.pdf)

HHS DIVISION OF COST ALLOCATION (DCA) – Establishing Indirect Cost Rate Agreements

<http://rates.psc.gov/dcamgrs.htm>

HHS GRANTS NET – How to Find Information About HHS Grants Programs

<http://www.hhs.gov/grantsnet/adminis/gpd/gpd301.htm>

FEDERAL AUDIT CLEARINGHOUSE – OMB Circular A-133 Audit Database

<http://harvester.census.gov/sac/>