**Workforce 3One**

**Transcript of Webinar**

**Budget Controls for Program Effectiveness**

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BRIAN KEATING: And without any further ado, I'm going to turn things over to our presenter today, Maggie Ewell. Maggie, take it away.

MAGGIE EWELL: Thanks so much, Brian. I'm just trying to get this as big as possible for my folks in the room. (Cross talk.)

MS. EWELL: So today we're going to talk about budget controls. Depending on your questions, this module is taking me anywhere from 30 minutes to an hour. So I've gone ahead and added some information and slides on admin versus program cost, as well as match. So hopefully we will get through everything today. And if not, I can always follow up with the youth office and provide additional guidance as needed.

So one of the things we wanted to talk about today are budget controls. And this is one little piece of an internal control, but it's an important one. And it is how to make sure you're tracking your expenditures on a regular basis against your actual versus your planned. We also are going to show you how you can overlay performance to those numbers to give yourself a whole picture of how your grant is doing.

Now I think folks probably do some of this quarterly. Sometimes this doesn't happen until the end of the grant though. And I'll throw it out there, how often do you think you should be doing this?

Quarterly. Even more. Even monthly if you want. Because you're really trying to forecast what's happening and seeing where you are for a couple of reasons. One, to make sure you're getting all the approvals you need if you're going to exceed your budget categories. You definitely need to know that in advance so you can make your requests.

The second reason is so you can course correct. It's a lot harder if you have a slow startup to course correct if you don't figure that out until you're halfway through the grant than if you're two quarters into the grant. So I'm going to show you a couple of different ways we can go about it. And by getting to be expert at this, you're going to be perfectly in line with the new requirements in the uniform guidance if you get any future federal awards.

So I'm going to talk a little bit about budget modification. You may have heard Melissa Abdullah talk about that. She is your grant officer. I'm going to talk about tracking the accounting information and talk about what types of changes you're going to need. We're going to talk about this performance versus financial information. Because it really does provide that robust picture. And then I'm going to talk about some of the common errors we see.

So we talked a lot at the last session about how an internal control system can help you. And one tiny part of that is what we call the planned versus actual analysis. And that's what this session is about. This is going to help you with, one, prior approvals, and two, performance.

So that's sort of the new financial management citations. But we also need you to understand that under the terms of your current grant you have a budget line item flexibility of 20 percent that relates to the equipment, supplies, and other categories.

You can change those lines up to 20 percent. If you change anything on personnel, fringe, or indirect, you're required to get approval from the grant officer in advance. That could be something as simple as, well it turned out we didn't need to fill this position and so we want to shift that money to supplies, and there's no impact on the statement of work, that's more of a simple realignment. Or it could be, wait things aren't working, we need to make some more robust changes; we're going to add a person or we're going to move this. If there's a statement of work implication, that's a more complex modification.

So you are required to get prior approvals. And we're not going to focus too much on this because there are some changes in the uniform guidance. The key thing to be aware of is that whatever you put in your statement of work is what guides your grant. But your statement of work gives you your award and your blueprint. If anything within that required prior approval under the cost principles, our award does not constitute that prior approval. Prior approval is a separate action.

So if you need to get a piece of equipment approved and you listed that in your grant award, just getting the grant doesn't mean that you had the approval. It means that those people who evaluated said it made sense, but the people who evaluated it were not comparing it against the cost principles, and did not have the information at hand to determine whether it was reasonable, necessary and allocable in the context of your award. That's not what the evaluation criteria were.

So once you have the award, you then submit your prior approval request to the grant officer, to contain information about why this purchase is reasonable, necessary and allocable to your grant, and they can then give you a prior approval to acquire equipment.

Now we don't require you to get bids. We don't require you to have the procurement started. This is really kind of that gut-OK-you-want-to-purchase-this, it makes sense for the grant, it's going to be allocable to the grant and the like. Are there any questions on that?

So if you're going to be requesting modifications for your budget or – we don't even really want to talk about no cost extensions at this point, but all of those actions need to be requested in advance. And so for a budget realignment, for example, we would like to request you submit it 90 days in advance.

So this is why we talk about the budget forecasting. Because if you wait and all of a sudden you realize the next week you're going to exceed your personnel and you haven't submitted that prior approval request, well then now you're going to be in violation. Because you're going to submit it, we might be able to turn it around in a week or two, but we might not. You are one set – Michelle's going no, no, no – of grants and it's just going to depend.

And the example I love to give is at the end of the year. We put out a billion dollars (sic) by the end of June, usually during the month of June. And so if you just happened to have your timing of your very simple budget realignment request during that period, well you're going to be lost in the morass of getting out thousands of grants. And so it's going to take longer. So it's really important to know these things in advance and to put your paperwork in.

Additionally when you submit your package, your federal project officer has seen hundreds of these requests. They may have questions. They may say, wait a second; I'm going to need a little bit more information. So there may be a little bit of a back and forth there before it gets to the grant officer.

There are grant officers in our regional offices who do process many of the budget realignments and some of the equipment approvals and modifications. In general if it's a statement of work modification, it comes to the national office, to Melissa. She is one grant officer. And she has your program as well as probably about six or eight others.

So the budget that we're talking about, that we work with, is the budget that was submitted with your package. It's the standard form 424-A. And those are the object class categories that we use as our baseline. So check your grant agreement. And you want to make sure as you develop your budget controls, these 10 categories or so, they are not descriptive enough to help to manage your grant.

Your accounting office probably has these broken down much more detailed. You just have to make sure whatever system you have, is that they build back up to these categories. Because we have to be able to see and know that you're tracking to ensure that everything that falls under personnel, everything that falls under equipment, supplies, travel, doesn't exceed that line.

So the second piece that you have in your package is your budget narrative. This is where a lot of the detail was provided to support the different lines on your categories. And it links the resources to the project objective. And so this is where people say, well it's not on the 424-A because it was under a big category, for example like in other, but I'm going to make this change to my project and I'm going to move money from something that's not on the 424-A, but I'm going to move things around, do I need a mod?

And my answer is, it depends. Because perhaps in your budget narrative you were very explicit with what you were going to do and what you were going to send. Well that's part of your approved statement of work. And in that case you would need to come in for a modification so we have an updated statement of work and narrative that align with what you're doing. I see some people laughing. They probably have been through this.

So in the end we're making sure that your budget is in line with the resources you requested in y our proposal. And then the last thing that the budget narrative includes are the staff, the key staff. So if you are making changes to key staff that were listed in your narrative, it's really important to let your federal project officer know. Some of those may rise to the level of a modification, some may not. And your federal project officer can help guide you.

So where are we going for our budget purposes? So we are looking at a budget as your roadmap for your grant. It is how you've planned out how things are going to work. It is coordinating the programmatic and the fiscal because it aligns what the activities, the narrative is, with the budget. It helps you allocate resources. It gives you that benchmark to do the planned versus actual. And then we are using that to report to us your performance and to course correct when things are not going as planned.

Now I would say it's probably extremely rare that we have a grantee who writes their proposal nine months to a year beforehand, submits it, and gets through the entire three years of their grant and says, everything worked like clockwork, didn't even need a mod. Doesn't happen. So having modifications is not a bad thing. It's just we have to make sure we're following and doing it on a timely basis.

So let's start just by looking, we've got these big categories of the 424-A. So we've got personnel and fringe. They're intricately linked, any changes to these lines. Now what happens if it turns out to recruit a really good senior person, you need to pay them more than you budgeted. But at the same time you don't need that second part time admin person.

So you're paying a salary higher, but you're eliminating a position and there's no net impact on this 175,000 (dollars). Would you need to come in for a mod? You would not because there's no change to this line. But you can make changes underneath. We used to call it mixing and matching, and that just confused everybody. But if you have a long list of personnel, you can change fringe and other things underneath, so long as there's no impact on this top line.

When you get to the point though where you know that all of a sudden it's going to hit 176,000 (dollars), we are hoping that by doing the budget controls, that you're forecasting that like I said 90 days in advance, so you can submit the mod, and you're going to have to explain why. So we've got travel, equipment, supplies, contractual, nobody has construction, and other. All of those you have flexibility.

So it turns out that you had put a lot of money on the equipment line thinking all those laptops were equipment. But it turns out you take training from me and you say, oh my gosh Maggie, I now know they're supplies. But when you go to look at your budget, you had 297,425 (dollars) and you think, oh well I need to move 50,000 (dollars) of that down. And so then you have to do the math and think, OK is it 50,000 (dollars), is that 20 percent of equipment? No, it's not.

Do I need a mod? Maybe. Look at the supplies line though. Is 50,000 (dollars) more than 20 percent of that line? It is. So you would need a mod. So the 20 percent applies to both lines to which you're making the change.

So the one we always like to point out is typically in contractual or other someone has zero. Any change to zero requires a change. But if you had had for example between supplies and contractual you were going to move, I don't know, $950 or something, you wouldn't have to do a mod. You could make that change. What I would recommend you do is in your quarterly report let your FPO know, so that they have an updated record, so if they're looking or they come out to monitor you, they have the most updated budget that you're working off of. That's it for that one.

So what else are we tracking? We have lots of things on our 9130 financial report. You're going to be tracking your administrative costs. And we'll talk in more detail about how you figure out what these things are because it's a little bit different and unique to our world.

So you have to be able to differentiate between what we call programmatic costs and administrative. These are separate and apart from direct and indirect costs. And so sometimes that's hard to wrap your head around, that they are two different categories. They do have cross-sections, but they're different.

You also have to make sure you're in line with cost limitations under the grant. So there's a few important ones that are universal so our grant. For example, there is a salary cap that comes with our appropriation that says no one can get paid more than the senior executive service class two, which I believe right now is about $182,000. Now I'm sure you all are in danger of that. We do have a few very large grants with nonprofits where the CEO and whatnot, there is – (inaudible).

But for the most part no one falls above that. The other one is if you're hiring a consultant to help with your project. We have a per day cap of $585 on consultant fees. That's another important one to be aware of. Are there any other limitations like supportive cost services or anything like that? Some folks have limited to 10 percent here and this in there.

So then there is the match. And you guys have a match requirement. And that is something to really keep track of. I'll say it now and I'll probably say it about four more times during this presentation, you committed to match, it's a cost sharing. And that is measured at the end of your grant in closeout. At that point when the grant has ended, there's no more changes that can be made.

And if you do not hit that match part, what that means is that we can take back on a proportional basis the amount of match you did not meet. A few people came and spoke to me about situations. We'll have to talk about those. But for the most part 25 percent that was in your solicitation, that is firm, you said you would do that. If you don't, then your grant would be proportionally reduced. So if you only got 22 percent, we'd be looking at a 3 percent reduction in closeout.

So it's also important to track direct costs, and if you have indirect cost rates, or you might call them F&A rates. And it's also important to have cost allocation plans and track how you're allocating your costs.

So for budget controls we're looking at all the different categories and how they are working. Now we have reporting done to us on an accrual basis. How many of you know whether your accounting systems are on an accrual basis? A couple. You need to check with your accountants. If they're not and they're cash, you will have to develop a mechanism to capture accruals, which are basically when the benefit is received.

So your students as they get trained, even if the bills haven't been paid, those are the accruals. The staff time one that has worked, if it turns out that your staff had worked and the payday is Monday and the quarter closes Friday, you're going to count all the time they worked as an expenditure, even though the check hasn't been paid out until Monday in an accrual system.

And so it's important that we're going to see that you have some type of linking spreadsheet, some type of mechanism. We have no requirement, we have no formal mechanism; we do not require you to change accounting systems. You just have to show us you're tracking that. And that's where I said you and your accounting department can't do your jobs if you're not talking. So they have no way of knowing when the students are going through.

So again budget controls, how are we doing with our quarterly estimates, where are we in terms of what we said we would do, and keeping within the approved line items. You also are making sure that your subrecipients are keeping within what they said they would do. Because remember, you've got yourself and then you've got your subs. So you're going to be making adjustments on a very regular basis, at your level which we call you now the pass-through entity, and your subrecipients.

If you find out that there's money that's not being spent, you want to talk about how you can do that in line with your scope of work. We don't typically just say, great you've got extra money, buy extra things. Spend your time and we want to talk with you. Our goal is the services for the students. And we want to keep that. But we also want to understand why things didn't cost what we thought they were going to cost, and what value and benefit there is going to be by that. We see this a lot in the very end of the grant. And people want to buy a lot of equipment or supplies, and get very perplexed with us as to why we say no.

And the reason is, is that kind of the basic principle for federal funding is that there has to be benefit to the grant and benefit to the government. And at the very end of the grant when you buy all those supplies, that's only about a month benefit or two month benefit to us.

And so it's really not 100 percent allocable to us because you're going to be using that well after the period of performance. So we can't approve that as 100 percent charge to us. And then sometimes you have unanticipated changes. Like I said, something is not working right, there was a change to some of the certification elements, so you had to change some of your training classes, something like that.

So let's go through the budget analysis. So you're going to compare actual versus the planned across all categories. So here at least quarterly, but if you start picking up red flags more, it's beneficial. You're really looking for significant variances, the causes of the variances, and then how to course-correct. And so we're going to talk about some spreadsheets and how you can populate those.

And then I've also kind of done some charts because I'm very visual, so I like to see things in color. The biggest thing is how to combine and overlay financial and performance. Because it is something that your FPO does. And we often see situations where performance is low and expenditures are high. Or even the reverse, expenditures are really low, but performance is gangbusters. And we're thinking, what's going on?

So we've got some worksheets. So this is the interactive portion of the course. So we want to talk about what we see. And so this is just to warm us up, because then we've got an example we're going to go through. But in this category what we see is what our budget was, and then we see the first quarter and how much a percent of what the budget was was expended, and we see the second quarter and the percentage. And so I'm just wondering if anyone sees anything here that might jump out at them, give them a little cause for pause.

MR. KEATING: All right. And if you do, go ahead and type that right into the chat window to let us know. Looks like Becky (ph) is typing. Thanks, Becky. (Cross talk.)

MS. EWELL: Personnel and fringe. Becky, very good. So when you look at this you say, wow okay, so by the end of the second quarter they're not spending a lot on personnel. So I wonder if they're having problems staffing up. Then Bridget (ph) pointed out, equipment, look at how much money they're spending on equipment. In fact by the end of the second quarter they're at 67.24 percent. That may be OK because maybe the first thing they needed to do was get that piece of equipment. But what do you need to have before you can buy equipment? Prior approval.

So as I mentioned, it can take 90 days for us to give approval. So at the end of quarter one, would you really expect 67 percent of the equipment to have been purchased and approved? Maybe, but maybe not. So let's see. So then if personnel is really low, the total is really high. All of a sudden at the end of Q2 they're at 43.74 percent of their expenditures. And that's a lot, I mean two quarters into a grant.

So these are ways that you can just catch some flags. Anthony (ph) said personnel was not surprising. It can take two months to get a person hired. Absolutely. But you still have to worry though, if the personnel is that low, what's all the money going on to be 43 percent?

So then we're going to look at our expenditure analysis. And what we recommend, it can be fancy or it can be simple. This is just Excel. Depends on what your – you can do an Access database; you can get very fancy design and accounting software. But all we did is you have the periods, and you have what was reported on the 9130, total expenditures, you look at expended. It's really important to have a time lapse that can be automatically populated, how much time has gone by in the grant, and how much you have left. And so you can see where you are. So here at the end of one year, four quarters, you're at 40 percent.

Now generally as a rule of thumb what are we going to be looking at? You're one quarter in, 25 percent. Excuse me, one year in, 25 percent. Two years in, 50 percent. If you're below that, we're going to be concerned. If you're way above that, we're going to be concerned. But there's variance depending on your statement of work. Just because you're playing to one person here in front, at 43 percent at the end of year one, it might not be concerning. But if you were at 43 percent, it would be very concerning. Very individualized.

So the first thing you would want to do is track that. And then if it were me, because like I said I'm visual, I had put just a simple chart with quarters at the bottom and money on the side, and I said, OK, I'm going to chart out my total expenditures and see how my line looks over time. Looks like it started a little low, but then it kind of started going up.

So the overall expenditures tells you, are we on track overall; are we too fast or too slow? Then let's look at our outcomes. Are we proportionate to our outcomes? I think one of the scariest things I see is when there are no outcomes and most of the grant money is gone. Because I wonder what is happening. Our purpose is to get people trained. And then where is the data coming from? You want to make sure that this data is coming from your books of account, your accounting system, and it matches what's reported on the 9130.

Then we can do the same thing for admin costs. So really these can all be tabs on one spreadsheet. And Excel is fantastic; you can then design it to pull all the data and create your overlaying chart. So here we see admin is a subset of expenditures. It's a portion of the expenditures. And you're limited to how much it can be. And so we're going to go through and figure out how much is expended.

And what is our huge flag here? You're up above where you're allowed to be. They're way over, Anthony, that's right. I know FPOs that have this programmed in, and when they're looking at your 9130s, we have software that data dumps, and it comes up flagging red, red, red. We do risk analysis on you guys every quarter too. And admin costs that are getting very high can be a flag, especially early on in the grant.

So here again I pointed out, and it kind of allows you to see the big difference of your total expenditures were a much softer line, then the admin jumped really high. Now again during the startup period where you're not providing direct services to participants, your admin may be much higher.

But again if you were in the first year of your grant and you're at your cap, that's concerning to us. So administrative costs appropriately reported, we're going to go over that definition in a few minutes. We want to make sure that you have an expenditure rate that's adequate for your grant and stays within the limitations. And so everything we're seeing must match the 9130 and it comes from your books of account.

So match sometimes gets left for the end. And that is not a good place to be. We've had many of a distraught call from grantees saying, I didn't meet my match, I've got one quarter left, what do I do, what do I do, what do I do? We don't have a ton of grants with match, so those of you that do, we try very hard to keep on top of you as the years are going by. We want to see that match reported every quarter.

To be in compliance the regulations say that expenditures must be reported in the period in which they occur. So if you decide to report everything in that last quarter of the grant, that is against the regulations. Technically we could say no, won't take it.

Now you do have a requirement, we're likely to work with you. And if you haven't been reporting and realized your error now, please don't have a heart attack. Reach out to your FPO. Our reports are cumulative. So you can go back. You don't have to open up old sheets. You can enter it in. You're going to want to put a remark that says I'm reporting it from this information.

You probably want to put it in your quarterly narrative as well. So you're going to report your match as you go. And you report it when it is expended. So if you have a fantastic business partner who gives you a check for $100,000 – I know; I want one of these too – you put it in your bank account, you would not report that $100,000 until you're expending it on the program.

We'll talk a little bit more to that and then I will look at some questions. So the match is the same way. We're comparing the match. Now here you'll notice the last column we have how much match is remaining. And so you can see that they're moving up and where we're getting to, how much do we have left to go. And one year in we're a little above 25 percent. So we're doing OK.

So then the last thing that you would look at is what are your performance indicators. Typically for us we look at enrollments and actual trainings. So we want to look at planned versus actual. You may have certifications as part of your performance. You would want to create different categories.

And so we would want to see – and I'm going to get up for one minute, so folks on the phone, I promise to come right back. Here we have our performance chart. And it's kind of hard to see and I didn't have enough marker colors, but if you kind of look here you can see that our enrollments are way up, but our money is kind of down. So we think, is there a disparity?

So you would just want to overlay and say, OK, if we're at 42 percent of our planned enrollments, that's good. We have 39 percent of our planned trained. We're one year in. Our cohort's going to go through. We're on track. When you see very low numbers that first year and very high expenditures, we're going to think what's going on.

It is very common – and I know I'm the first one that kind of pounds on this drum when we have reporting – that we are training and we're not magicians. Training takes time. So we can't expect huge numbers until the end of the grant when the cohorts start graduating, especially if you're looking at one- and two-year programs.

So the key thing is, are you on track to meet the outcomes? Because success of the grant is so complex. What does it mean to successfully complete your grant? It means that you managed your money effectively, you didn't have to disallowed costs, you trained, and you've met your performance outcomes. These are grants. These are not contracts. And so it is effort.

But what we're looking for is people that can achieve the outcomes that they complied with. If you don't hit that number, it's not a contract; we're not going to take the money back or not pay you. But we're going to look really closely at why didn't you achieve it. And if you didn't achieve it because you were engaging in activities that were not allowable, then we are going to question some things.

So if we combine the analysis I talked about, that we were 41 percent through the grants, 27 percent was expended, 50 percent of the admin, 34 percent of the match, we had 42 percent enrollment, 39 of enrollment. So then you sit there and you think, what kind of corrective action plan do I need to put in place to get back on track? Any thoughts? (Pause.)

So the first thing I would say is, you need to look at your administrative expenditure to figure out why they're so high. Because that can't continue. You can't keep charging it to the grant. Maybe you're miscategorizing it from a cost allocation perspective. Or maybe it's been really high and you have to figure out what are we going to need to change.

The match is very good. It exceeds the expenditure rate. But it does lag a little bit behind in terms of the time elapsed. So you're not quite keeping track. So you would want to make sure that your partners are in place and it's going to continue at an accelerated rate to catch up to meet your goal at the end. And so the total expenditures trailed performance by a pretty large margin.

And so that was one of the areas that I said, huh, it's great that you're training people, but why aren't we spending the money? I have a whole cohort of grants out there who use their own money and then draw our money down to pay them back. And sometimes they don't do it quickly. Again that's not in compliance with the regulations. You have to report expenditures in the period in which they incur.

So if you're paying your own money, and a quarter later you draw down my money and you report it to me, you're not in compliance. You can draw down money every day it's in the payment management system. And if your request is in by 3:00 or 4:00, you get it the next morning. So it's a pretty flexible system. So again this is why we do this. It's really helping us with our trend analysis, and planned versus actual.

So we're looking at grant startups, any single large items, underspending, overspending; the lineup with performance. And so here we say quarterly. And a lot of people thought as you're getting your reports ready, prepare this. I would say if you have flags and you're in the area of admin cost being over and if the match is a problem, you should be looking at that monthly, especially if you're near the end of your grant with match. You don't want any surprises.

So when you get there with the results, one, are any budget modifications needed? We've looked at what we're doing. We've got to have to make changes. You want to make sure that you've got the approval between them. And so I think you can guess what would happen if you don't have budget controls.

We many times have people who are not in compliance with their budgets. And it's quite a bit of a headache to go back and try to course correct. And you are at risk. We don't have to do a retroactive modification. We can just disallow all those costs. So you are at risk depending on the situation.

The failure to perform financially against performance, with the new uniform guidance, past performance is a factor in award. We now must conduct risk analysis prior to giving an award. So you are jeopardizing future federal funding by not performing. And so I think you can see how putting these all together is really going to give you a clear picture of whether you're performing.

Also, this will make it very clear whether you and the accounting department are truly BFFs or not. You really need to be best friends with your accounting person. They should be someone you're talking with regularly. Sorry, I have a nine-year-old. I do OMG (sic) too. So I'm going to pause there for a second. And we do have time left to do admin and match. But are there any questions on the budget controls? Let me see if there's any on the webinar room.

MR. KEATING: And Maggie, I put a couple of comments and questions in that numbered list on the right hand side of your screen.

(Cross talk.)

MS. EWELL: Any change to zero requires a mod; correct? Yes. That is absolutely correct. Match equals leveraged; correct? Yes and no. "Leveraged resources" is kind of a made-up term. It's other money being brought to the grant. For your purposes since you have a matching requirement, use additional funds are match or non-federal share or cost sharing and you need to follow the requirements in the cost principles for those.

So I would stick with using the word "match." If you decide to report above and beyond the 25 percent and your statement of work said 25 percent, not the cases where some people committed to doing more, that would just be considered excess match or sometimes people call it "leveraged resources." It's not a bad idea to do because if you ended up with the dreaded disallowed cost in closeout – let's just say you exceeded your admin cap – you could stand in that excess match because it would have been allowable under your grant anyway.

Subs need a mechanism for real time reporting. Yes. You could come up with any sort of mechanism for subs reporting to you that you want. Quarterly reporting from the subs is probably not going to help you because you're not going to have the data in time to do a report. Most people usually do monthly reports from their subs. And you want to make sure the date – we're due 45 days after the quarter closes, so you would definitely want to make sure you have their data early enough to encapsulate it in.

Someone says, "I don't think there was a match requirement for this grant." That's incorrect. It was a 25 percent match requirement, is my understanding. And you will find that on SF-424 and 424-A.

(off-mike comments)

MS. EWELL: Correct. Sure. I'm just trying to think if I should switch to the match part.

Yes. Other federal funds is the biggest restriction. The other restrictions would be, it can't be used as match on a different program. So if you are getting funds from one source and they're counting it as match on another federal program there, you can't count it on our federal program as a match. It can't be counted twice. You can't be – this sounds crazy – you can't be reporting something as an expenditure on your form and then counting it as match too, is another restriction.

So let's talk for just a couple of minutes about admin and then we'll go into match a little bit more. So it's important to understand that not every program you work with is going to use the same definition. Education and us has different definitions. Frankly there's different definitions between the Trade Act and the Workforce Investment Act. And now we've got WIOA, so we're kind of in this flux period. But just it's important to know that there isn't consistency across agencies. I wish there was. Trust me; I've been working on these regulations with Education.

I keep saying, people, can't we come to agreement? But not so far yet. Not every grant has the same limit for admin. So you might talk to folks and say, hey, OK, maybe my limit can go higher. Whatever's in your grant agreement, that's your limit. Admin costs can be direct or indirect. The vast majority are indirect, but you can have direct admin expenditures. And you have to report it on Line 10f.

So what are admin costs? The general rule of thumb is that anything that is a cost associated with providing services to a participant, that is a programmatic cost. Anything else is admin. So generally it's these general management functions. It's the accounting. It's facilities and property management. It's the monitoring and audit, the A-133 single audit. You might have a subcontract with a payroll company. That would be considered an administrative contract.

The one thing that is not – so then you would look at the flip side of that is what is a cost dealing with participants? It could be the direction, the supervision, management, tracking. So if you had an MIS system that's tracking the performance and enrollment, that actually is programmatic because it's dealing with the participants. So that's a big difference between us and some of the other programs out there.

The second big difference is facilities. Now you guys have an F&A rate typically. And it includes facilities. And for us though, if you have space and that space is being used to train participants, that is a programmatic cost. It is not admin. And so of course any cost associated with that participant or with that program activity are programmatic.

I've got a couple questions coming in. "Wouldn't monitoring admin be charged to admin, and monitoring program charge to program?" Absolutely.

"Would you be posting the administrative slides?" I think Brian Keating is responding to that one.

MR. KEATING: Yep. You can download the slides in the file share.

MS. EWELL: Thank you, Brian.

MR. KEATING: You're welcome.

MS. EWELL: So I have given out a handout. It's kind of our general handout that describes admin versus program. The hardest part is the indirect costs. Because you will need to look at your pool, or your accountants will, and you're going to have to determine what percentage of your pool is admin versus program, and then apply that to the cost that you're claiming.

So you might have an indirect cost rate that's 28 percent. And you've been claiming less than that because of our admin cap. But when you look in the pool and you realize that the facilities that are in there can be pulled out, and so only 65 percent of your pool is programmatic, then you would apply the 65 percent – 55 percent to the amount of indirect that you're claiming that would go under the admin line. It's not easy. It's not fun. But it can help you stay under your admin cap and claim as much as you can.

I do have some online trainings. I'm going to make sure I get those out to the YCC team for your community of practice, so you can see some more links on that. So are there any questions on admin? I've got about 12 minutes. I can cover match too, and then I can stay around after.

So for match there's some basic criteria. Match is strictly governed on the cost principles. If you want to look up the most recent, it's 200.306(b). That again is from the new uniform guidance. It's a little bit more robust, but it does not conflict in any way with the requirements that are there in the current 2 CFR 200.225 and 230. Well actually they've been rescinded, so you'd have to go back to A21, A87 and A122.

So basically you have to have it be verifiable in your recipient records, not used to support another federal program, they have to be necessary and reasonable the same way your grant cost was, allowable under the cost principles, not paid for with federal funds, provided in the approved budget, and conform to any other applicable provision. So basically this is just like a cost you would charge to your grant. And every standard that applies to what you charge to your grant applies to match.

So there are two types. You have non-federal cash expenditures. That's anything you or your subs are contributing. I try to look at it as it's coming out of your accounting system, it's considered cash, even if it's the space that you're letting the folks use, it's considered a cash match. Cash match does not mean cold green bucks. So it is funds or services provided and paid for by the recipient or subrecipient from non-federal funds. It's also a third party cash contribution. Everything must be allowable under the grant.

The other type of match is in kind. In kind is anything provided by a third party, not you, not your subrecipients. Now I know some of you have these partners. They're not getting any money under the grant, but they're working with you. Those are third parties. So what they contribute, whether it be time for mentors, space for training, that would be considered in kind. That would need to be valued. Your space would have to be valued.

So what are some examples? Personnel, not paid for with grant funds. It can be your staff or your subrecipient's staff, or it could be the third party. Equipment and supplies expended by the grant but not paid for with funds. Maybe a business decides to donate school supplies. You have to value those and you can count those as match.

Unrecovered or unclaimed indirect costs, this has a big asterisk next to it. Because again if you remember the principles I said at the beginning, they have to comply with any limitations you have and admin limits.

So if your unclaimed or unrecovered indirect costs are admin, and you've hit your admin cap under the grant, you could not claim those as match because you've already hit your cap and that cost would not have been allowable under the grant. So that's the key asterisk there.

Donated space is a great way to meet match. However there is a significant documentation – not challenge, but you will need to get fair market value, and you would need to do that through research. You can't just take the word of the person giving you the space.

If they send you an invoice and it says this is how much it would cost, that is documentation, but they could be undercharging, they could be overcharging. You would need to go out and do some market research to find out what is the fair market value for space like that in your area. Any other recipient or subrecipient used to support resources, used to support the grant, but not charged to the grant.

We've had people ask about different times, that some staff sometimes during a particularly busy time will come in and help out for a few days. Absolutely you can count their time. Again the key thing to keep in mind is if their time is being charged to someone else's award, and they come over and you're going to charge some of it to our grant, it would have to be proportional and reduced on that other grant, because nobody has more than 100 percent, even if they work 80 hours a week. They kind of have 100 percent of their time, and if some of it's charged to us, you would expect to see less charged to the other funding stream.

And again it meets the standard for allowable costs. And the rule of thumb is, you could've charged this to your grant, but you didn't. So every rule that applies to you applies to match.

So here was what we talked about with the exclusions. I've mentioned youth for another federal program. Construction is a big one because it's prohibited on most of our grants. I don't think that's an issue for you guys, but we talk about it. Program income is something else. I'm not sure if any of you are earning program income. But if you were to earn program income and count it as such, you could not count it for match then as well.

Program income is when you have something – a simple example would be YouthBuild program on rainy days. They can't go to a construction site. They have materials purchased with our grant. They build birdhouses or some other such things to practice their skills. They sell those at a community fundraiser. They make several hundred dollars that then get counted as program income. It's not counted as match. Same thing with conference registration fees.

So we have some in-kind examples. And this is where we get to the valuation standards. Volunteers, services provided by the third party, equipment and supplies, space. It's really important to look at the valuation standards. The previous valuation standards are in our administrative requirements at 29 CFR. And so if you fall under a government, it's at 97.24B7. If you're a nonprofit it's 95.23. If you would like to look at the new uniform guidance, it is more robust about valuation. It may be helpful to you. And that's at 200.306 and 434.

Key things to keep in mind. If you have an executive at a business come in and help mentor your kids, you would not count the executive's hourly salary. You would count what a mentor would be, how much would you pay a mentor. You would not count the executive's salary. Same thing with the lawyer who drives the bus for you. You don't count his lawyer salary; you count the bus driver salary.

Equipment and supplies, you need to make sure that they are fair market value. If something is donated to you, in the past you could take the depreciation or you could count it as match. There are some changes going forward, so you really just want to check if you get something big donated to you that you're following the correct rules.

(off-mike question)

MS. EWELL: Yeah. I believe that would be closer to their salary. I'm looking at Rachelle (ph), what your questions would be.

(off-mike question)

MS. EWELL: Sure. When the business people participate on the advisor board, their salary, what would you count as their time? I would consider their salary for that.

(off-mike question)

MS. EWELL: Right. The salary cap would then apply for the match amount. So the match amount is not just a total amount. It goes down to hourly. So you would have to go and find out what the hourly rate is for the SES (ph) executive level two and make sure that the business person's hourly rate doesn't exceed that.

Let me see, I think I had a couple questions pop in on the webinar.

"The difference between equipment and supplies." Equipment is anything that is valued at $5,000 or more and a useful life of more than one year. That's defined in the cost principles. And supplies are anything under that. Expendable basically. Computers are the biggest kind of gray area. And I love the new uniform guidance because it has added computers. It's computing devices. They've added information systems.

So if you're looking for better differentiation, check the new uniform guidance at 2 CFR 200, because it does a really good job of incorporating those in. I do a whole training on the difference between the new uniform guidance and the old. And I show the previous circular for written I think back in 1984 or 1987 or something. And so I actually found like an old America Online ad from 1987. And things are different. Things are different now.

"What would be an example of direct admin?" Someone always asks me this. I keep trying to find direct admin. The best example is that you're a very small nonprofit and you hired an accountant to manage this grant. And that's all they do. And they are not part of the indirect pool. So that could be that. The same thing with payroll. If you have someone in your organization, they're fully funded by our grant, and you don't have any indirect costs.

"How is donated space documented?" Again you would have to have the proof that the space was used. You would want to show how you're valuating that, whether you're doing some market research to find out what the cost per square foot is, what typical space is in that area. Many of our federal project officers and accountants will calculate a per square foot basis. How is in kind consulting acknowledged? If there's consulting services that were donated, it would be by invoice. You probably want to have a comparison out there for what the market rate is, and it could not exceed our 585 (dollars) a day cap.

Will the IT section be offered in the near future? We're in the process of getting all of our trainings updated and put online regarding the uniform guidance. So in the next year we're going to have approximately 22 trainings online, including one on capital assets that includes equipment and supplies. So that's on the horizon, but not in the next quarter.

Question in the room?

(off-mike question)

MS. EWELL: I would not consider them a consultant. I don't have the definition in front of me. We did finally – we hunted through a ton of regs to get an actual definition. A consultant is someone who doesn't typically produce anything. So when a trainer comes in and gives training to your staff, they're providing a solid service.

A consultant is someone who comes in and kind of is recommending processes and things to you. They're not actually giving you a service or a good. That's probably the plain English way to differentiate. But just remember, we would want to see competition and procurement rules would apply to any professional development trainings that come in.

"For salaries in-kind match, which documentation is required?" We would want to see first of all the records and timesheets or whatnot of the time people had spent, as well as we would need some type of documentation about what that person's salary is. I'm not going to lie to you; this is probably the hardest part of a match requirement with businesses because they do not want to give us access to that kind of information.

They need to understand though that because match is a cost share of the grant, it is subject to our monitoring and it is subject to the single audit. So it has to be available. So you need to work with them. We can't have access to their personnel records because it's proprietary. There has to be something they provide from them around that person's salary.

Brian, can you help me? There was a question about renovation or something. I just don't see it.

MR. KEATING: Yes. Let me bring that back up. Hang on one second. I'm going to post that right at the top of that list.

So the question is, to be clear, "If we're renovating an academic facility without grant funds that will be used by the grant program, can we use that for match?"

MS. EWELL: So renovation is an area that we're fairly strict about. Because there's simple renovations such as making a space useable for training. And then there are renovations that improve the equity in the building, and those are typically unallowable. I cannot recall exactly what is in your solicitation for grant application, but typically that gives the parameters for what types of renovation are allowable or not. It also requires prior approval. So to count that as match, you would want to talk to your federal projects officer because you would have to get prior approval.

So I think I just had two or three more slides. So I just had put in some valuation examples. So consistent pay for work, the fair market value at the time of donation, for space we talked about rental value or depreciation. Documentation is critical for match. Just like the cost that you are using our money for, we need to have the documentation for match, in terms of allowability and everything. So it needs to be maintained by you. We need to be able to access the subrecipient records. So if it is not expended and not in the financial records, it's not going to be considered match.

So we talked about what's going to happen. We can proportionally reduce it. So this is where you report it. We have Line 10j. You need to enter in what your match is. And so you will have to go back to your 424 and pop in that number. And then you would report quarterly what the exceptions are. You also can report if you've obligated some of those funds, but not yet expended them. And then it will automatically calculate what the total share you've provided is and how much remains.

So this is a screenshot of your 9130. And that's all I had. I just saw one more question pop in. Did you move that question over yet, Brian?

MR. KEATING: I'm sorry. What was that, Maggie?

MS. EWELL: One more question just popped in. "It can't be a survey of like salaries in the area, i.e., a survey of the tech VPs in the Seattle area to estimate the match for a tech VP's time from Seattle." Let me talk to some of my folks in here, especially the ones that do a lot of monitoring before I answer that. I don't want to give you something that people would disagree with in the field. So we'll make sure we follow back up and get that answer out to everybody.

And, "What documentation is required to claim occupancy?" We're not going to require photos of you sitting in the actual room. I mean, we would just want to see – again if you're having a meeting, an agenda that lists the time and the place, some type of invoice or bill that you've had from the organization saying, OK, you've used this space, here's the thing, some type of reservation form, things like that. So we're looking at Jack or Tiffany or anybody if they have other ideas.

Question?

(off-mike question)

MS. EWELL: And it just depends whether he's the indirect cost pool or not. Because sometimes – (inaudible) – are. Match is supposed to be in your accounting system. So we can follow up further about that.

(off-mike question)

MS. EWELL: I would need to defer to some of the accountants in the region that would talk exactly about what that means.

(off-mike question)

MS. EWELL: OK. Sure. And so which region are you in? Or which state? Dallas. OK. Region four. I'll follow up with the folks there.

(off-mike question)

MS. EWELL: I think it's coded as a match. So it gets entered and then shown as expended. Are there any other questions? I know we've gone a few minutes over. Excellent. I'm even more on time. Perfect.

(off-mike question)

MS. EWELL: Oh. I thought you were looking for admin. Were you looking for indirect too?

(off-mike question)

MS. EWELL: But you've never negotiated your own rate with department of labor because you get funds from us?

(off-mike question)

MS. EWELL: Right. So that goes back to any change to the indirect cost line requires a budget realignment. And then we are supposed to have your current rate on file.

(off-mike question)

MS. EWELL: Sure. And what that means is you would need to come in and submit that realignment with the new numbers. The issue that may occur depending on if your rate's gone up or down, is that there's no extra money. So if it's going up, then we have to offset that from somewhere else.

(off-mike question)

MS. EWELL: Right. So if you wanted to change that indirect line item because your rate had increased in year two, I'm just saying that we could increase that line, but it would have to be offset from a different line. And we would have to be sure that it was not going to negatively impact the programs you provided. So otherwise really what you need to submit is the new rate information so it can be part of our grant file. If you're not changing that line, it's not so much a mod, it's submitting the rate.

(off-mike question)

MS. EWELL: I would probably do them together if it were me. But talk to your FPO about what their preference is. I would put it in one amendment and it would likely be just the amendment for this year two one, but we would have then the documentation from the previous year included.

(off-mike question)

MS. EWELL: It sounds like they said department of education is giving the state entity the rate and they're passing them down.

(off-mike question)

MS. EWELL: OK.

MR. KEATING: And Maggie, could you just repeat the question being asked when it's being asked? We're having trouble actually hearing the questioner.

MS. EWELL: Sure. Someone asked if a cap on direct cost rates. That's the confusion between indirect and admin. There is no cap on an indirect cost rate. We have a cap on administrative costs. So that's that point of calculating the amount of your indirect costs that are admin. You get a rate and your rate could be – and your rate is against the base. And so you could have 45 percent of total personnel. You could have 10 percent of modified total direct costs. And so you have to then look at that base and what is admin versus program.

(off-mike question)

MS. EWELL: So the clarification from an FPO in the room was that space in the high schools that you're using since the school owns – or the district owns the building is not a rental. It's more of a use allowance or depreciation.

(off-mike question)

MS. EWELL: Yes. You would have to go back to the policies for the district. And so the valuation is the most difficult part of match. And the thing I always try to say is, if you have any questions talk to your FPO. You could sit down with your accountant and say this is how we're going to do it.

But run it by them. They have a lot of experience with a lot of different types of grants. So they can let you know if they're comfortable with that, if they're not. They have accountants they work with. So if they hit a situation they're unsure of, they can pull in their accountants to assist you as well.

Let me go back and make sure there's no other questions online and break a couple minutes early. We have two more questions.

"Do we still have to keep track of the program versus admin expenses?" Yes. Because when you report the total expenditures, you will have to report the subset of those that are administrative. And so for that you're going to have to know which ones are programmatic and which ones are administrative.

(off-mike question)

MS. EWELL: Oh. So this webinar is for the Youth Career Connect grantees. It's a very specific grant program. And all of my answers are tailored only for the Youth Career Connect grant. If you have a different type of grant under WIOA, WIA, H1-B, Trade, some of these answers may be different for your grant.

"Could we get clarification on the assumed grants?" Again this is a Youth Career Connect conference and training. I'm not sure, perhaps the invitation went out broadly on Workforce 3One. But it is just for Youth Career Connect grantees. I do have many other online trainings available. The website is ETAreporting.Workforce3One.org.

As I said, as we speak, in the process of updating that with new presentations that incorporate the uniform guidance. However, at the moment there is still a wealth of information on there. It just uses the old circular's administrative requirements.

All right. Well, thank you everyone for participating. And maybe I will see you again before the end of the grant.

(END)