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**Appraisal Subcommittee**  
*Federal Financial Institutions Examination Council*

**Appraisal  
Subcommittee**

December 2019

**Grants Handbook**

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## Frequently Used Acronyms

ASB.....	APPRAISAL STANDARDS BOARD
AQB .....	APPRAISER QUALIFICATIONS BOARD
BOT.....	APPRAISAL FOUNDATION BOARD OF TRUSTEES
CFDA.....	CATALOG OF FEDERAL DOMESTIC ASSISTANCE
FO .....	FUNDING OPPORTUNITIES
FFR .....	FEDERAL FINANCIAL REPORT
ICP .....	INDIRECT COST PROPOSAL
NOFA.....	NOTICE OF FUNDING AVAILABILITY
NGA.....	NOTICE OF GRANT AWARD
SAM.....	SYSTEM FOR AWARD MANAGEMENT
SWCAP.....	STATEWIDE COST ALLOCATION PLAN
TAF .....	THE APPRAISAL FOUNDATION
TAFAC .....	THE APPRAISAL FOUNDATION ADVISORY COUNCIL
USPAP.....	UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

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## **Chapter I – Introduction to Grantmaking at the ASC**

### **1.1 What is the purpose of the Appraisal Subcommittee (ASC) Grants Handbook?**

This Handbook is the official repository of the policies and procedures for the administration of grants made by the ASC as authorized by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI), § 1109 (b) (4) and (b) (5), 12 U.S.C. 3338, congressional appropriation and the ASC Board.

### **1.2 What distinguishes a Grant from a Contract Agreement?**

- A. Grant agreements are to be used as the legal instrument when the relationship between the federal government and a recipient has as its principal purpose the transfer of anything of value to the recipient to accomplish a public purpose of support or stimulation authorized by federal statute.
  - 1. A grant agreement is the preferred assistance instrument if the federal government will not be substantially involved with the recipient during the performance of the contemplated assistance activities. ASC awards both competitive and non-competitive grants depending upon the purpose and intended recipients of the funds.
  - 2. A cooperative agreement is a form of grant that is the preferred assistance instrument if the federal government will be substantially involved with the recipient during the planning, performance and evaluation of the activities supported by the grant.
- B. A procurement contract is used as the legal instrument reflecting a relationship between the federal government and a recipient when the principal purpose is the acquisition, by purchase or lease, of property or services for the direct benefit or use of the federal government.
  - 1. Any ASC grant announcement, public notice, solicitation, or request for applications or proposals will indicate whether the intended relationship will be procurement or assistance and which type of instrument(s) will be used: contract, grant or cooperative agreement. If the assistance is a grant, the application instructions will further stipulate who the eligible legal applicants are and whether it is a competitive or non-competitive grant.
  - 2. The ASC will make every effort to ensure its relationships conform with those specified in 31 U.S.C. §6301 - §6308, using procurement contracts and grant and cooperative agreements. If, however, major individual transactions or programs should contain elements of both procurement and assistance in such a way that they

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cannot be characterized as having a principal purpose of one or the other, guidance will be sought from the ASC's General Counsel.

### **1.3 Who are eligible recipients of ASC grants?**

Under Title XI § 1109 (b)(4) and (b)(5), 12 U.S.C. 3338, entities eligible for grant awards from the ASC are as follows:

- A. The fifty U.S. States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, and the United States Virgin Islands (hereinafter referred to as States) are eligible for ASC grants. The legal recipient in each State would be the State Appraiser Certifying and Licensing Agency (State Agency), subject to oversight by the ASC, and with jurisdiction for: (1) credentialing and supervising certified and licensed real estate appraisers eligible to perform appraisals for federally related transactions as defined in Title XI § 1121(4), 12 U.S.C. 3350; and/or (2) registering and supervising appraisal management companies (AMCs). (*See* Title XI § 1109 (b)(5), 12 U.S.C. 3338.)
- B. The Appraisal Foundation (TAF) to support grant eligible expenses of the Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB). (*See* Title XI § 1109 (b)(4), 12 U.S.C. 3338.)

### **1.4 Where does the ASC get funds for its grantmaking activities?**

The ASC funds its grant program from fees paid by appraisers and AMCs to be on the National Registry of Appraisers and the National Registry of AMCs, respectively, as authorized by Title XI § 1103(a)(3) and (a)(6), 12 U.S.C. § 3332(a)(3) and (a)(6). While the funds come directly from fees, the money is considered federally appropriated funds for the purposes of ASC's federal grants management practices.

### **1.5 Does the ASC follow Office of Management and Budget (OMB) guidance regarding the administration of federal grants?**

Since 1997, the ASC has required grant recipients to follow appropriate OMB guidance including: OMB Circular A-21 for colleges and universities, OMB Circular A-87 for State and local governments and Circular A-122 for other nonprofit organizations. Beginning in FY 2020 the ASC will adopt what OMB refers to as the 'super circular' which consolidates existing federal regulations, including discussion of awards processes, procurement rules, indirect costs, internal controls, time and effort documentation, and single audit procedures in 2 CFR Part 200.

### **1.6 How much grant money is available from the ASC annually?**

The ASC sets the annual funds the ASC will invest in grants each year, taking into consideration past multiple year awards and new grants the ASC is planning to make in the upcoming fiscal year.

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**1.7 What is the process for applying for grant funds?**

The ASC will publish a Notice of Funds Availability (NOFA) announcing details for each type of grant being contemplated. The NOFA will include all relevant information needed to submit a high-quality application to the ASC.

**1.8 Are the State Agencies that are eligible for funding required to request grant funds from the ASC?**

While grant money may be available to all 55 State Agencies, the law does not require a State Agency to request or use federal funds to carry out its activities.

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## **Chapter 2 - Grants to The Appraisal Foundation**

### **2.1 What is the purpose of this chapter?**

This chapter describes federal assistance provided to the Appraisal Foundation (TAF).

### **2.2 What is the Catalogue of Federal Domestic Assistance (CFDA) Number for TAF Grants?**

The ASC will request a CFDA number, if needed for this grant, in FY 2020.

### **2.3 For what purposes may TAF use grant funds?**

The ASC is authorized to grant funds to TAF under Title XI, § 1109(b)(4). The ASC may “make grants in such amounts as it deems appropriate to the Appraisal Foundation, to help defray those costs of the Foundation relating to the activities of its Appraisal Standards [ASB] and Appraiser Qualifications Boards [AQB].” Grants or cooperative agreements to support projects or activities distinct from the general support for the AQB/ASB activities are possible.

### **2.4 What types of grants/financial assistance are available to TAF?**

The ASC makes non-competitive awards to TAF to support the work of ASB and AQB. The awards may be in the form of a grant, cooperative agreement, contract or a combination of these forms of assistance, depending on the project or activity being supported. In addition, TAF may also serve as an intermediary organization, making sub-grants to eligible entities for ASC-approved activities.

### **2.5 How does TAF request a grant?**

The ASC will provide application instructions through a Notice of Funds Availability (NOFA) for each project or activity it intends to partner on with TAF. The application instructions include all the information needed to apply for and administer a grant from the ASC, including, but not limited to, the application deadline, scope of envisioned project or activities to be supported, amount of funds available, and expected outcomes, budget guidelines, and public policy adherence requirements. The application guidelines will also require TAF to include the following in its application:

- A. A business plan for each TAF Board describing the issues prioritized for each Board’s review and planned action during the upcoming fiscal year;
- B. The rationale for the priorities and the means by which those priorities will be addressed; and
- C. An overview of the most recent changes to the *Uniform Standards of Professional Appraisal Practice* (USPAP) promulgated by the ASB, and the *Real Property Appraiser Qualification Criteria* (Criteria) established by the AQB, describing what effect those changes have had on appraisers, users of appraisal services, or regulators.

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TAF will submit grant requests annually to the ASC for its consideration. The TAF budget period will be based on the ASC’s fiscal year which begins each year on October 1 and ends on September 30. TAF must submit its grant application to ASC by August 15 each year for the upcoming budget period.

**2.6 What are the total amounts available to TAF?**

The ASC sets the amount of funds available to TAF annually. The amount of funds available is dependent upon such factors as:

- A. Amount of funds in ASC grants budget;
- B. Other ASC commitments to on-going, multi-year grants;
- C. Activities and outcomes proposed by TAF in its grant proposal; and
- D. ASC priorities for a given year.

**2.7 What is the performance period for grants to TAF?**

Federal assistance (grants, cooperative agreements, contract) to TAF can be up to 5 years in length with budgets and performance plans submitted annually for approval by the ASC Board. The ASC Board may approve an “up to” amount of grant funds for the entire grant period, contingent upon annual grantee performance towards agreed-upon performance measures. TAF awards generally begin on October 1, the first day of the federal fiscal year. Awards made after October 1 can generally cover costs identified in the grant application back to October 1.

**2.8 What is the role of the ASC staff in the application and award process?**

Prior to ASC Board approval of an award, the ASC Grants Office is responsible for preparing the NOFA, reviewing applications and the budgets, requesting clarifications and revisions to the grant proposal prior to submission to the ASC Board, and making funding recommendations to the ASC Board. The ASC Board approval is contingent upon the ASC Grants Office certifying the proposal and budget meets all required federal regulations and ASC policies and procedures. The ASC Executive Director signs the award agreement allowing the project to begin.

As part of its review of each Foundation grant proposal, the ASC Grants Office will evaluate whether amounts requested are for “grant-eligible activities.” For ASB, AQB, or Board of Trustees (BOT) expenses to be considered related to “grant eligible activities,” they must meet the following requirements:

- A. Appraisal Standards Board
  - 1. Be related to the development, interpretation, amendment or advancement of the USPAP associated with federally related transactions, or special projects related thereto; and
  - 2. Included in the annual approved grant award budget.

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B. Appraiser Qualifications Board

1. Be related to the development, interpretation, amendment or advancement of the AQB Criteria or special project related thereto; or
2. Be related to the maintenance of the National Uniform Examination; and
3. Included in the annual approved grant award budget.

C. Board of Trustees

Be related to “grant eligible activities” of the ASB or AQB (*e.g.*, expenses associated with the Oversight Committee of the BOT may be eligible for reimbursement if directly related to oversight of the ASB or AQB).

In addition to the above criteria, the ASC will also evaluate whether the level of grant funding adequately maintains TAF’s financial condition, including being consistent with its operating standards for targeted reserves.

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## **Chapter 3 - Grants to State Appraiser Certifying and Licensing Agencies (State or State Agency)**

### **3.1 What is the purpose of this chapter?**

This chapter describes how the ASC Grants Office sets guidelines for and approves grants to States under Title XI § 1109 (b)(5), 12 U.S.C. 3338.

### **3.2 What is the Catalogue of Federal Domestic Assistance (CFDA) number for grants to State Agencies?**

Fiscal Year 2020 will be the first year grant funds will be available directly to State-eligible entities. CFDA numbers for these grants will be available prior to Notices of Funds Availability (NOFAs) being published by ASC.

### **3.3 Who are the eligible entities for these grant funds?**

By statute, grant funds may be awarded to the State Agencies. In total, there are 55 State Agencies eligible for a grant under this section – the fifty States plus Guam, United States Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico and the District of Columbia.

### **3.4 For what purposes may State Agencies use grant funds?**

The ASC makes awards to support the efforts of eligible State Agencies to comply with Title XI of FIRREA. The statute lists two areas of support:

- A. the complaint process, complaint investigations, and appraiser enforcement activities of such agencies; and
- B. the submission of data on State licensed and certified appraisers and AMCs to the National Registries, including information affirming that the appraiser or AMC meets the required qualification criteria and formal and informal disciplinary actions.

In addition to the statutorily defined activities, the ASC will use its authority to make grants that improve the State regulatory processes and advance the appraisal industry through grants that support high-quality, impact-oriented programming by State Agencies and partner organizations identified in their proposals. The ASC Board may periodically identify additional activities it will fund in support of meeting these goals.

### **3.5 What type of grants will be available to States?**

Beginning in Fiscal Year 2020, the ASC will make available two types of grants:

- A. Formula grants, which are non-competitive and available to all 55 eligible entities. Grants in this category will be available to support a pre-set list of eligible activities or purchases. To receive funds, States must meet quality standards, including measurable,

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outcome-based objectives. Formulas for designating how much funds a State grantee is eligible for will be set by the ASC Board and updated annually by January 1 of each year.

- B. Competitive grants, which will be used in cases where there is a limited availability of funds. Grants in this category are typically innovation or demonstration grants designed to advance the appraisal industry through a specific set of activities that are tested and written about as outcomes of the grant.

In both cases, the ASC will publish detailed application guidelines in a NOFA.

### **3.6 How do the State Agencies request a grant?**

The ASC will provide application instructions through a NOFA for each grant program it funds for State Agencies. The application instructions will include all information needed to apply for and administer a grant from the ASC, including, but not limited to, the application deadlines, scope of envisioned project or activities to be supported, amount of funds available, and expected outcomes, budget guidelines, and public policy adherence requirements.

### **3.7 How much money is available to States in this program?**

The amount of funds available for grantmaking is set by the ASC Board and is dependent upon such factors as: 1) the amount of funds the ASC receives from registry fees; 2) the funds available in the ASC grants budget; 3) ASC commitments to on-going, multi-year grants; and 4) ASC priorities for a given year. The ASC Board will determine amounts available each year and the priorities for use of the funds as part of the annual budget process.

### **3.8 For what period of time are the funds available for expenditure by the States?**

The grant period will be defined in the NOFA. Generally, ASC grants to States will be from 1 to 5 years in length, depending on the type of grant. If it is a multi-year award, renewal grants are subject to funds availability and adequate grantee progress towards agreed upon performance measures.

### **3.9 What is the role of the ASC staff in the application and award process?**

Prior to ASC Board approval of an award, the ASC Grants Office is responsible for preparing the NOFA, reviewing the application and the budget, requesting clarifications and revisions to the grant proposal prior to submission to the ASC Board, and making funding recommendations to the ASC Board. The ASC Board approval is contingent upon the ASC Grants Office certifying that the proposal and budget meet all required federal regulations and ASC policies and procedures. The ASC Executive Director signs the award agreement allowing the project to begin.

### **3.10 How will the ASC review the program narratives and budgets States submit to the ASC?**

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In general, State formula applications will be logged into the ASC system. Grant applications will be processed within 45 days of submission by the State. ASC Grants Office staff will review all applications for compliance with relevant federal standards and ASC policies and procedures. Generally, all proposals will be reviewed and scored by two ASC staff members, including a Policy Manager and a member of the Grants Office. Policy Managers may review and offer feedback to the ASC on submissions from their assigned States. Grants Office staff will review the budgets to ensure compliance with the Cost Principles under 2 CFR 200 and work with the State Agency to ensure systems are in place to manage the federal funds appropriately.

- A. Log receipt of State submission in the Grant Submission Tracker (Sheet 2, Plan) at [insert].
- B. Save the submission to the State folder on the shared drive at:  
**File Naming Convention for the Narrative:** [State Abbreviation]-Program Narrative  
**File Naming Convention for the Budget Form:** [State Abbreviation]-Budget Form
- C. Review the Program Narrative and Budget and complete the Staff Review Form.  
**File Naming Convention:** [State Abbreviation]- Review Form
- D. Update the tracking chart to reflect the completed review.
- E. Save the Review Form in the appropriate Grant folder in the State folder on SharePoint.  
**File Naming Convention:** [State Abbreviation]-ES Narrative Review Form
- F. Prepare a feedback letter to the State using the Grants Feedback Letter template found in the Grants file on SharePoint. Feedback letters generally detail areas of the proposal that must be made prior to an award being issued.  
**File Naming Convention:** [State Abbreviation]-Feedback-Program Narrative & Budget
- G. Scan signed letter, email it to the State, and save it to [link to State folder].  
**File Naming Convention:** [State Abbreviation]-Narrative Feedback Letter Signed
- H. Update the Grant Submission Tracker on SharePoint.

### 3.11 For what period of time are the funds available for expenditure by the States?

The grant period will be defined in the NOFA. Generally, ASC grants to States will be from 1 to 5 years in length, depending on the type of grant. If it is a multi-year award, renewal grants are subject to funds availability and adequate grantee progress towards agreed upon performance measures.

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## **Chapter 4 – Pre-Award Application and Review Processes**

### **4.1 What is the purpose of this chapter?**

This chapter sets out ASC policies and procedures for notifying potential grantees of funding opportunities (FO), instructing eligible entities on how to apply for funds and describing how ASC staff will review and approve grant applications and award grants.

In general, applicants will be required to submit a proposal to the ASC that must contain specific elements as directed in a Notice of Funds Availability (NOFA) published by the ASC and in any application instructions the ASC published in addition to the NOFA. Once the application has been reviewed and approved by ASC staff and the Board, a Notice of Grant Award will be issued, and applicants will be allowed to request disbursement of their funds.

### **4.2 How does the ASC determine what funds are available for grants?**

The amount of funding available for grants is determined annually by the ASC Board based on financial and budget data provided by the ASC Executive Director. The ASC Executive Director provides such information and recommendations for grant opportunities to the Board each year prior to the beginning of the new fiscal year. At the meeting, the Board will allocate funds to TAF and for formula and competitive grants to State Agencies, if available.

### **4.3 What does the ASC include in its NOFA and/or grant application and budget instructions?**

Grants Office staff will prepare the NOFA based on Board approval of FO. The NOFA will provide all the information TAF or the State Agencies need to complete and submit a grant application to ASC, including, but not limited to the following:

- A. Identification of eligible applicants
- B. Notification of the total funding amount and, if formula funds, the amount available to each eligible applicant
- C. Application deadlines
- D. Funding priorities and examples of eligible activities
- E. Parameters for the performance and budget periods
- F. Instructions on what to include in the program application
- G. Budget instructions and the form on which grantees will submit the budget
- H. Relevant certification and assurances applicants must provide related to compliance with other public policy and conduct requirements, e.g. compliance with the Civil Rights Act
- I. Notification of requirements to secure a Data Universal Numbering System (DUNS) and establish an account in the System of Award Management (SAM)
- J. An overview of the ASC review and approval process, including criteria for evaluating

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grant applications

- K. Notification of the federal regulations grantees are required to follow for federal grants as described in 2 CFR 200

#### **4.4 Where does the ASC find the sources for requirements of federal grants?**

Recipients of federal grant funds are subject to other applicable public laws and executive orders which provide the framework for the terms and conditions that apply to ASC grantees. Grants Office staff will determine which laws and executive orders apply to ASC grantees and will include those requirements in the NOFA and as terms and conditions for grants that get approved and awarded.

#### **4.5 How do State Agencies and TAF submit grant applications?**

Specific instructions, including required forms, format, application length, deadlines, and amount of funds available will be set forth in each NOFA published by the ASC.

FO announcements will also indicate the date and time by which applications must be submitted in order to be considered for funding. Applicants can submit applications either via email or via hard copy through available delivery services.

All applicants will need an active account in the SAM. The ASC will publish an online guide showing how to properly set up a SAM account.

The ASC will publish an annual calendar of anticipated application deadlines in the first quarter of each federal calendar year.

#### **4.6 How does the ASC track applications as they are submitted?**

The ASC Grants Office staff must log in the grant application and check for the required elements in the proposal.

#### **4.7 How does the ASC review and process grant applications?**

- A. Formula and Non-competitive Applications. In general, State Agency and TAF formula grant requests will be processed within 45 days of submission. States must have up-to-date accounts in the SAM and have submitted their Federal Financial Reports (FFRs) and performance reports for other grants before the ASC will process a new funding request.

Generally, all applications will be reviewed and scored by two ASC staff members, including a Policy Manager and a member of the Grants Office. Staff will review the applications using a standard form developed each year that evaluates each application based on the objectives for the funding described in the NOFA. The goal of the review is not to determine if the funds should be provided to the grantee, but to identify areas

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in which the State Agency or TAF may need support or assistance to meet the stated objectives. At a minimum, the review will include:

1. An analysis of the programmatic aspects of the proposal to meet the objectives set forth in the funding NOFA;
2. An analysis of the capacity of the State Agency to manage the activities; and
3. A review of the budget to determine if the costs are reasonable, allowable, and track to the costs associated with meeting the programmatic objectives.

B. Discretionary and Competitive Applications. The Grants Office may establish outside objective reviews for discretionary, competitive applications it receives. Such reviews will involve unbiased reviewers with expertise in the programmatic area for which applications are submitted. The review is intended to provide advice to the individuals responsible for making award decisions. The ASC will publish the criteria it will use to evaluate the applications in the NOFA. At a minimum, the criteria will include:

1. The degree to which the application describes activities that will meet the objectives of the funding;
2. The quality of the budget; and
3. The capacity of the applicant organization to manage the program and administer federal funds.

#### **4.8 Who approves grant applications?**

The ASC Executive Director has delegated authority to the ASC Grants Director to approve formula applications to the State Agencies. For the grant to TAF and any competitive grants, the ASC Board will approve the application based on analyses and funding recommendations provided by the ASC Executive Director in conjunction with the ASC Grants Director. After approval from the ASC Board, final award execution is contingent upon applicants meeting all budget and programmatic changes required by the Grants Office.

#### **4.9 What are the ASC Grant Office procedures for reviewing grant budgets?**

Applicants are required to prepare a detailed budget as part of the application consistent with instructions in the FO announcement and application instructions. That budget serves as the framework for funding under the grant. The Grants Office staff will review the budget and work with the applicant to revise it, if necessary, to ensure all costs are allowable under the grant, reasonable for the activities proposed, and allocable to the planned project. Grants Office staff will follow the standards set in the Cost Principles in 2 CFR 200 in reviewing and approving budgets. The budget, revised as needed, becomes part of the Notice of Grant Award and is binding on the grantee.

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#### **4.10 How does the ASC ensure that a grant applicant has the systems in place to manage federal funds?**

State Agencies and TAF are expected to have systems, policies, and procedures in place to manage federal grant funds and grant-supported activities. The ASC Grants Office is responsible for determining the adequacy of the applicant's financial and business management systems, including property management and procurement systems, that will support the expenditure of and accountability for grant funds if an award is made. To do so, the Grants Office will rely on review of audit reports from the organization and may, if warranted, request additional financial information from the applicant, including any management letter that may have been provided to the agency as part of the audit process.

If one of the potential grantees has never had federal funds before, the Grants Office may review the applicant's financial management and other management systems before award, or within a reasonable time after award, to determine their adequacy and acceptability. In these cases, the ASC may determine that additional technical assistance is needed and can provide such assistance through contract staff.

#### **4.11 What does the ASC include on Notices of Grant Award?**

The Notice of Grant Award is the legal document issued to the receiving organization that indicates an award has been made. It is binding on the grantee and references various other documents that govern the grant, including the approved budget and the Code of Federal Regulations. A Notice of Grant Award is typically issued for each budget period in the approved project period and provides pertinent information about the grant, including, but not limited to, the following:

- A. Name of the recipient organization
- B. Grant identification number
- C. Statutory authority for the award and any applicable program regulations
- D. Approved project period and budget period start and end dates
- E. Amount of federal funds authorized for obligation by the recipient
- F. Amount of matching or cost sharing (if applicable)
- G. Applicable terms and conditions of award, either by reference or inclusion

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## **Chapter 5 – Grantee Administrative Requirements**

### **5.1 What is the purpose of this chapter?**

This chapter identifies the ASC requirements and applicable federal guidelines for the financial administration of payments and grants found in the Code of Federal Regulations at 2 CFR 200.

### **5.2 What are the requirements for a financial management system to account for ASC funds?**

According to the federal guidance, States will use their own laws and procedures to account for federal funds, following the requirements set forth in 2 CFR § 200.302(a) Financial Management. All other recipients must meet the standards in 2 CFR § 200.302(b). Generally, accounting systems should provide the following:

- A. Accurate, current and complete disclosure of the financial results of each payment and grant;
- B. Records that identify adequately the source and application of funds for ASC-funded programs (these records shall contain information pertaining to the payment and grant amounts, authorizations, obligations, unobligated balances, assets, outlays, income and interest);
- C. Effective control over and accountability for all funds, property, and other assets (recipients shall adequately safeguard all such assets and assure that they are used solely for authorized purposes);
- D. Comparison of outlays with budget amounts for each award;
- E. Written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and to subgrantees from the primary recipient;
- F. Accounting records that are supported by source documentation; and
- G. Consistently applied policies and procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the applicable federal cost principles (2 CFR 200) and terms of the award.

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### **5.3 For what period of time must records be maintained?**

As qualified below, applicable payment and grant records shall be retained for three years starting on the day the recipient submits to the ASC its final expenditure report to close the program. Recipients may substitute paper records with electronic records.

- A. If any litigation, claim, negotiation, audit or other action involving the records is started before the expiration of the 3-year period, the records shall be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.
- B. The 3-year retention period for equipment records starts from the date of the disposition or replacement.
- C. Recipients must require contractors and subcontractors to retain pertinent records for three years after the recipient makes final payments and all other pending matters are closed.

The ASC and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any books, documents, papers or other records of the recipient or subgrantee which are pertinent to the ASC funds, in order to make audit, examination, excerpts and transcripts. The right of access shall not be limited to the 3-year retention period but shall last as long as the records are retained.

### **5.4 How are allowable costs determined?**

Allowable costs are determined in accordance with the federal cost principles found at 2 CFR § 200.403. Overall, to be allowable, costs must be:

- A. Necessary, reasonable and allocable to the work covered by the payment or grant
- B. Authorized or not prohibited under state or local laws or regulations
- C. In compliance with the limitations of federal laws, regulations and grant agreement
- D. Consistent with policies, regulations and procedures; that applies to both federally-funded activities and other activities of the non-federal entity
- E. Treated in conformance with generally acceptable accounting principles
- F. Not included in the cost of any other federally-funded activity
- G. Be net of applicable credits, such as purchase discounts
- H. Be adequately documented

### **5.5 Do any expenditures require prior approval by the Grants Office?**

Yes, all federally-funded capital expenditures which equal or exceed the lesser of capitalization level established by the non-federal entity or \$5,000 per unit must be approved by the Grants Office prior to purchase. See 2 CFR § 200.439, Equipment and other capital expenditures, for allowable and unallowable capital expenditures.

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All federally-funded alterations to real property, including remodeling of office space, must also be approved by the Grants Office prior to purchase.

Inclusion of any of allowable cost items in the submitted and approved grant award budget constitutes approval.

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## **Chapter 6 – Grantee Reporting Requirements**

### **6.1 What is the purpose of this chapter?**

This chapter establishes the requirements for recipients of ASC funds to report relevant financial and performance information to the ASC.

### **6.2 What are the requirements for reporting on ASC grants?**

#### **A. Types of Reports**

1. **Financial:** A semi-annual or annual report using the standard Federal Financial Report (FFR) which reports on cash on hand, grant funds expended, recipient share required and expended, and any program income earned and expended.
2. **Performance report:** A semi-annual or annual report describing accomplishment towards the objectives authorized under the grant and any obstacles and challenges in meeting the grant objectives.

#### **B. Frequency of Reports**

Reports may be due semi-annually or annually, depending on the grant program. The ASC will determine the reporting cycle when it informs the public of the FO in a Notice of Funding Availability (NOFA).

#### **C. Due Dates and Reporting Period**

Reports may cover six-month periods ending March 31 and September 30 of each year or twelve-month periods ending September 30 of each year. All reports are due 30 days after the end of the reporting period. Grantees will be informed of the reporting requirements and due dates in the Notice of Grant Award.

### **6.3 What must the reports cover?**

- A. **Financial Reports:** Financial reports are cumulative for the period of the grant and report on the federal and recipient share of the expenditures as well as any cash on hand and program income earned and expended under the grant. Data must come directly from the grant recipient financial system and are subject to audit by the ASC and its auditors. Grantees must follow generally accepted accounting procedures and requirements outlined in the Code of Federal Regulations at 2 CFR 200 in accounting for funds and reporting on expenditures on the FFR.
- B. **Performance Reports:** Grant recipients report on progress made during the reporting period towards the objectives described in the grant application and approved by the ASC under the grant. This report should also include a budget narrative that describes any

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transfers of funds between line items and gives brief spending updates by area of expenditure. The ASC Grants Office will update reporting instructions annually and provide them to grantees by March 31 and September 30 each year.

#### **6.4 How will ASC staff review the reports?**

- A. Financial Reports: The ASC Grants Office will track FFR due dates and follow-up with grantees that have not submitted the reports. The reports will be filed on the ASC system and the ASC Grants Office will complete the ASC FFR review form to determine if the grantee is generally expending funds as expected, if the current report reconciles to previous reports, and if the grantee is meeting any required recipient share. The review form notes any follow-up required and ASC Grants Office staff will follow-up with the grantee on any issues identified and corrections that need to be made to the FFR.
- B. Performance Reports: The ASC Grants Office will track performance report due dates and follow-up with grantees that have not submitted the reports. The reports will be filed on the ASC system and the ASC Grants Office will review the report and determine if the grantee is progressing adequately towards meeting the grant objectives. If the ASC Grants Office identifies any performance issues, staff will notify the grantee and work with them on corrective action.

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## **Chapter 7 – Guide to Audits**

### **7.1 What is the purpose of this chapter?**

This chapter establishes policies and responsibilities for audits or financial reviews of grants awarded by the ASC. It does not address audits required by the Single Audit Act as implemented by 2 CFR § 200 Subpart F- Audit Requirements.

### **7.2 Who performs ASC audits or reviews?**

The ASC Grants Director arranges for audits or reviews of grantee administration of ASC funds. Audits and reviews may be conducted by contractors or through arrangements with an Inspector General's office in another federal agency.

### **7.3 What authorities govern the ASC conduct of audits?**

ASC audits are conducted under the following authority:

2 CFR § 200.503 *Relation to other audit requirements*

Federal agencies may conduct or arrange for additional audits which are necessary to carry out its responsibilities under Federal statute or regulation

...

The provisions of this part do not limit the authority of Federal agencies to conduct, or arrange for the conduct of audits and evaluations of Federal awards.

### **7.4 What is the ASC's policy for audits of payments and grants?**

The ASC's policy for audits of grants is as follows:

- A. The ASC will audit or conduct reviews of a recipient's administration of ASC grants on the basis of an annual risk assessment conducted by the Grants Office.
- B. The ASC through federal Inspector Generals or other designated qualified entities may also conduct investigations of grant recipients which may be targeted reviews of a specific issue or issues and are usually less in scope than a full audit. Investigations generally arise from allegations of fraud, waste, abuse or management of ASC funds or other similar problems.

### **7.5 How are grant recipients selected for audit?**

The Grants Office will establish an annual audit plan based on risk analyses of grant recipients. Risk factors may include amounts of awards, time since the last audit, prior audit findings,

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recommendations or findings and resolutions under the Single Audit Act or other Federal audits, grantee performance, or other appropriate factors.

#### **7.6 What types of audits or reviews does the ASC conduct?**

The ASC generally conducts two types of audits or reviews. Depending upon the objective, they may cover either one or both types:

- A. Fiscal audits and reviews – The objective is to determine whether recipients expended grant funds in accordance with ASC requirements and federal grant requirements under the Code of Federal Regulations at 2 CFR and other relevant federal requirements.
- B. Performance measurement and reviews – The objective is to examine a program, function, operation or the management systems and procedures of a grantee to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources, and effective implementation of the grant.

#### **7.7 What is the process for conducting an audit and issuing the audit report?**

The process for conducting the audit and issuing the audit report is as follows:

- A. The designated auditor:
  - 1. Contacts the ASC grant recipient (auditee) and establishes the audit start date;
  - 2. Issues a letter to the auditee, with a copy to the ASC Grants Director, announcing the audit;
  - 3. Conducts the audit fieldwork;
  - 4. During the course of the audit, issues written notices of potential findings and recommendations to the auditee (copies of the notices are also provided to the ASC Grants Director);
  - 5. Issues a draft audit report to the auditee requesting written comments on the audit findings and recommendations within 30 days (a copy of the draft is also provided to the ASC Grants Director for review); and
  - 6. Issues the final audit report to the ASC Grants Director.
- B. The ASC Grants Director reviews the report and response and approves the audit report.

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## **7.8 What is the process for a grant review?**

A grant review will be much narrower in scope and shorter in duration, and may focus on system, fiscal and/or performance issues as identified by the ASC Grants Director. The review may be to ascertain grantee capabilities in the pre-grant award stage or part of a planned site visit review of grantees. The ASC Grants Director will define the scope and the reviewer will issue a report to the ASC Grants Director within two weeks of completing the review. Such reports will be provided to grantees if there are findings that need to be addressed.

## **7.9 Can potential audit findings be resolved while audit fieldwork is in process?**

During the course of the audit, the auditors will make every effort to give the grantee a chance to provide evidence that would forestall any potential findings and show that controls, transactions, etc., are as they should be. The auditors will provide the grantee/auditee with an opportunity to respond to findings as they appear in the draft report, including making an assertion that corrective action was completed during the audit. Under generally accepted government auditing standards, the auditors evaluate the validity of the grantee's comments and may modify the report if they find the comments are valid and supported with sufficient, appropriate evidence. Modification may include correction of factual errors or, if appropriate, recognition of corrective actions. However, findings or issues that existed at the time the audit was performed are included in the final report, even if they are resolved or corrected prior to the conclusion of the audit.

## **7.10 Who is responsible for administering the ASC audit program?**

Responsibility for administering the ASC audit program is as follows:

- A. The Grants Office contracts for and oversees the performance of audits by independent public accounting firms or by agreement with another federal agency for assistance from its Inspector General. The Grants Office also tracks the status and resolution of audit recommendations and assesses ASC decisions to resolve audit findings.
- B. The ASC Grants Director prepares the Management Decision on all audit findings for signature by the ASC Executive Director. The ASC Grants Director:
  1. Reviews all audits and audit responses and prepares ASC's decisions for resolving audit findings and recommendations;
  2. Maintains the audit file which includes notices of potential findings and recommendations issued to the recipients, the audit report, responses from the grantee that was audited, ASC audit resolution reports, and appeal decisions; and
  3. Tracks the status of audits and the implementation of audit recommendations.

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- C. The ASC Executive Director transmits the Management Decision to the grantee under audit.
  - D. The ASC Grants Director ensures the auditee completes all corrective action required in the Management Decision.
  - E. The ASC Grants Director tracks any appeals filed by the auditee and provides information as needed to the ASC Executive Director and the ASC Board to make decisions about any appeals.
  - F. The ASC Board makes the final determination on recipient appeals of Management Decisions to resolve the audit findings.

#### **7.11 What is the process for resolving audit reports and findings?**

The formal resolution process starts after issuance of the final audit report to the ASC:

- A. The ASC Grants Director reviews the final report and the recipient response and prepares the Management Decision.
- B. The Management Decision presents a summary of each unresolved finding, recipient response, and actions that must be taken to resolve the finding.
- C. The ASC Executive Director issues the Management Decision within 6 months of the final audit report to the recipient with a copy to the ASC Grants Director. The Management Decision will also notify the auditee of its right to appeal the Management Decision (s) to the ASC Board. The ASC will send the Management Decision via certified mail and post the report on the ASC website along with the grantee's response to the draft audit findings.
- D. If the grantee disagrees with the Management Decision, the grantee has 30 days to appeal the decision. The appeal must be made in writing to the Chair of the ASC Board. Within 30 days of receiving the appeal, the Board may request additional information relating to the matters under appeal from the ASC Executive Director. The Board will render a final and binding decision on the appeal no later than 60 days following the receipt of the appeal or the receipt of any requested additional information. If the grantee does not file an appeal, the Management Decision will become final and binding 30 days after the Management Decision is issued.
- E. The ASC Grants Director tracks the status of implementation of the actions necessary to resolve the recommendations.
- F. An audit is closed when all corrective action has been completed.

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**7.12 How does ASC track the status of audits, recommendations, and information due from recipients?**

The ASC Grants Director tracks the status of audits through the use of an electronic Excel spreadsheet referred to as the Audit Tracking Log and stored on the ASC network. The Audit Tracking Log contains the following information:

- A. Name of the Grantee
- B. Date of Final Report
- C. Audit Assignment Number
- D. Date Management Decision is due and the date the Management Decision is complete
- E. Date the grantee response to the Management Decision is due and the date the response is received
- F. Date the ASC receives an appeal of the Management Decision from the auditee, if the auditee appeals the decision
- G. Date of Appeal Decision
- H. Date grantee completes the actions required in the Management Decision
- I. Amount of questioned costs and amount disallowed in the Management Decision
- J. Amount of disallowed costs recovered
- K. Date final action is complete on the audit

**7.13 Does the ASC provide technical support to help grantees either prepare for or respond to an audit?**

The ASC has technical assistance consultants under contract that can help grantees prepare for an audit or review by spot checking systems, internal controls and other relevant information and making suggestions to address any potential issues prior to the commencement or completion of an audit. Technical assistance may also include follow-up in assuring adequate implementation of final resolutions cited in the Management Decisions.

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## **Chapter 8 – Resolution of Single Audits Reports**

### **8.1 What is the purpose of this chapter?**

This chapter describes ASC procedures for resolving findings in Single Audit reports that impact ASC funds.

### **8.2 What are Single Audit reports?**

The Single Audit Act of 1984, as amended (31 U.S.C. § Chapter 75), requires recipients of federal financial assistance that expend more than \$750,000 of the assistance in any year to obtain an organization-wide audit following specific procedures designed to determine appropriate accounting for federal funds. The results of these audits are presented in reports referred to as Single Audits. Key audit requirements are as follows:

- A. The audit is arranged for and issued by the recipient. The cost of the audit is an allowable cost to federal contracts and grants.
- B. The audit must be conducted in accordance with Generally Accepted Government Auditing Standards and cover the organization's financial statements and schedule of federal awards.
- C. The auditor must determine whether the financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles and whether the schedule of federal assistance is presented fairly in relation to the financial statements and schedule of federal awards.
- D. The audit report must contain:
  1. An opinion on the financial statements;
  2. A report on internal controls related to the financial statements and schedule of federal awards;
  3. A report on compliance with laws, regulations, and the provisions of contracts and grant agreements; noncompliance which could have a material effect on the financial statements;
  4. An opinion as to whether the auditee complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major federal program, and where applicable, refer to a separate schedule of findings and questions costs; and

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5. A schedule of findings and questioned costs.
  - E. The audit should be completed within nine months after the close of the organization's fiscal period.
  - F. Recipients send electronic copies of their Single Audits to the Federal Audit Clearinghouse where they are made available to federal agencies and Inspectors General.

### **8.3 Who is responsible for administering the Single Audit resolution program?**

The Grants Office is responsible for administering the ASC Single Audit program as follows:

- A. Review and Identification of Findings
  1. Screens the Federal Audit Clearinghouse on a regular basis to identify Single Audits that contain findings impacting ASC-funded programs;
  2. Prepares reports that identify each finding in the audit report that applies to an ASC grant, the associated recommendation, and the auditee's response to the finding; and
  3. Determines if the auditee's response adequately addresses the finding or follow-up by the ASC is required.
- B. Resolution of Findings
  1. Reviews all Single Audit findings and audit responses and makes the Management Decision on how to resolve any findings and recommendations not appropriately addressed in the auditee's response to the report;
  2. Maintains the audit file which includes the audit report, responses from the States or grantees, ASC audit resolution decisions, and any appeal decisions; and
  3. Transmits a Management Decision to the grantee for any finding not addressed in the Single Audit report.
- C. Appeals of Management Decisions
  1. Informs the ASC Executive Director of any recipient appeals of Management Decisions related to Single Audit findings; and
  2. Prepares recommendations for the ASC Executive Director related to the appeal.

### **8.4 What is the process for resolving audit reports and findings?**

- A. The Grants Office reviews the audit report and the recipient response and prepares the Management Decision on all unresolved findings that affect ASC grants.

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- B. The Management Decision presents a summary of each unresolved finding and actions that must be taken to resolve the finding.
  - C. The ASC Executive Director issues the Management Decision to the recipient and requests a written response within 30 days. The Management Decision will also notify the recipient of its right to appeal the Management Decision. The Management Decision will be sent via certified mail to the auditee.
  - D. The auditee has 30 days to appeal the Management Decision. The appeal must be made in writing to the ASC Executive Director of the ASC. Within 30 days of receiving the appeal, the ASC Executive Director may request additional information related to the matters under appeal. The information will be provided to the ASC Board, which will render a final and binding decision on the appeal no later than 60 days following the receipt of the appeal or the receipt of any requested additional information. If the auditee does not file an appeal, this decision will become final and binding at the expiration of the appeal period.
  - E. The ASC Grants Director tracks the status of implementation of the actions necessary to resolve the recommendations.
  - F. An audit is closed when all corrective action has been completed.

### **8.5 How does the ASC track the status of audits, recommendations, and information due from recipients?**

The ASC Grants Director tracks the status of the Single Audits using the same system that is used to track ASC audits. (See Chapter 7.10.)

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## **Chapter 9 – Indirect Cost Rates**

### **9.1 What is the purpose of this chapter?**

This chapter prescribes ASC policy and procedures for establishing indirect cost rates and recovering them by grant recipients.

### **9.2 What are indirect costs?**

Indirect costs are costs incurred by an organization that are not readily identifiable with a particular project or program but are necessary for the operation of the organization and the performance of its programs. The cost of centralized accounting and data processing, executive direction, and administrative salaries are examples of costs that are usually treated as indirect costs.

In theory, all costs could be charged directly. However, the costs of keeping records to identify all such costs as direct are not practical. They are, therefore, grouped into a common pool and distributed to the organization's programs through a cost allocation process. The end product of this allocation process is an indirect cost rate which is then applied to individual ASC payment and grant programs to determine the amount of indirect costs chargeable to the programs.

It is the policy of the ASC that recipients of ASC funds must have an approved indirect cost rate to recover indirect costs or be approved by the ASC to use a de minimus 10% rate. The option to use a 10% rate is at the discretion of the ASC and is only available to agencies that have never had a federally negotiated rate or that spend under \$35 million in federal funds annually. To obtain an indirect cost rate, recipient organizations must submit indirect cost proposals (ICPs) to the cognizant federal agency for approval. The cognizant federal agency for approving the indirect cost rate for the Appraisal Foundation is the ASC. The ASC will determine the cognizant federal agency for individual States on a case-by-case basis.

### **9.3 Who negotiates indirect cost rates on behalf of the ASC?**

The ASC has an agreement with the U.S. Department of Health and Human Services (HHS) to process requests from ASC grantees to negotiate indirect cost rates. However, the ASC Executive Director, or designee, is ultimately responsible for processing, negotiating, entering into agreements, making determinations and setting policies on ICPs consistent with the requirements of 2 CFR 200 and other applicable laws or regulations. All ASC policies must ensure ICPs are expeditiously processed and Indirect Cost Negotiation Agreements are expeditiously executed.

### **9.4 What are the requirements for an indirect cost proposal?**

Guidance for the preparation of an ICP is provided in 2 CFR 200. Copies of the guides for

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developing indirect cost rates can be found at the following address:

<http://rates.psc.gov/fms/dca/orgmenu.html>

#### **9.5 What are the procedures for submitting an ICP to ASC?**

- A. A grantee that does not have an indirect cost rate must submit its initial ICP to the ASC. The ICP will be used to establish a rate to permit funding of indirect costs under the ASC grant. The ICP should normally be based on the organization's actual costs for its most recently completed fiscal year. However, if the organization is expecting a significant change to its organization and/or funding, the ICP may be based on projected costs for that year.
- B. Organizations that have previously established indirect cost rates with the ASC must submit a new ICP within 6 months after the close of each fiscal year.
- C. A complete ICP should include the following elements:
  - 1. Reconciliation of audited Financial Statement costs to the ICP;
  - 2. A Certificate of Indirect Cost signed on behalf of the governmental unit by an Agency Official at a level no lower than Chief Financial Officer of the governmental unit that submits the proposal or component covered by the ICP;
  - 3. A schedule of indirect costs (proposed and actual) that is sufficiently detailed to determine purpose and classification, to identify salaries, and to determine that unallowable expenses (*i.e.*, bad debts, depreciation on federally funded assets, and lobbying costs) have been eliminated from the indirect cost pool;
  - 4. A complete (includes all programs/activities that are supported by the activities in the indirect cost pool) schedule of the indirect cost rate computation base (proposed and actual);
  - 5. Identification of type of rate and rate calculation;
  - 6. A schedule showing calculation of the carry-forward adjustment (for fixed-with-carry-forward rates);
  - 7. The total federal dollar amount in the direct cost base and percentage of the federal amount to the total direct cost base;

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8. A statement that for the proposal year, no significant changes to the accounting system, such as a change in charging an expense from direct to indirect are anticipated;
  9. If a State Agency, an approved Statewide Cost Allocation Plan (SWCAP) allocation schedule (SWCAPs are approved by the U.S. Department of Health and Human Services); and
  10. Any applicable previous understanding established with ASC.

#### **9.6 What are the procedures for requesting approval to use a de minimus 10% rate?**

Grantees must submit a copy of their most recent financial statements along with a letter to the ASC requesting the 10% rate. The letter must certify that they have never had a Negotiated Indirect Cost Rate Agreement with a federal agency and do not expend more than \$35 million in federal funds annually. The ASC will base the approval of the 10% rate on a review of the grantee's submitted budget and financial statements.

#### **9.7 How is an indirect cost rate negotiated?**

Generally, indirect cost rates will be negotiated as follows:

- A. The ASC will work with HHS to review and evaluate the ICP. This includes confirming the mathematical accuracy of all computations and schedules; tracing financial information to the audited Financial Statements; evaluating the indirect cost pool and base for consistency of cost incurrence and treatment from year to year and conformity with restrictions contained in OMB Circular A-87; asking for additional information if necessary; seeking to reach agreement on any decreases or increases to the indirect cost pool or direct cost base; and preparing and transmitting an indirect cost rate agreement.
- B. The indirect cost rate agreement will be signed on behalf of the ASC by the ASC Financial Manager. If a disagreement arises on an ASC adjustment, the recipient may appeal to the ASC Board. The appeal must be in writing and be submitted within 30 days after receipt of the proposed indirect cost rate agreement. The ASC Board will issue a final decision on the appeal within 45 days after receipt of the appeal.
- C. The ASC uses the *Review Guide for State and Local Governments State/Local-wide Central Service Cost Allocation Plans and Indirect Cost Rates*, published by the U.S. Department of Health and Human Services, Division of Cost Allocation (Dated 1/31/00).

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## **9.8 Where do recipients submit their ICPs?**

Recipients can submit their indirect cost proposals or letters requesting the 10% rate electronically to:

ASC Grants Director  
Grants Office  
Appraisal Subcommittee  
[grants@ASC.gov](mailto:grants@ASC.gov)

## **9.9 How frequently must recipients negotiate an indirect cost rate?**

Generally, indirect cost rates should be negotiated each year. However, the ASC may, upon request, extend a rate for an additional period. Recipients may also request that a rate be changed during the course of a year if there will be a significant change in funding, organization structure or accounting policy of the grantee.

## **9.10 Will the ASC honor indirect cost rates approved by other federal agencies?**

Yes, recipients may use indirect cost rates approved by other federal agencies in accordance with 2 CFR 200. Recipients must send a copy of their approved indirect cost rate agreements and any attachments to the ASC to the address listed in Section 9.8.

## **9.11 How do you compute the amount of indirect costs to charge to ASC grants?**

- A. Computation based on a negotiated rate: Indirect costs are computed by applying the approved indirect cost rate to the direct cost base, both of which are identified in Section I of the Indirect Cost Negotiation Agreement. Recipients should review the indirect cost proposal to obtain the details on which costs are indirect (generally the costs of executive direction represented by the Secretary of State's office and support staff, and the administrative division of the organization) and which costs are direct (generally the balance of the organization's costs less any exclusions specified in the proposal). The key to an accurate calculation is to make sure that the rate is applied to the correct direct cost base. The applicable base for most indirect cost rates is modified total direct costs. For example, one would determine a base of total direct costs less grants to counties and capital expenditures, as follows:
1. Identify total costs financed by ASC funds for the reporting period.
  2. Subtract the indirect costs.
  3. Subtract the capital expenditures, generally represented by equipment purchases in excess of grantee's capitalization threshold.

After the base is determined, multiply that amount by the indirect cost rate. The product represents the indirect costs that could be funded by the ASC.

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- B. Computation based on a flat 10% rate: Grantees submit budgets for approval as part of the application process that identify all direct costs for funding under the grant indirect costs. The ASC will review the direct costs, confirm they do not include costs generally included in an indirect cost pool, revise the direct costs, if needed, and approve the use of a 10% rate. When submitting expenditure reports (FFRs), grantees will then apply the 10% to the approved direct costs being claimed for the reporting period.

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## **Chapter 10 – Grant Close-out Procedures**

### **10.1 What is the purpose of this chapter?**

This chapter prescribes the ASC's policy and procedures for closing grants at the end of the performance period.

### **10.2 What are the requirements for grant closeout?**

- A. The ASC requires that grants be closed out no later than 90 calendar days after the end of the performance period. The first 45 days are for grantees to provide documentation to ASC. The remaining 45 days are for the ASC to complete the closeout process.
- B. The ASC will not close out a grant if the grant is in litigation and/or until all allowable, allocable, and reasonable costs have been paid and all excess funds de-obligated.
- C. The closeout of a grant does not affect the retention period for, or federal rights of access to, grant records, nor the recipient's responsibility to properly account for equipment purchased with federal funds.
- D. Grants may be closed out without an audit. However, a subsequent audit may identify costs that are questionable for federal assistance and must be repaid, as well as deficiencies that may require administrative action.

### **10.3 What must recipients submit to close out the grants?**

Recipients must submit to the ASC Grants Director:

- A. A transmittal letter that certifies the grant is complete, ASC payments for costs incurred have been made, and that the ASC is released from all obligations under the grant, subject to any final audit.
- B. The final financial and performance reports.
- C. A list of all equipment with an acquisition value in excess of \$5,000 purchased with grant funds.

### **10.4 How does the ASC close out the grants?**

The ASC Grants Office completes the following tasks:

- A. Reviews the documentation submitted by the recipient to determine whether the package is complete and acceptable.

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- B. If the package is incomplete, the ASC Grants Director may return documentation for adjustment by the recipient or to request additional information.
  - C. Reviews the Federal Financial Report (FFR) to:
    - 1. Identify any cash on hand that requires reimbursement to the ASC;
    - 2. Identify any unexpended balance to de-obligate from the grantee's account; and
    - 3. Determine if the grantee has met any cost-sharing required under the grant.
  - D. Reviews the performance report and determines if the grantee has met its performance objectives.
  - E. Reviews the most recent audit to determine if there are any outstanding findings or recommendations that would preclude closeout.
  - F. If the grantee reports any equipment purchased with ASC funds, the ASC Grants Director will determine whether the equipment will be used in subsequent grants from the ASC or will be transferred for use by the grantee on another federal program. If so, no further action is necessary. If the equipment is no longer needed and will be sold or transferred to a non-federal program, the recipient will compensate the ASC for the sales proceeds or the current market value, as applicable. Proceeds from the sale of equipment received by the ASC will be deposited into miscellaneous receipts of the U.S. Treasury. The ASC Financial Manager will issue an invoice for the amount to be reimbursed.
  - G. If the grantee has unspent cash on hand, the ASC Financial Manager will establish an accounts receivable for the balance and begin collection action.
  - H. If there is an unspent balance remaining in the grantee's account that has not been drawn down, the ASC Financial Manager will de-obligate the funds from the grantee's account.
  - I. The ASC Executive Director will issue a final closeout letter that informs the grantee that the grant is closed and informs them of their remaining responsibilities, including record retention requirements.

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## **Chapter 11 – Non-Compliance and Fraud, Waste or Abuse**

### **11.1 What is the purpose of this chapter?**

This chapter describes how the ASC will address situations in which grantees are out-of-compliance with the grant requirements and cases in which individuals suspect malfeasance in relation to a grantee or an individual associated with an ASC grant.

### **11.2 What are the ASC's options in addressing grantees that are out of compliance with grant requirements?**

It is ASC's responsibility to take proactive steps to protect the federal government's interest. In the rare instances when a grantee fails to comply with the terms and conditions of a grant award, the Grants Office may take one or more enforcement actions, depending on the severity and duration of the non-compliance. Examples of non-compliance can include repeated failure to submit required financial and programmatic reports, failure to correct errors in financial reporting or take corrective actions identified in a grantee audit, failure to perform the activities approved under the grant or inability to meet the matching requirements under the grant. The Grants Office will work with the grantee to correct the deficiencies before taking enforcement action and may require the grantee to develop a corrective action plan. Enforcement actions the Grants Office can take may get progressively more severe, depending on the level of non-compliance, and can include:

- A. Placing special conditions on the award
- B. Closer monitoring, such as more frequent reporting
- C. Placing holds on grant funds until corrective action is complete
- D. Precluding the recipient from obtaining future awards for a specified period

### **11.3 What other actions can the ASC take if enforcement actions are not effective?**

If a recipient has failed to materially comply with the terms and conditions of award and less severe measures have not been effective, the ASC may suspend the grant, pending corrective action, or may terminate the grant for cause. In such cases, the Grants Office will inform the ASC Executive Director who will be the signatory on a letter of suspension. The ASC generally will suspend (rather than immediately terminate) a grant and allow the recipient an opportunity to take appropriate corrective action before making a termination decision. The ASC Board will make the final decision on termination and the ASC Executive Director will formally notify the grantee of the termination.

### **11.4 What is fraud, waste or abuse?**

Fraud, waste or abuse includes, but is not limited to, embezzlement, misuse, or misappropriation of grant funds or property, and/or false statements, whether by organizations or individuals. Examples are: theft of grant funds for personal use; using funds for non-grant-related purposes;

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theft of federally owned property or property acquired or leased under a grant; charging inflated building rental fees for a building owned by the recipient; submitting false financial reports.

**11.5 What should ASC staff and other individuals do if they suspect someone of fraud, waste or abuse?**

Federal regulations give inspectors general and other designated federal employees authority to investigate fraud, waste or abuse related to use of federal funds. The ASC does not have an inspector general. Therefore, anyone who becomes aware of the existence (or apparent existence) of fraud, waste, or abuse related to ASC grants or use of grant funds should report this information to ASC at [grantshotline@ASC.gov](mailto:grantshotline@ASC.gov).