

Montana Department of Natural
Resources and Conservation
Forestry Division
Subaward Manual

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Section 1: Introduction

1.1 Purpose

The Montana Department of Natural Resources and Conservation Forestry Division's (DNRC) Subaward Manual, herein referred to as "manual", is established to provide assistance in interpreting the administrative and financial requirements for DNRC state and federal funds that are distributed through grants, contracts and other agreements. This manual is intended to supplement the federal, state, programmatic and agency statutory, regulatory and other administrative and financial requirements that govern award administration; it does not supersede or replace those requirements. Any omission of a federal, state or local requirement from this manual does not waive a [subrecipient's](#) responsibility to comply with that requirement.

1.2 Notes on Terminology

When DNRC receives a grant directly from a federal agency, DNRC is considered the [primary recipient](#) of the award (or grant). When DNRC then [subawards](#) (or subgrants) those funds to another entity, this entity is considered a subrecipient (or subgrantee); and DNRC is considered a [pass-through entity](#). If the subrecipient then subawards the federal funds to another entity, that entity is considered a second-tier subrecipient. The entity that is intended to ultimately benefit from the award is considered a [beneficiary](#). Beneficiaries are not considered subrecipients and therefore are not subject to the same regulatory and administrative requirements as subrecipients.

When DNRC awards state funding (rather than federal funding), DNRC is the awarding agency; and the receiving entity is the primary recipient.

Due to the similarity of state and federal grant administrative requirements, for the sake of simplicity, the term "**subrecipient**" is used throughout this manual to refer generally to both recipients and subrecipients and "**subaward**" is used to refer generally to both awards and subawards of DNRC funds, regardless of the underlying funding source.

For more information on the flow down of federal grant award funding and related terminology, see Appendix B Flowchart of Award Funding.

1.3 Definitions

Terms that are blue in color and underlined have been electronically linked to a definition or a website for reference. Manual Definitions can also be located in Appendix A.

1.4 Manual Updates

Updates to the manual will generally be made, if necessary, annually to coincide with the beginning of the calendar year in January. Updates may be made more frequently when significant changes require more timely revisions. For more information on manual update details and the dates that the updates were made, see Appendix C, Manual Updates.

1.5 DNRC Contact

This Manual has been created by:

DNRC Forestry Division
Business Management Bureau
2705 Spurgin Road
Missoula, MT 59804
Phone: (406) 542-4300
Fax: (406) 542-4217

Contact the DNRC Forestry Division Business Management Bureau with any questions or comments.

Section 2: Compliance with Applicable Laws & Regulations

2.1 Office of Management and Budget (OMB) Circular Reference Table

Subrecipients must refer to the following federal Office of Management and Budget ([OMB Circulars](#)) for complete details regarding the administrative requirements, cost principles and audit requirements of federal grants. The applicability of federal requirements varies by entity type as the chart below illustrates; all regulations listed in the chart below are codified by Department and available at: www.ecfr.gov.

Electronic Code of Federal Regulations (e-CFR) – Applicability by Entity Type			
Subrecipient Type	Administration Requirements	Cost Principles	Audit Requirements
State, Local & Tribal Governments	7 CFR 3016	2 CFR 225	7 CFR 3052
Non-Profits	7 CFR 3019	2 CFR 230	7 CFR 3052
For-Profits	7 CFR 3019	48 CFR 31.2	45 CFR 74.26
Educational Institutions	7 CFR 3019	2 CFR 220	7 CFR 3052

2.2 Additional Regulations Governing Administration of DNRC Awards

- ❖ Federal, state, and local laws, statutes, rules, and ordinances, as applicable;
- ❖ Federal award— signed agreement between DNRC and the federal agency providing funding. Subrecipients are subject to the terms and conditions of the federal award, which will be referenced in the Subaward Agreement;

- ❖ Subaward Agreement—signed agreement between DNRC and subrecipient; and
- ❖ Applicable federal or state program requirements. These requirements will generally be communicated to the subrecipient either via subaward-related materials such as the application, request for proposal, and Subaward Agreement, or various agency websites and publications.

Section 3: Applying for DNRC Subawards

3.1 Eligibility to Receive Subawarded Funds

The following eligibility requirements must be met in order for any entity to receive subaward funds from DNRC.

- ❖ **Debarment and Suspension**

Recipients and subrecipients of federal funds are **required** to sign Form AD-1048, “Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier Covered Transactions”, certifying that neither they nor their principals are debarred, suspended, or otherwise ineligible to receive federal funds.

Federal debarment and suspended party searches can be conducted at www.sam.gov; State searches can be conducted at <http://gsd.mt.gov/procurementservices/debarredsuspendedvendors.mcp>.

- ❖ **Insurance Requirements**

Subrecipients shall purchase and maintain appropriate insurance coverage equal to or exceeding the limits required in the Subaward Agreement. Prior to applying for subaward funds, applicants may contact the appropriate DNRC Program Manager for information about insurance requirements.

DNRC will verify insurance coverage for state entities or communities covered under Montana Municipal Interlocal Authority (MMIA) or Montana Association of Counties (MACo). Entities covered under private insurance companies must submit insurance verification documentation to DNRC before a Subaward Agreement can be executed. The following is the required insurance documentation for DNRC subaward agreements when the subrecipient maintains insurance with a private insurance company:

- Current Certificate of Liability Insurance that: 1) includes the types and maximum coverage for the insurance; 2) names the State of Montana as an additional insured; 3) names the State of Montana as the certificate holder; and 4) carries the DNRC Subaward Agreement Number on the face of the certificate.
- The State of Montana also requires a copy of the actual insurance endorsement page(s) to document the naming of the State as an additional insured. The following address should be used on the endorsement for the State of Montana: State of

Montana, ATTN: DNRC Procurement Office, PO Box 201601, Helena, MT 59620-1601.

❖ **Single Audit**

Any applicant that has expended \$500,000.00 or more in all federal awards in the subrecipient's preceding fiscal year is required to complete a [Single Audit](#) for that year in accordance with the provisions of OMB [7 CFR 3052](#) (A-133). If the subrecipient has completed a single audit, verification of the audit and any findings must be submitted to DNRC at the time of Subaward Agreement execution. For more information on Single Audits, see the following website: <http://harvester.census.gov/sac/>.

❖ **Subaward Reimbursements**

DNRC prefers to release subawarded funds for project costs on a reimbursement basis. Therefore, applicants for assistance should be able to pay project costs from their own funds before requesting reimbursement from DNRC. Under certain circumstances a DNRC Program Manager may approve an advance of awarded funds. To discuss the possibility of advance payments, contact the DNRC Program Manager prior to the execution of the Subaward Agreement.

❖ **DUNS Number**

A subaward applicant must have a DUNS number prior to signing a Subaward Agreement with DNRC. The DUNS number is a unique nine-digit number, issued by Dun and Bradstreet (D&B) to a business that applies for it. For more information on DUNS Number, see the following website: www.dnb.com.

❖ **Internal Controls**

Entities applying for DNRC subaward funds must have effective internal controls and financial management systems in place to assure that subawarded funds are spent and accounted for in accordance with applicable laws and regulations. In addition, there must be sufficient fiscal and accounting controls in place to allow for the preparation of required reports and allow funds to be tracked sufficiently to establish that expenditures were not in violation of any restrictions or applicable statutes. The following website has additional information on required internal controls:

http://www.whitehouse.gov/sites/default/files/omb/assets/OMB/circulars/a133_compliance/2011/pt6.pdf

❖ **Specific Subaward Program Requirements**

In addition to the general subaward eligibility requirements listed above, each DNRC Subaward Program Application has its own detailed requirements for eligibility. Refer to the DNRC Forestry Division's website <http://www.dnrc.mt.gov/forestry/> or application materials for more information on eligibility and individual program application requirements.

3.2 Subaward Application

Most applications for subaward funding will require some form of project narrative and proposed budget.

Project Narrative

A narrative statement is usually required to support applications or proposals for DNRC subaward funding. The narrative establishes the reason for the application and sets the direction for the subaward funded activity, clearly identifying the goals the subrecipient intends to accomplish with the award funding. The objectives for each application or proposal should be specific.

The narrative should include the following:

Project Description

- ❖ Description of the specific activity to be accomplished;
- ❖ Goals and objectives specific to the award's requirements;
- ❖ Location of the project or activity; and
- ❖ Key personnel.

Award Funding

- ❖ How the award funds will be used; and
- ❖ Match requirements and how they will be met.

Methodology/Timetable

- ❖ Method of tracking accomplishments;
- ❖ Work plan and timetable;
- ❖ How progress will be measured; and
- ❖ Anticipated subawarding or subcontracting activity.

Project Budget

Project budgets should include realistic estimates of anticipated expenses, broken out into the appropriate budget categories listed on the application, and clearly distinguishing between award funds and match funds. If goods or services will be procured, quotes from vendors or contractors may be helpful in estimating costs.

The project budget table in the application is specific to the individual award program and project, but typically it will include line items for direct costs such as salaries, operating expenses, contractual costs, and second-tier subawards. DNRC recognizes that costs shown are usually estimates at the beginning of the project, and as such are subject to revision as more information becomes available. Most Subaward Agreements contain a provision allowing minor adjustments between budget items or categories without a formal revision or amendment to the agreement, though significant amounts will require a written amendment. Subrecipients should consult with their DNRC Program Manager if they believe they need to deviate from the projected costs shown in their accepted award budget.

When preparing the project budget for the application, subrecipients should review the appropriate OMB Circular for their entity in order to determine the types of costs that are generally [allowable](#) and [unallowable](#). Some types of costs are allowable only under certain circumstances; some costs are always unallowable. For more information on determining cost allowability, see Section 4.1 Allowable Costs.

Match (Cost Share) Requirement

Match, also referred to as cost share, is generally the portion of project or program costs not paid with award funds, usually the subrecipient's contribution and/or donated services. A match commitment may be required from the subrecipient by the DNRC subaward program. Check the appropriate DNRC subaward program application and eligibility requirements for specific subaward match requirements. If an award program requires a match, eligible award applicants must be able to commit to their portion of project or program costs. The application must clearly show how any required match funds will be utilized in support of the project. Federal funding cannot be used as match. For more information on match or cost share requirements, see Section 4.6 Match (Cost Share).

Section 4: Project Costs

4.1 Allowable Costs

General Principles for Allowable Costs

Application of the following principles is based on the fundamental premise that:

- ❖ Subrecipients are responsible for efficient and effective administration of the award through the application of sound management practices;
- ❖ Subrecipients assume responsibility for administering award funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Subaward Agreement; and
- ❖ Subrecipients have the primary responsibility for employing whatever form of organization or management may be necessary to assure proper and efficient administration of subawarded funds.

In order to be considered allowable under a federal award or subaward, a cost must, at a minimum, be:

- ❖ **necessary** to accomplish the project objectives as described in the Subaward Agreement and applicable industry or programmatic standards;
- ❖ **reasonable** for proper and efficient performance and administration of the award. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost; and
- ❖ **allocable** to the award under the provisions of applicable Office of Management and Budget (OMB) Circulars. A cost is allocable to a particular [cost objective](#) if the goods or services involved are chargeable or assignable to the cost objective in accordance with the relative benefits received.

Additional general criteria for allowability of costs require that the cost also:

- ❖ Be authorized or not prohibited under state or local laws or regulations;
- ❖ Conform to any limitations or exclusions set forth in cost principles established by applicable OMB Circulars, federal or state laws, terms and conditions of the award, or other governing regulations as to types or amounts of cost items;
- ❖ Be consistent with policies, regulations, and procedures that apply uniformly to both federal and state subawards and other activities of the entity;
- ❖ Be accorded consistent treatment. A cost may not be assigned to the subaward as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the subaward as an indirect cost. For more information on Direct and Indirect Costs, see Section 4.3 Direct and Indirect Costs;
- ❖ Be determined in accordance with [generally accepted accounting principles \(GAAP\)](#), except as otherwise provided for in the applicable OMB Circulars;
- ❖ Not be included as a cost or used to meet match requirements of any other federal or state award in either the current or a prior period, except as specifically provided by federal law or regulation. For more information on match see Section 4.6 Match (Cost Share);
- ❖ Be the net of all [applicable credits](#). Applicable credits, whether accruing or received, that are related to allowable costs should be credited to the applicable award(s) as a cost reduction or cash refund, as appropriate; and
- ❖ Be adequately documented. For more information on disbursement documentation, see Section 4.7.2 Disbursement Documentation.

For more information on Allowable Costs, see Section 2.1, OMB Circular Reference Table. Subrecipients should refer to the specific OMB Circular Cost Principles that apply to their entity.

4.2 Unallowable Costs

Unallowable costs will not be reimbursed. If a particular cost item in this manual or the Subaward Agreement is not mentioned, no implication should be drawn that the cost item is either allowable or unallowable. If a particular item is not listed in this manual or in the appropriate OMB Circulars, it may be possible to determine [allowability](#) based on the degree of common characteristics between it and a similar listed item. If no similar item is discussed, the general tests of allowability described above should be applied. If cost allowability is difficult to determine, subrecipients should consult with their DNRC Program Manager prior to incurring the cost.

Examples of Unallowable Costs include, **but are not limited to**, the following:

- ❖ *Unapproved Costs.* Costs not previously approved by DNRC in the subaward application, the Subaward Agreement, or subsequent subaward amendments are usually not allowable.
- ❖ *Lobbying and Political activity.* The costs of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans are not allowable.
- ❖ *Match (Cost Share).* Costs claimed to meet match requirements for other federal or state grants are not allowable.
- ❖ *Donations and contributions.* The value of donated items or volunteer services is not reimbursable either as a direct or indirect cost; however, it may be used to meet federal, state or project match requirements.
- ❖ *Entertainment.* Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sporting events, meals, lodging, rentals, transportation, and gratuities) are unallowable.
- ❖ *Goods or services for personal use.* Costs of goods or services for personal use of the subrecipient's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

4.3 Direct and Indirect Costs

As noted above, costs must be consistently treated as either direct or indirect. Cost principles set forth in applicable OMB Circulars state clearly that a cost may **not** be assigned to a federal or state award as a direct cost if any other cost incurred for the same purposes in like circumstances has been allocated to the federal or state award as an indirect cost.

There is no universal rule for classifying a particular cost as either direct or indirect under every accounting system, but the following guidelines may help in determining whether to treat costs as direct or indirect.

Direct Costs. Direct costs are those that can be identified specifically with a particular final [cost objective](#). For a direct cost to be assignable in its entirety to a particular cost objective, the cost objective must receive the full benefit from the goods, services, or effort that make up that cost. Costs that are typically charged as direct costs may include, but are not limited to:

- ❖ Compensation of employees for the time devoted and identified specifically to the performance of the cost objective;
- ❖ Cost of materials acquired, consumed, or expended specifically for the purpose of the cost objective;
- ❖ Cost of services performed in order to accomplish the cost objective; and
- ❖ Travel expenses incurred specifically to carry out the cost objective.

Indirect Costs. Indirect costs are those incurred for a common or joint purpose benefitting more than one cost objective, **and** not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved.

Reimbursement of indirect costs by DNRC is based on the entity's [Indirect Cost Rate](#). An entity's Indirect Cost Rate is a predetermined rate that has been negotiated with the entity's [Cognizant Federal Agency](#) or with DNRC prior to or during the subaward application process. Indirect costs are determined by applying the entity's negotiated Indirect Cost Rate Percentage to the direct cost base. If the entity does not have an approved Indirect Cost Rate, or amount explicitly stated in the Subaward Agreement, it should be assumed that Indirect Costs are not an approved budget item under the subaward, and as such are not eligible for reimbursement.

An indirect cost pool **may** include items such as:

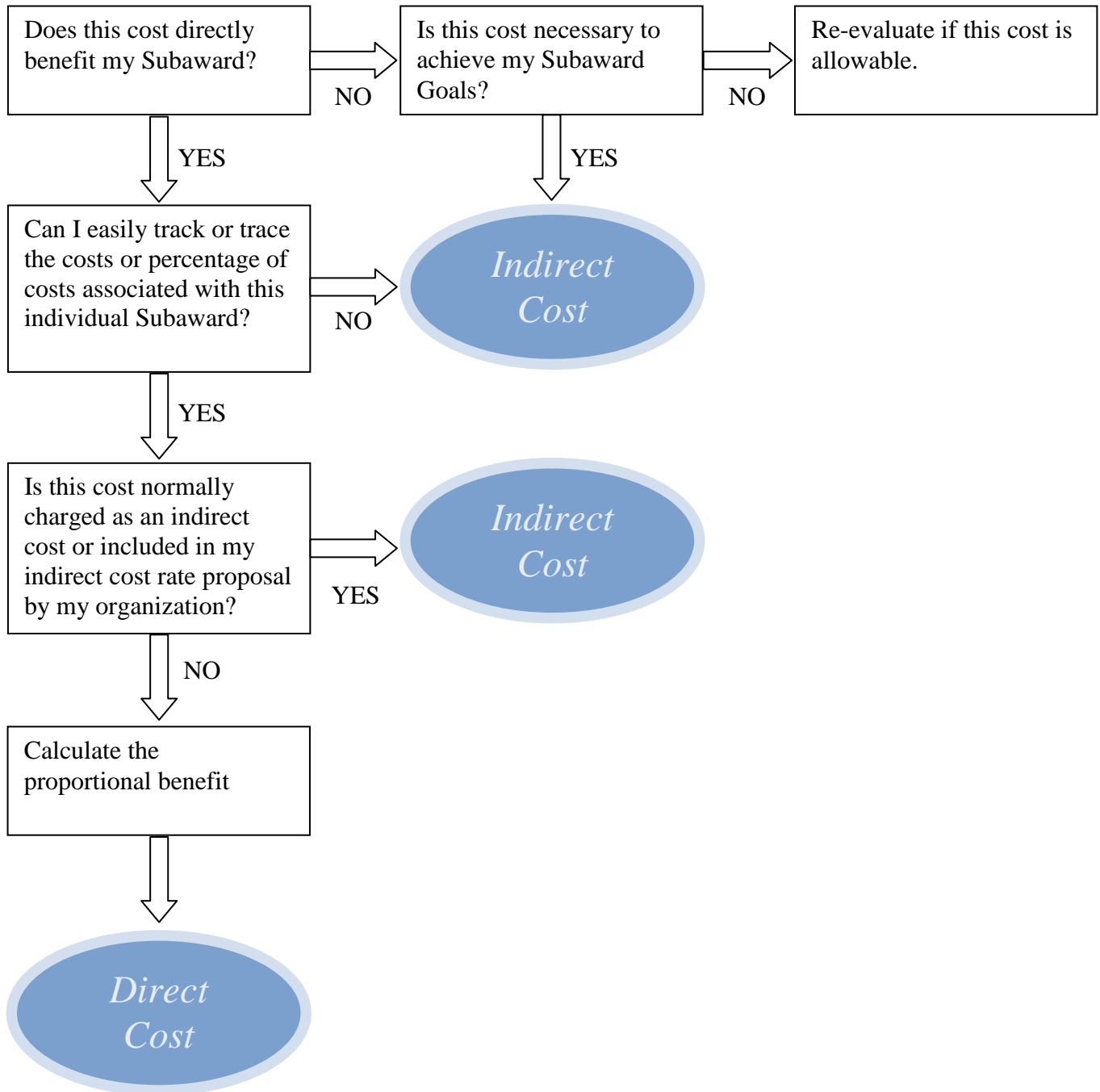
- ❖ Depreciation and use allowances on buildings and equipment;
- ❖ Facility operations and maintenance costs;
- ❖ General administration and general expenses;
- ❖ Personnel and accounting administration; and
- ❖ Liability Insurance.

For more information on Indirect Costs, see Section 2.1, OMB Circular Reference Table. Subrecipients should refer to the specific OMB Circular Cost Principles that apply to their entity.

The following decision tree may also help in determining if a cost should be considered a Direct or Indirect Cost.

4.4 Direct and Indirect Costs Decision Tree

Should this Cost be allocated as a Direct or Indirect Cost to my Subaward?



4.5 Budget Categories

Budget categories in a DNRC Subaward Agreement may include Personnel Costs, Operating Expenses, Contractual Expenses, Equipment, and Subawards made to second-tier subrecipients.

4.5.1 Personnel Costs

Personnel costs include compensation paid to employees as wages or salaries and related fringe benefit costs for services provided during the period of the subaward. Personnel costs, also referred to as payroll charges, must meet the general test of **allowability** in that they must be **necessary, reasonable, and allocable** to the award. Personnel costs can be checked for reasonableness by comparing compensation with other organizations' pay for similar work, or with market salary standards. The charges must also be treated consistently with other payroll charges, be consistent with organizational policies, and not be charged elsewhere to another award or function. Fringe benefits associated with payroll charges (such as the employer's portion of social security, insurance benefits, contributions to retirement programs, compensated absences such as vacation, holiday and sick leave) are also allowable, provided the allowability test noted above is met. Personnel costs for vacation and leave time may only be requested for reimbursement after the period in which the leave is taken, not at the time that the leave is earned or accrued.

Insufficient documentation for time and effort reporting is a common audit finding by the United States Department of Agriculture Office of Inspector General (USDA-OIG). Costs lacking adequate documentation may be deemed "unallowable" and, as such, may be subject to repayment. Therefore, subrecipients should pay particularly close attention to the documentation requirements for personnel costs. Note that all documentation listed below is not necessarily required by DNRC in order for it to disburse subaward funds, but is required to be maintained by the subrecipient. As such, this documentation would be expected to be produced in the course of subaward monitoring by DNRC staff, federal auditors, or an independent auditing firm.

Personnel Costs claimed as Direct Costs must meet the following documentation standards:

- ❖ All charges to federal awards for salaries, wages, and benefits must be based on the entity's documented payroll records. Time and attendance records, including work schedules, calendars, and time sheets may be used to document payroll charges.
- ❖ Where employees work **solely on a single federal award or cost objective** charges for their salaries and wages shall be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications **must**:
 - Be prepared **at least semi-annually**, and

- Be **signed** by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- ❖ Where employees work on **multiple activities or cost objectives**, a distribution of their salaries or wages will be supported by [Personnel Activity Reports \(PAR's\)](#) or equivalent documentation that **must**:
- Reflect an **after-the-fact distribution** of the actual activity of each employee;
 - Account for the **total activity** for which each employee is compensated;
 - Be prepared **at least monthly** and coincide with one or more pay periods; and
 - Be **signed by the employee**.
- ❖ **Budget estimates or other distribution percentages** determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that:
- The estimates produce reasonable approximations of the activity actually performed; and
 - At least quarterly comparisons of actual costs to budgeted distributions based on the monthly PAR's are made, and costs are then adjusted to reflect actual activities.

Personnel Costs claimed as part of the Indirect Cost Pool, such as accounting and general administrative services, do not require documentation in addition to payrolls.

4.5.2 Operating Expenses

The Operating Expenses budget category generally includes costs such as supplies and materials, utilities, travel, and training. These types of expenses may be treated as either direct or indirect costs, depending on their relative benefit to the award-funded project. For more information on determining direct versus indirect costs, see Section 4.4 Direct and Indirect Costs Decision Tree.

4.5.3 Contractual Expenses

The Contractual Expenses budget category includes costs incurred for services provided under contract by a subcontractor, consultant, or other entity in support of the award-funded project. As with general operating expenses, contractual expenses should be analyzed to determine whether they are more accurately treated as direct or indirect costs under the subaward.

Note that some DNRC subawards may require the subrecipient to enter into some type of contract or binding agreement with the intended [beneficiary](#) of the award program, in order to accomplish project goals. An example of this arrangement is a private individual (beneficiary) accomplishing mutually beneficial project goals under the terms of a cost-

share agreement (a form of contract) between the beneficiary and the subrecipient. Under this scenario, the payment(s) made by the subrecipient to the beneficiary would be considered a contractual expense.

4.5.4 Equipment (Capital Equipment)

Equipment, also referred to as capital equipment, is defined as an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which is equal to or greater than \$5,000.

DNRC's subawards rarely allow awarded funds to be used to purchase equipment. If allowed by the award program and funding source, DNRC Program Managers will work with the subrecipient as part of the application process to determine if there is a need to allocate award funds for equipment. If the purchase of equipment is an allowable cost under a DNRC subaward, it will be clearly noted in the subaward budget table, and additional guidance related to the acquisition and disposition of the equipment will be included in the Subaward Agreement.

4.5.5 Subawards to Second-Tier Subrecipients

Some DNRC award programs may allow for subrecipients to [subaward](#) part of the project to other entities, referred to as second-tier subrecipients, to perform a specific portion of the subawarded project

Payments made by subrecipients to eligible subaward program [beneficiaries](#) are not considered subawards; therefore beneficiaries are not subject to the same administrative regulations as subrecipients. For more information on beneficiary payments, see section 4.5.3 Contractual Expenses. For more information on the flow down of federal grant award funding and related terminology, see Appendix B Flowchart of Award Funding.

4.5.6 Example Project Budget Table

The following example assumes a 1:1 match requirement and a 10% negotiated Indirect Cost Rate.

<i>Project Funding Summary:</i>	DNRC	Match	Total
Direct Costs			
Personnel Costs	\$25,000	\$75,000	\$100,000
Operating Expenses	\$5,000	\$10,000	\$15,000
Contractual Expenses	\$25,000	\$25,000	\$50,000
Equipment	\$0	\$0	\$0
Subawards	\$45,000	\$0	\$45,000
Total Direct Costs	\$100,000	\$110,000	\$210,000
Indirect Costs	\$ 10,000	N/A	\$10,000
Total Project Funding	\$110,000	\$110,000	\$220,000

4.6 Match (Cost Share)

Match, also referred to as cost share, is generally the portion of project or program costs not paid with subawarded funds, usually the subrecipient’s contribution and/or donated services. For subawards that require a match, the subrecipient must document that the match requirement has been met. Costs used to meet a match requirement must be allowable under the applicable cost principles and must meet program guidance and documentation requirements. Failure to properly record match or cost share expenses may result in the termination of the Subaward Agreement or the withholding of subaward disbursements by the DNRC until appropriate match documentation is provided.

4.6.1 Match Ratio

Note that the match requirement may be stated in a variety of ways. To avoid confusion, DNRC will state the match requirement as a ratio of award funds to match funds (e.g., “This Subaward Agreement requires a match of 4:1 award to non-award funds”, representing the requirement for \$1 in match funds for every \$4 of award funds).

The subrecipient should work with the DNRC Program Manager to ensure that the amount of match required by the Subaward Agreement is clearly stated in the Subaward Agreement and understood by the subrecipient.

4.6.2 Match Requirements

Contributions to meet match requirements must meet all of the following criteria:

- ❖ Are verifiable from the subrecipient's records;

- ❖ Are not included as contributions for any other state or federally-assisted project or program;
- ❖ Are necessary and reasonable for proper and efficient accomplishment of project or program objectives;
- ❖ Are allowable under the applicable cost principles;
- ❖ Are not paid by the state or federal government under another award, except where authorized by federal statute to be used for match;
- ❖ Are authorized in the DNRC approved budget designated in the Subaward Agreement; and
- ❖ Salaries and wages of employees used in meeting match requirements must be supported in the same manner as those claimed as allowable costs under DNRC subawards. For more information on Personnel Costs, see Section 4.5.1 Personnel Costs.

4.6.3 Match Types

Cash Match (Hard Match)

Cash Match, also referred to as hard match, is the subrecipient's or others' actual cash outlay, including the outlay of money contributed to the project by third parties.

In-kind Match (Soft Match)

In-kind Match, also referred to as soft match, is the value of non-cash contributions provided by subrecipients or third parties. In-kind contributions may be in the form of goods, labor, services, facilities, space, personnel, materials, or equipment calculated at fair market value. Note that third-party in-kind match contributions count toward satisfying a match requirement only where, if the party receiving the contributions were to pay for them, the payments would be [allowable](#) costs.

- ❖ **Donated Services - Volunteers**

Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as match if the service is an integral and necessary part of an approved award-funded project or program. Rates for volunteer services must be consistent with those paid for similar work in the applicant's organization, or with those paid for similar work in the local labor market. If an entity does not have volunteer service rates readily available, an acceptable average cost for unskilled volunteer services can be calculated at the following website http://www.independentsector.org/volunteer_time.

If volunteer services are approved to be claimed as match under the award-funded project, subrecipient should maintain documentation regarding who the volunteers were, number of hours worked, and when and what kind of work was done. To

the extent feasible, donated services should be documented by the same methods used to support regular personnel costs. For more information on Personnel Costs, see Section 4.5.1 Personnel Costs.

❖ **Donated Services - Others**

Other examples of donated services may include printing, website maintenance or server space, telephone services, transportation costs, or administrative or accounting services provided in support of the program. These donated services should be valued at the fair market value for the services, or what the entity would have to pay for the services if they were not donated.

❖ **Donated Goods**

The reasonable value of donated tangible goods may be used as match, with DNRC approval. For example, a subrecipient may receive donations of supplies necessary to accomplish project goals, the reasonable value of which may be utilized for match requirements of the program. Reasonable value for the donated items may be determined by the cost of similar items in the vicinity, considering the nature and condition of the item. The subrecipient's basis for determining the value of donated goods claimed as match shall be submitted with the disbursement request.

4.7 Disbursements of Subaward Funds

4.7.1 Disbursement Reimbursement versus Advance

Most DNRC subawards require the subrecipient to incur expenses for award-funded activities, process payment, and then submit a request for reimbursement to DNRC. However, in certain limited circumstances a Program Manager may approve an advance of funds. If an advance is approved, federal regulations require that the subrecipient have procedures in place to minimize the time elapsing between the receipt of funds and their disbursement.

Individual subaward programs will usually have specific directions, forms, and documentation requirements for the submittal of disbursement requests (see Subaward Agreement and/or the DNRC award program website), though the following general principles and procedures apply.

4.7.2 Disbursement Documentation

Documentation required in support of subaward disbursement requests may include, but is not limited to, itemized receipts, vendor invoices, inspection certificates, financial reports that clearly show expenditures, payroll records, copies of checks, bank statements, and other forms of proof of payment. DNRC will determine whether documentation submitted adequately supports the disbursement request. Reimbursement of subrecipient's expenditures will only be made for expenses included in the approved subaward project budget and clearly supported by the subrecipient's financial records.

The subrecipient must maintain appropriate and adequate records showing complete entries of all receipts, disbursements and other transactions relating to the Subaward Agreement for three (3) years after the termination or the expiration of DNRC's Subaward Agreement.

4.7.3 Disbursement Withholding

Some DNRC subaward programs require the withholding of a percentage of the total subawarded funds or a percentage of each reimbursement request, which is outlined in the Subaward Agreement. Disbursement withholdings will be released to the subrecipient after the subaward project is concluded and all required inspections, reports, documentation and reimbursement requests have been submitted and approved by DNRC.

Section 5: Procurement of Goods and Services

5.1 Procurement Standards by Entity Type

Standards for policies and procedures governing the procurement of goods and services with federal grant funds vary depending on the type of [subrecipient](#). If subawards by DNRC require additional procurement requirements or regulations beyond those listed in the federal OMB Circulars, they will be detailed in the DNRC Subaward Agreement.

- ❖ *State governments* are expected to follow their usual procurement policies and procedures, while ensuring that any contractual provisions required under federal statutes are included in their contracts.
- ❖ *Local and tribal governments* are also expected to follow their own procurement procedures, which must:
 - Reflect applicable state and local laws, and
 - Conform to applicable federal laws and the standards identified in OMB Circular [7 CFR 3016](#) “Uniform Administrative Requirement for Grants and Cooperative Agreement to State and Local Governments”.
- ❖ *Non-profits, educational institutions and for-profit entities* must comply with the standards in OMB Circular [7 CFR 3019](#) “Uniform Administrative Requirement for Grants and Agreement with Institutions of Higher Education, Hospitals and other Non-Profit Organizations” (procurement standards are found in sections 40 through 48).

Though some of the procurement standards in these OMB Circulars are identical for all entity types, others differ slightly, and still others are applicable only to one group of entities. For these reasons, this manual does not attempt to reproduce all the procurement standards for all types of entities. It is extremely important that subrecipients consult the applicable OMB Circulars, along with any attachments or appendices applicable to their entity type, for more detail on the

procurement procedures required of them. For more information on the OMB Circulars applicable to a particular entity, see Section 2.1 OMB Circular Reference Table.

5.2 General Procurement Standards

Below are some of the common standards for procurement procedures required of ALL sub-recipients of federal grant funds:

❖ **Written Procurement Procedures**

Subrecipients must have written procurement procedures that comply with applicable federal laws and the requirements contained in the applicable OMB Circulars. State, local and tribal governments' procurement procedures must also reflect applicable state and local laws and regulations. Among other requirements noted in the Circulars, procurement procedures must ensure that subrecipients avoid unnecessary or duplicative purchases, that some form of cost/price analysis is performed for every procurement, and that contractual awards are made only to responsible contractors who possess the ability to perform successfully under the terms and conditions of the proposed procurement.

❖ **Written Standard of Conduct**

Subrecipients must have a written standard of conduct governing the performance of employees engaged in the award and administration of contracts. This code should define, address, and aim to prevent possible conflicts of interest. For example, an employee who is engaged in the procurement process, who also has a financial or other interest in a firm selected for an award, would represent a conflict of interest. Conflicts of interest are addressed in more detail in the applicable OMB Circulars and/or federal, state or local laws and regulations.

❖ **Contract Administration and Dispute Resolution**

Subrecipients must maintain a system for contract administration to ensure contractor performance within the terms and conditions of the contract. Subrecipients are responsible for the settlement of all contractual and administrative issues arising out of their procurements, and therefore must have protest procedures in place to handle and resolve disputes.

❖ **Competition**

All procurement transactions must be conducted in a manner that provides full and open competition. While it is difficult to define what constitutes acceptable competition in all circumstances and at all levels of procurement for all entities, a general guideline is that awards (or purchases) must be made to the bidder (or from the [vendor](#)) whose offer is most responsive to the solicitation or request (meets the need), and is most advantageous to the subrecipient, with price, quality, and other relevant factors considered. Consideration will be given to such criteria as the contractor's/vendor's integrity, compliance with public policy, record of past performance, and financial and technical resources. Subrecipients should also note that some DNRC Subaward Agreements may contain more specific procurement direction related to the program or project, such as

requiring that a minimum of three (3) bids be obtained and considered before procuring a certain product or service.

❖ **Cost/Price Analysis**

Some form of cost or price analysis shall be made in connection with every procurement action. As with competition, discussed above, there is not one set procedure to be followed in every circumstance. Price analysis may be accomplished in a variety of ways, including the comparison of quotes, market prices, and discounts. Cost analysis is the review and evaluation of each element of cost to determine [reasonableness](#), [allocability](#), and [allowability](#). For more information on allowable costs, see Section 4.1 Allowable Costs. In the course of a cost/price analysis, subrecipients should, where appropriate, also conduct an analysis of lease versus purchase alternatives to determine which would be the most economical and practical procurement alternative.

❖ **Solicitations**

The OMB Circulars go into greater detail on solicitation requirements specific to each type of entity, but at a minimum a solicitation must present a clear and accurate description of the technical requirements for the material, product, or service to be procured, as well as any other requirements which the bidder/vendor must fulfill and which will be used in evaluating bids or proposals.

❖ **Preference for Small Business, Minority-Owned Firms, Women's Business Enterprises**

Subrecipient entities are required to utilize small businesses, minority-owned firms, and women's business enterprises whenever possible in procuring goods and services for award-funded activities. The specific affirmative steps that a subrecipient must take vary slightly by entity type; subrecipients should consult their applicable Circulars for more information.

❖ **Procurement Documentation**

Procurement documentation must be sufficient to record the history of significant procurements, including the rationale for the method of procurement and basis for contactor or vendor selection. This documentation may be requested and reviewed by DNRC in the course of subrecipient monitoring activities and/or by independent auditors in the course of an audit and must be held for three (3) years after the termination or the expiration of DNRC's Subaward Agreement. For award-funded procurements that exceed the federal small purchase threshold, currently \$150,000, subrecipients are required to maintain additional documentation for review, as detailed in the OMB Circulars. If procurements of this size are anticipated in the course of DNRC's award-funded activities, DNRC and the subrecipient will discuss acceptable methods and procedures prior to executing the Subaward Agreement.

❖ **Contract Provisions**

All contracts obligating federal grant funds must contain certain specific provisions. Subrecipients should consult their applicable OMB Circular for more information on the specific provisions required by entity type and contract amount. Nonprofits and

educational institutions should note that Appendix A of [7 CFR 3019](#) lists additional required contract provisions.

❖ **Debarment and Suspension**

As required by the federal grants awarded to DNRC, all subrecipients and contractors to be paid with federal grant funds must complete form [AD-1048](#), “Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion, Lower Tier Covered Transactions”, and signed forms must be kept on file. Subrecipients are also required by DNRC to have their contractors and subrecipients complete the form, and to check the website [SAM.gov](#) to ensure that debarred, suspended, or otherwise ineligible contractors are not paid with federal funds. State searches can be conducted at <http://gsd.mt.gov/procurementservices/debarredsuspendedvendors.mcpix>.

5.3 Methods of Procurement

The specific methods of procurement to be used in given situations and for certain dollar amounts are addressed differently in the OMB Circulars depending on entity type. Since this subject is the source of many questions and concerns for subrecipients as well as the primary recipient (DNRC) responsible for monitoring their activities, it is addressed here in more detail for each type of subrecipient entity.

- ❖ ***All Entities*** are responsible for determining the most appropriate instrument for a particular procurement in order to promote the best interest of the program or project involved. For more information when considering a cost and selecting a procurement method, see Section 4.1 Allowable Costs and 5.2 General Procurement Standards. DNRC may have certain requirements as to the method of procurement to be used in a given situation or program; if such requirements exist, they will be communicated to the subrecipient during the application process and/or clearly stipulated in the Subaward Agreement.
- ❖ ***Non-profits, Educational Institutions and for-profits*** are not given any further guidance in the OMB Circulars as to the specific method of procurement to be used in a given situation, except for a prohibition against “cost plus a percentage of cost” contracts.
- ❖ ***State, Local and tribal governments*** are given more information on specific methods of procurement to be followed. Methods detailed in 7 CFR 3016 include those for small purchases (< \$150,000), sealed bids, competitive proposals, and noncompetitive proposals; there is also the prohibition against “cost plus a percentage of cost” contracts. Subrecipients should note that even what are considered “small purchases” on the federal scale require that price or rate quotations be obtained from an adequate number of qualified sources. Subrecipients should consult with their DNRC Program Manager as to what constitutes an adequate number of quotes for a given procurement situation. For more information on Competition and Cost/Price analysis, see Section 5.2 General Procurement Standards.

Government entities are also encouraged to enter into intergovernmental agreements for procurement of common goods and services and to use federal and state excess and surplus property whenever doing so is feasible and results in a cost savings.

Section 6: Subrecipient Monitoring

DNRC is responsible for monitoring subrecipients and award-funded projects in order to ensure that subrecipients comply with state and federal laws, program regulations, Subaward Agreement terms and conditions, and administrative requirements as specified in applicable OMB Circulars.

Subrecipient monitoring must cover all programs, functions, or activities supported by awarded funds administered by DNRC, and must be sufficient to accomplish the following objectives:

- ❖ Determine that expenditures have been charged to the cost categories and within the cost limitations specified by OMB circulars and applicable laws and regulations ;
- ❖ Determine that the award project is progressing properly while complying with and adhering to the provisions of applicable laws and regulations, contracts, Subaward Agreements and uniform administrative requirements for grants and agreements as directed in the OMB circulars; and
- ❖ Provide technical assistance as necessary.

To fulfill monitoring requirements, DNRC may conduct periodic monitoring of any subrecipient receiving financial assistance. Monitoring provides DNRC with basic information about the programmatic and financial health of the subrecipient, problems with subrecipient's internal controls and compliance, and any questionable costs associated with those problems.

6.1 Monitoring Methods

The monitoring methods used by DNRC will vary depending on the specific award program, the amount of the subaward, the scope and complexity of the project, and the subrecipient's financial and organizational history. Monitoring can also be an effective way to follow up on previous audit findings and confirm that corrective actions have been taken. DNRC uses various monitoring methods, including:

- ❖ Perform Subrecipient Risk Assessment to determine the level of required monitoring;
- ❖ Engage in regular communications; this can be via DNRC webinars and teleconferences, telephone conversations, in-person visits or other means such as email;
- ❖ Review subrecipient project Performance Reports;
- ❖ Review subrecipient Financial Reports and documentation on award expenses;

- ❖ Review [Single Audit](#) (A-133) findings;
- ❖ Perform desk reviews of additional supporting documentation requested of subrecipient;
- ❖ Schedule site visits to review documentation and discuss subrecipient’s internal policies and procedures;
- ❖ Provide technical assistance; and
- ❖ Stay informed of subrecipient coverage in the news and media outlets.

6.2 Subrecipient Risk Assessment

DNRC may apply special award or subaward conditions and utilize additional monitoring techniques for subrecipients considered “high-risk”. A recipient or subrecipient may be considered “high risk” if DNRC determines that a recipient or subrecipient:

- ❖ Has a history of unsatisfactory performance, or
- ❖ Is not financially stable, or
- ❖ Has a management system which does not meet the management standards set forth in OMB Circulars, or
- ❖ Has not conformed to terms and conditions of previous awards, or
- ❖ Is otherwise not responsible.

If DNRC elects to subaward funds to an entity considered “high-risk”, special conditions and/or restrictions corresponding to the high risk condition will be included in the Subaward Agreement.

Other factors that may determine the level of monitoring of a subrecipient by DNRC may include:

- ❖ The amount of the subaward(s) being administered by the subrecipient;
- ❖ The complexity of the award(s), project(s), and/or subaward(s) requirements;
- ❖ The subrecipient’s experience in administering a federal subaward; and
- ❖ The type(s) of subaward(s) being awarded.

6.3 Single Audit (A-133 Audit)

Subrecipients expending \$500,000 or more in federal funds during the subrecipient's fiscal year must comply with the Single Audit requirements of OMB Circular [7 CFR 3052](#) (A-133). As primary recipient, DNRC is tasked with ensuring subrecipients are in compliance with the [7 CFR 3052](#) (A-133) requirement, even if DNRC has only supplied a portion of the \$500,000 federal funding threshold. DNRC will review the results of Single Audits and follow-up with subrecipients as necessary.

For-profit entities and subrecipients spending less than \$500,000 a year in federal funds are not subject to Circular [7 CFR 3052](#) (A-133) and therefore are not required to have a Single Audit conducted. However, DNRC may require a subrecipient to conduct an audit according to government auditing standards if warranted by the subrecipient risk level and/or past award noncompliance.

6.4 Desk review

DNRC may perform a desk review to further analyze subrecipient administrative policies and documentation to determine if a subrecipient is complying with applicable laws and financial, administrative, and regulatory requirements. The focus of a desk review is to analyze supportive documentation submitted from the subrecipient that is not normally reviewed by DNRC in payment requests or project and financial reports, but which should be kept by subrecipients for auditing purposes. For example, DNRC may request copies of payroll documentation including job description, timesheets, benefits breakdown, and [PAR's](#) (if applicable). Desk reviews are an economical way to monitor subrecipient activities because they do not require recipient staff to travel or conduct face-to-face interviews. In addition, desk reviews can be conducted on a group of subrecipients to target a specific area of compliance review.

6.5 Site Visit

Site visits are a useful monitoring tool to give DNRC officials an in-depth review of a subrecipient's program and organization. Although the specific areas covered in the site visit may vary considerably depending on the purpose of the visit, the subrecipient can generally expect a review of the organization's policies and procedures and documentation regarding the following main topics:

- ❖ Project progress;
- ❖ Financial and accounting practices;
- ❖ Personnel policies and procedures;
- ❖ Procurement and subawarding policies and procedures; and
- ❖ Property documentation, controls and disposition.

After the site visit, DNRC will submit a report to the subrecipient that includes its observations, any recommendations for improvement, and/or expectations for corrective action. If corrective action is required, a timetable for response is usually set forth in the report. The subrecipient is expected to respond, in writing, with corrective action plans, schedules, and documentation of completed corrective actions.

6.6 Corrective Action Plan

If, in the process of subrecipient grant monitoring, an audit finding or other significant problem is found, a corrective action plan may be created to address the issue. At a minimum, the corrective action plan should:

- ❖ Identify each problem found during the evaluation of the award program;
- ❖ Describe corrective actions to be taken for each problem identified; and
- ❖ Establish and record the date by which each corrective action will be completed and the person responsible for implementing it.

The corrective action plan should be completed by the subrecipient and submitted to DNRC for approval before the submittal due date.

6.7 Monitoring Follow-Up

The follow-up to issues raised in DNRC monitoring of subrecipients varies depending on the extent and severity of the issues raised and how the corrective action process is managed. Follow-up may include communication with the subrecipient after the review of the corrective action plan, additional desk reviews, and announced or unannounced site visits.

6.8 Agency Remedies

If a subrecipient does not complete a corrective action plan or correct known violations, DNRC may seek remedies to enforce the terms of a Subaward Agreement. Possible remedies sought and/or imposed on non-compliant subrecipients are based upon the violation severity and may include:

- ❖ Temporarily withholding cash disbursements pending correction;
- ❖ Disallowing expenditure of funds for the activities which do not comply with the law, regulations, or Subaward Agreement;
- ❖ Classifying the recipient as “high-risk” and adding special terms and conditions to the current Subaward Agreement and future Subaward Agreements;

- ❖ Placing contingencies on renewal of funds, such as requiring the recipient to conduct and pay for independent auditing and award monitoring;
- ❖ Refusing to extend subaward;
- ❖ Terminating the subaward;
- ❖ Initiating proceedings to suspend and/or debar the recipient from participating in federal programs;
- ❖ Pursuing recovery of funds; and
- ❖ Pursuing criminal penalties.

DNRC will make every effort to work with subrecipients to assure understanding of the subaward requirements and to assist in complying with such requirements. Subrecipients that have any specific concerns or questions should contact their Program Manager or appropriate DNRC representative for answers or direction on award administration.

Section 7: Subaward Agreement

7.1 Period of Availability

Allowable costs must be incurred, though not necessarily paid, within the period of availability, also referred to as the term of the Subaward Agreement. This period begins on the date of the last signature to the agreement and ends on the agreement's expiration date. Unless prior written approval is given by the DNRC Program Manager or included in the Subaward Agreement, costs incurred prior to the period of availability are not allowable. In some cases the term of a Subaward Agreement may be extended via a written amendment, signed by the subrecipient and the DNRC Program Manager.

7.2 Subaward Modifications

Permission to substantially modify awarded projects must be requested in advance and in writing to the DNRC Program Manager. Refer to the appropriate OMB Circular for determining when and what type of award project modifications must be submitted for approval. Common examples of award modifications requiring prior DNRC Program Manager approval include change in the project scope and/or objectives, change in key personnel, award expiration extensions, or budget modifications.

All budget modifications must:

- ❖ Be submitted and approved before modified costs can be incurred;
- ❖ Include an itemized revised budget; and

- ❖ Include a written budget narrative justifying the changes.

DNRC Program Managers will promptly review all subaward modification requests and either approve or disapprove the request in writing. DNRC will not approve any subrecipient budget or project revision which is inconsistent with the purpose or terms and conditions of the federal grant awarded to DNRC.

7.3 Subaward Reporting

DNRC award programs and staff are responsible for implementing award assistance programs efficiently and effectively. Recipients of federal and state grant funds are held accountable for their performance and required to report annually on their accomplishments. Since DNRC is responsible for the appropriate stewardship of awarded funds, all subrecipients receiving DNRC subawards will be required to report on their award project performance and financial assistance.

Project performance reports should indicate the status of the project, highlight the period's accomplishments toward the project's goals and objectives, point out any problems or obstacles encountered, and discuss work planned for the next period.

Financial reports should provide an overview of the project award's financial status and include information concerning the project's total expenditures and any program income. Reporting requirements for subrecipients vary by award program and are outlined in the Subaward Agreement.

7.4 Subaward Closeout

Closeout of the Subaward Agreement occurs when DNRC determines that all applicable administrative actions and all required project work have been completed under the agreement. Closeout of a Subaward Agreements can occur when the following have been completed:

- ❖ All financial and performance reports and required documentation have been submitted and approved by DNRC staff;
- ❖ All approved expenses under the award have been disbursed by DNRC;
- ❖ DNRC Program Manager has certified that all required actions have been completed; and
- ❖ Proper disposition of any equipment purchased with awarded funds has been completed.

Section 8: DNRC Availability of Award and Subaward Records

As primary recipient of federal grant funds, DNRC is obligated to maintain award and subaward records according to federal and state regulations. DNRC must adhere to federal record retention requirements per OMB Circulars, at [7 CFR 3016.42](#), as well as Montana Secretary of State record retention requirements.

Appendix A

Montana Department of Natural Resources and Conservation Forestry Division Subaward Manual Definitions

Allocable Costs

A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Allowable Costs

In order to be considered allowable under an award or subaward, a cost must, at a minimum, be allocable, reasonable, and necessary. See section 4.1 for additional criteria and more information on determining the allowability of a cost.

Applicable Credits

Applicable Credits are those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to the award as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the organization relate to allowable costs, they shall be credited to the federal or state award either as a cost reduction or cash refund, as appropriate.

Beneficiary

Beneficiaries are the persons, groups, organizations, or other entities that are intended to ultimately benefit from the award. Beneficiaries are not considered subrecipients and therefore are not subject to the same regulatory and administrative requirements as subrecipients.

Cash Match (Hard Match)

Cash Match, also referred to as to as hard match, is the subrecipient's or others' actual cash outlay, including the outlay of money contributed to the project by third parties.

Cognizant Federal Agency

Cognizant Federal Agency is defined as the federal agency that, on behalf of all federal agencies, is responsible for establishing final indirect cost rates and forward pricing rates, if applicable, and administering cost accounting standards for all contracts in a business unit. Visit the website harvester.census.gov/sac for further details on Cognizant Federal Agency.

Cost Objective

Cost objective means a function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.

Direct Costs

A direct cost is one that can be identified specifically with a final cost objective.

Appendix A

Equipment (Capital Equipment)

Equipment means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds \$5,000.

Generally Accepted Accounting Principles (GAAP)

Generally Accepted Accounting Principles is a widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by the American Institute of Certified Public Accountants (AICPA). For more information on GAAP, see website www.aicpa.org.

Indirect Cost

An indirect cost is a cost that has been incurred for common or joint objectives and cannot be readily identified with a final cost objective without effort disproportionate to the results achieved.

In-kind Match (Soft Match)

In-kind match, also referred to as soft match, is the value of non-cash contributions provided by subrecipients or third parties. In-kind contributions may be in the form of goods, services, land, facilities, space, personnel, materials, and equipment calculated at fair market value that is directly benefiting and specifically identifiable to the project or program.

Match (Cost Share)

Match, also referred to as cost share, is generally the portion of project or program costs not paid with award funds, usually the subrecipient's contribution and/or donated services.

OMB Circulars

OMB Circulars are instructions or information issued by the Office of Management and Budget (OMB) to federal agencies. OMB leads the development of government wide policy and instruction to assure that grants are managed properly and that federal dollars are spent in accordance with applicable laws and regulations. Governmentwide Grant Requirements have been codified by Department and can be accessed at The Electronic Code of Federal Regulations (e-CFR) at www.ecfr.gov.

Personnel Activity Reports (PAR)

Personnel Activity Report standards regarding time distribution are in addition to the standards for payroll documentation. Personnel activity reports or equivalent documentation must meet the following standards: They must reflect an after-the-fact distribution of the actual activity of each employee, they must account for the total activity for which each employee is compensated, they must be prepared at least monthly and must coincide with one or more pay periods, and they must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards.

Pass-through entity

Pass-through entity means a non-federal entity that subawards federal funding to a subrecipient to carry out a federal program.

Appendix A

Personnel Costs

Personnel costs include compensation paid to employees as wages or salaries and related fringe benefit costs for services provided during the period of the award

Primary Recipient

Primary Recipient means a non-federal entity that expends federal awards received directly from a federal awarding agency to carry out a federal program.

Reasonable Costs

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Single Audit

The Single Audit, also known as the OMB [7 CFR 3052](#) (A-133) audit, is a rigorous, organization-wide audit or examination of an entity that expends \$500,000 or more of federal assistance (commonly known as federal funds, federal grants, or federal awards) received for its operations. Usually performed annually, the Single Audit's objective is to provide assurance to the U.S. federal government as to the management and use of such funds by recipients such as states, cities, universities, and non-profit organizations. The audit is typically performed by an independent certified public accountant (CPA) and encompasses both financial and compliance components.

Subaward

Subaward means an award of financial assistance made under an award by a primary recipient to an eligible subrecipient, or by a subrecipient to a second- tier subrecipient.

Subgrant

See "Subaward" definition.

Subrecipient

Subrecipient means the legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided. This term does not include the intended beneficiaries of the program. Note that a subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.

Unallowable Costs

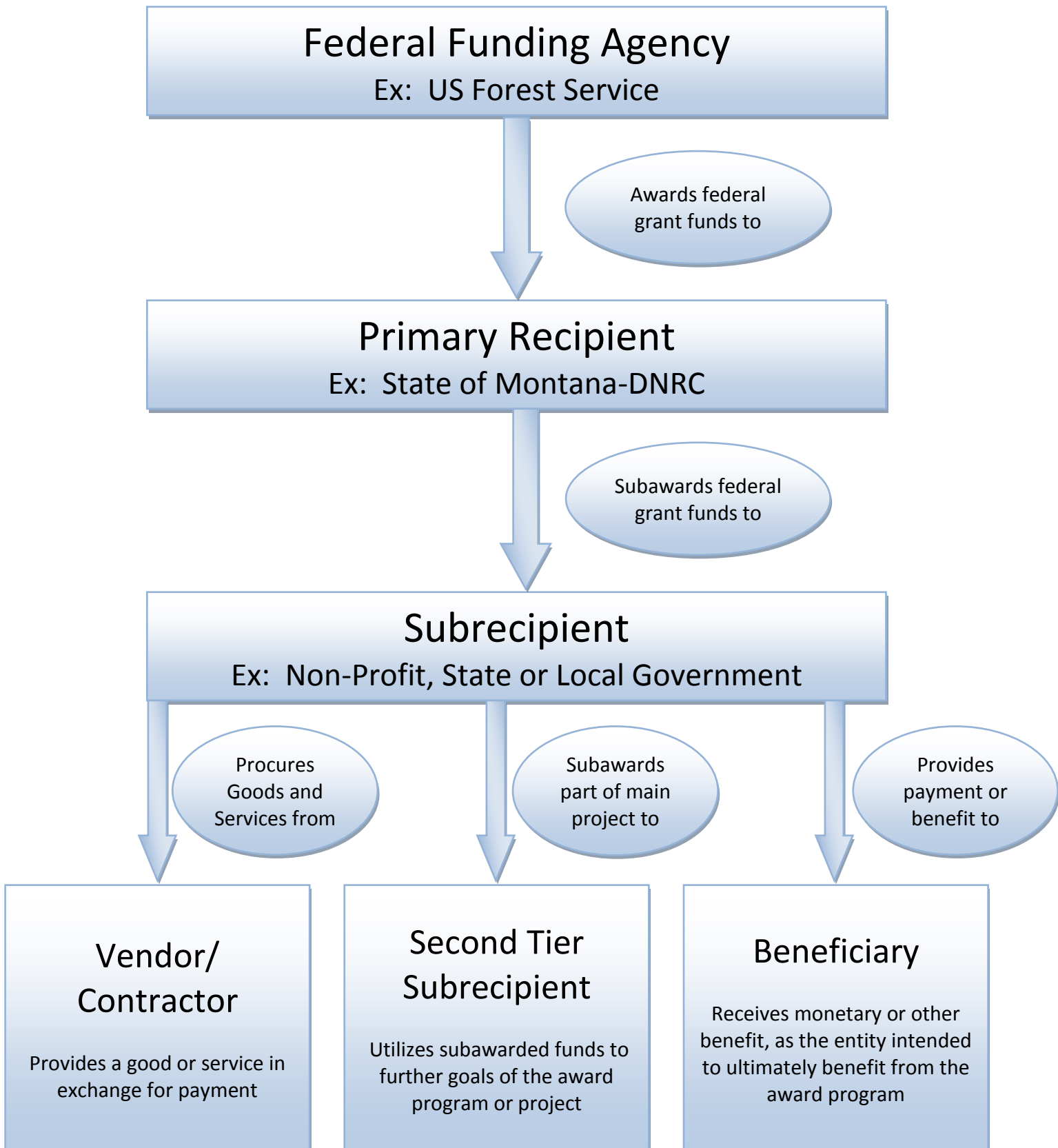
Unallowable Costs are costs that the federal government and DNRC deem inappropriate and will not reimburse.

Vendor or Contractor

A vendor or contractor is a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a state or federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the state or federal program.

Appendix B

Flowchart of Award Funding



Appendix C

Manual Updates

Appendix C will be created when manual changes occur.