FISCAL ASSISTANCE FOR SUB-RECIPIENTS

Prepared by DEC Fiscal Team 01/2020
Managing the Fiscal Processes Related to Your Sub Grant

Phase 1: Prepare Budget Narrative for Application Submission

Phase 2: Implement Your Spending Plan

Phase 3: Review Special Conditions and Assurances

Phase 4: Report Expenditures
Great News! You have just learned that MSDE has funds that are available to assist you with meeting your project goals, so you decide to submit an application.

As part of the application process, you will be required to submit a budget proposal. This proposal should include a spending summary, or budget narrative, allocated by categories. The categories are as follows:

1. Salaries & Wages
2. Contracted Services
3. Supplies & Materials
4. Other
5. Equipment
6. (6 & 7 do not exist)
8. Transfers
Include all full and part-time staffing salaries and wages. These would pertain to only those persons who are on your payroll. So, no contractual or contracted staff person’s salaries and wages should be included in this category.

According to the Code of Federal Regulations*, §200.430 Compensation—personal services:

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Sub Granted award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are discussed under budget category, 04-Other. Costs of compensation are allowable to the extent that they satisfy the specific requirements of the grant, and that the total compensation for individual employees:

1. Is reasonable for the services rendered and conforms to the established written policy of the Sub Grantee consistently applied to both grant and non-grant activities;

2. Follows an appointment made in accordance with a Sub Grantee’s laws and/or rules or written policies and meets the requirements of grant-related statute, where applicable; and

3. Is determined and supported as allowable activities under the grant.

*MSDE imposes federal guidelines over all sub grants unless otherwise indicated.
02 – Contracted Services

Include items for which a contract or service agreement is used to fulfill your project’s scope of work. This could include contractual & temporary staff agreements, outside printing, meeting room & equipment rentals, janitorial services, maintenance agreements, and delivery services.

Here are a few important pointers from the Code of Federal Regulations, §200.318 General procurement standards:

(a) Sub Grantees must use their own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal laws and standards. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a sub granted award if he or she has a real or apparent conflict of interest.

(b) Sub Grantees must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(c) Sub Grantees must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(d) Sub Grantee’s procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analyses to determine the most economical approach.
Phase 1
Prepare Budget Narrative for Application Submission

BUDGET CATEGORIES

03 – Supplies & Materials

Include consumable items including, but not limited to, paper, office supplies, janitorial supplies, building supplies, library materials, staff development supplies, allowed marketing and promotional materials not under contract, uniforms, and classroom materials & supplies.

According to the Code of Federal Regulations, §200.453 Materials and supplies costs, including costs of computing devices:

a) Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Sub Granted award are allowable.

b) Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms must be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.

c) Materials and supplies used for the performance of a Sub Granted award may be charged as direct costs. In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Sub Granted award.

d) Where grant-donated or furnished materials are used in performing the Sub Granted award, such materials will be used without charge.

Note: Tangible items including IT systems having a useful life of less than one year and a per-unit acquisition cost < $5,000 are considered as 03 – Supplies & Materials and not as 05 - Equipment.
Include items that are not easily identified as belonging to the other five categories. These items can include non contract-based fees & costs, communication costs (telephone, postage, internet costs), fringe benefits, office rent, stipends and tuition, staff development training & conference fees, subscriptions, travel costs, and incentive payments.

According to the Code of Federal Regulations:

a) §200.452 Maintenance and repair costs. Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment (including Federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life must be treated as capital expenditures (see §200.439 Equipment and other capital expenditures). These costs are only allowable to the extent not paid through rental or other agreements or prohibited by the grant terms.

b) §200.454 Memberships, subscriptions, and professional activity costs. (a) Costs of the Sub Grantee's membership in business, technical, and professional organizations are allowable. (b) Costs of the Sub Grantee's subscriptions to business, professional, and technical periodicals are allowable. (c) Costs of membership in any civic or community organization are allowable with prior approval by the awarding agency or pass-through entity. (d) Costs of membership in any country club or social or dining club or organization are unallowable. (e) Costs of membership in organizations whose primary purpose is lobbying are unallowable.
Phase 1

Prepare Budget Narrative for Application Submission

Table of Contents

B U D G E T  C A T E G O R I E S

04 – Other (Continued)

Include items that are not easily identified as belonging to the other five categories. These items can include non-contract based fees & costs, communication costs (telephone, postage, internet costs), fringe benefits, office rent, stipends and tuition, staff development training & conference fees, subscriptions, travel costs, and incentive payments.

According to the Code of Federal Regulations:

c) **§200.455 Organization costs.** Costs such as incorporation fees, brokers’ fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselor, whether or not employees of the Sub Grantee in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the awarding agency.

d) **§200.461 Publication and printing costs.** (a) Publication costs for electronic and print media, including distribution, promotion, and general handling are allowable. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the Sub Grantee. (b) Page charges for professional journal publications are allowable where: (1) The publications report work supported by the Federal Government; and (2) The charges are levied impartially on all items published by the journal, whether or not under the award. (3) The Sub Grantee may charge the Federal award before closeout for the costs of publication or sharing of research results if the costs are not incurred during the period of performance of the award.
Phase 1

Prepare Budget Narrative for Application Submission

04 – Other (Continued)

Include items that are not easily identified as belonging to the other five categories. These items can include non-contract based fees & costs, communication costs (telephone, postage, internet costs), fringe benefits, office rent, stipends and tuition, staff development training & conference fees, subscriptions, travel costs, and incentive payments.

According to the Code of Federal Regulations:

e) §200.465 Rental costs of real property and equipment. Rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

f) §200.472 Training and education costs. The cost of training and education provided for employee development is allowable.

g) §200.474 Travel costs. In general, travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the sub grantee. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the Sub grantee’s non-grant-funded activities and in accordance with the Sub grantee’s written travel reimbursement policies.
Include items that are not easily identified as belonging to the other five categories. These items can include non-contract based fees & costs, communication costs (telephone, postage, internet costs), fringe benefits, office rent, stipends and tuition, staff development training & conference fees, subscriptions, travel costs, and incentive payments.

According to the Code of Federal Regulations:

§200.431 Compensation—fringe benefits.

(a) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, Sub Grantee-employee agreement, or an established policy of the Sub Grantee.

(b) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker’s compensation insurance (except as indicated in §200.447 Insurance and indemnification); pension plan costs; and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to sub granted awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such sub granted awards and other activities, and charged as direct or indirect costs in accordance with the Sub Grantee’s accounting practices.
Include non-consumable items such as purchases that must be maintained on an inventory list and/or depreciated on a tax return. Also, pilfer able items not below the capitalization requirements such as calculators, computers*, laptops, cameras, and PDAs can be included.

According to the Code of Federal Regulations, §200.313 Equipment. Sub Grantees must:

1. Use the equipment for the authorized purposes of the project during the period of performance, or until the property is no longer needed for the purposes of the project.
2. Not encumber the property without approval of the awarding agency or pass-through entity.
3. Use the equipment in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the sub granted award, and the Sub Grantee must not encumber the property without prior approval of the awarding or pass thru agency. When no longer needed for the original program or project, the equipment may be used in other activities supported by the awarding or pass-thru agency.
4. Make the equipment available for use on other projects or programs currently or previously supported by the awarding or pass-thru agency, provided that such use will not interfere with the work on the projects or program for which it was originally acquired.

*Note: Tangible items including IT systems having a useful life of less than one year and a per-unit acquisition cost < $5,000 are considered as 03 – Supplies & Materials and not as 05 – Equipment.
08 – Transfers (indirect Costs)

Include costs incurred for a common or joint purpose benefiting more than one cost objective and not readily assignable to any direct cost objective. This can include administrative overhead for audit, accounting, legal, procurement, budget salaries and personnel services not directly related to any one identifiable objective.

### BASIC GUIDELINES

#### Allowable Costs - Examples

- Salary & Wages
- Fringe Benefits
- Depreciation
- Materials & Supplies
- Maintenance & Repair
- Memberships
- Motor Pools
- Training
- Travel
- Information Technology
- Insurance
- Professional Services
Unallowable Costs: OMB Circular A-87 classifies certain items of cost as unallowable. Unallowable costs cannot be charged to federal awards. For rate computation purposes, unallowable costs should be included in the allocation base if such costs benefit from allowable indirect activities. Examples of unallowable are bad debts; contingencies; entertainment; fines/penalties; general governance; and contributions/donations to outside organizations.
Phase 2

Review
Special Conditions
and
Assurances

Even Greater News! You have been selected to receive a grant from MSDE. This is wonderful news. And pretty soon, you will receive your Notice of Grant Award (fondly called a, “NOGA” going forward).

Now begins a very special relationship between your organization and MSDE. You are now considered to be a Sub Grantee or Sub Recipient of a grant that has been issued to MSDE. Because we are passing funds through our agency to your organization, you can refer to us as your “pass-thru entity”, or PTE.

But, not only do we pass funds through to you, we pass the conditions and responsibilities that were imposed upon us when we accepted the grant from the Federal government, the State of Maryland, or other funding sources. And the first business of order after you receive your NOGA is to review the face of the NOGA for conditions, and the last page of the NOGA for the grant’s Assurances.
Phase 2

Review
Special Conditions and Assurances

Are You Sure That You Understand?

Receiving financial assistance is always a great thing. But it often comes with rules and regulations. So before we issue funds to you, we need to make sure that you understand what is required of you. Start by reading the face of the NOGA. It may include conditions & reporting requirements in the Additional Information area.

Maryland State Department of Education

NOTICE OF GRANT AWARD

Grant Name: External Evaluation of the Efficacy of Maryland’s Early Childhood Family Engagement Initiative (Phase II)  
Grant #: 201503

General Information
Federal Employer ID #: 1526002033uu  
DUNS #: 790934285  
Mail Code: 734
Organization Name: University of Maryland
Street Address: 3112 Lee Building / 7809 Regents Drive
City & State: College Park, MD 20742-5141
Grant Period: 12/17/2019 - 6/30/2020
Program Manager: Christy Tirrell-Corbin
Phone: 301-405-7793

Amount of Current Action: $3,000.00
Amount Previously Awarded this grant: $0.00
Total Grant Award: $3,000.00

MSDE Division Information:
Division Name: AECS - Division of Early Childhood Development
Program Manager: Cynthia LaMarca Lessner
Program Phone: 410-767-0337  
Email: cynthia.lessner@maryland.gov

Additional Information:
The purpose of this award is to provide the additional funding to complete the evaluation activities referenced in Amendment #3 of SG191244. 
All other provisions remain the same.
A Final Progress Report (MSDE C-1-25-D) concluding grant activities shall be submitted within 30 days of the grant end date, or on or before July 31, 2020. A Final Invoice submitted within 30 days of the grant end date, or on or before July 31, 2020.
Phase 2

Review
Special Conditions and Assurances

Are You Sure That You Understand?

Another important area to review is the Recipient Assurances page. It communicates the conditions that have been shared with you by the granting entity through MSDE, your PTE. By signing this document, you indicate that you will comply with the itemized terms. **Be sure to sign it and return it right away.**
Phase 3

Implement
Your Spending Plan

Ready, Set, Spend?

You now have the promise of sub granted funds and the permission to spend them. But, before you go on a shopping spree, let’s refer to an old friend, your budget narrative.

You remember this document, don’t you? You created it when you were applying for the grant. And, it became one of the conditions upon which your application was approved. MSDE reviewed your spending proposal and gave you a, “thumbs up”. Now, you have to stick to it. In the event that your spending plans have changed or will change during the life of the grant, here is an important condition for you to recall from the Recipient Assurances document that you signed.

All purchases should meet the acid test of being necessary, allowable, and reasonable. And it is very important that you refrain from deviating too much from your spending plan. So, in order to ensure that you don’t overspend in any category (or purchase unapproved items), review your budget narrative to make sure that you have an adequate budget balance in each category. Otherwise, you will need pre-approval from your Grant Manager to make those purchases.
Phase 3

Implement Your Spending Plan

**Table of Contents**

**Ready, Set, Spend?**

Your **Invoice Template** is a great tool to assist you with staying on track. It includes an indicator that lets you know when you have exceeded your budget by category.

The Expenditure Data Tab of your invoice template provides a running balance by category. Before initiating a purchase, check to see if there are sufficient funds available in the relevant categories.

It is important to perform this check each time you plan to make purchases related to your grant.

If you determine that your purchase will exceed any budget category or even take you outside of your approved spending plan, please contact your program and/or fiscal monitor for guidance.

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<tr>
<th>Code</th>
<th>Category</th>
<th>Available Balance</th>
<th>Budget Amount Requested</th>
<th>Actual Expended</th>
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<td></td>
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<td></td>
<td>Salaries of Staff</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>CONTRACTED WORKS</td>
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<td>Music Class</td>
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<td></td>
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<td>1,229.20</td>
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<td>Equipment</td>
<td>7,006.00</td>
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<td>Science Supplies</td>
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<td>Art Supplies</td>
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<td>1,229.20</td>
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<td>SI Day Trips</td>
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<td>Film Development</td>
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<td>Science Department</td>
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<td>Equipment</td>
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<td>1,229.20</td>
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<td>Printing/Outreach</td>
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<td></td>
<td>Classroom Bags</td>
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<td>Administrative Office</td>
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<td>Equipment</td>
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**Invoice Balance Check**: 20,506.19

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<th>Report Period</th>
<th>Available Balance</th>
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<td>Your Invoice 1</td>
<td>20,506.19</td>
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<tr>
<td>Invoice 2</td>
<td>20,506.19</td>
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</table>

Total: 20,506.19
As you implement your spending plan, keep in mind that the time will come when you will need to request reimbursement from MSDE. And this can be an easy task if you properly document your expenditures. So, we recommend the use of a tracking log similar to the one below.

Include the headings to the left and update the log by invoice reporting month so that you can ensure that you are ready to submit your reimbursement request to MSDE. The comment column can be used to assist you with identifying items that may need additional clarification or proof of purchase.

<table>
<thead>
<tr>
<th>Report Month</th>
<th>Your Invoice</th>
<th>Date of Purchase</th>
<th>Category</th>
<th>Sub Category Title</th>
<th>Vendor</th>
<th>Amount Requested</th>
<th>Amount Allowed</th>
<th>Comments</th>
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</thead>
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<td>6/19-8/19</td>
<td>8</td>
<td>5/28/2019</td>
<td>4 - Other Charges</td>
<td>Staff Development</td>
<td>SmartHorizons</td>
<td>199.00</td>
<td>199.00</td>
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<td>6/19-8/19</td>
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<td>6/5/2019</td>
<td>4 - Other Charges</td>
<td>Staff Development</td>
<td>Amazon</td>
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<td>6/19-8/19</td>
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<td>6/9/2019</td>
<td>4 - Other Charges</td>
<td>Staff Development</td>
<td>Wor-Wic</td>
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<td>6/19-8/19</td>
<td>8</td>
<td>6/9/2019</td>
<td>4 - Other Charges</td>
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<td>Walmart</td>
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<td>Field Trips</td>
<td>Ripley’s</td>
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<td>8/1/2019</td>
<td>4 - Other Charges</td>
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<td>Ripley’s</td>
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<td>8/13/2019</td>
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<td>8/15/2019</td>
<td>4 - Other Charges</td>
<td>Field Trips</td>
<td>Explorer, Inc</td>
<td>340.00</td>
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<td>6/19-8/19</td>
<td>8</td>
<td>7/1-7/29/2014</td>
<td>4 - Other Charges</td>
<td>Fringe Benefits</td>
<td>Berlin Childcare</td>
<td>1,357.00</td>
<td>1,357.00</td>
<td>Supported by Employee Handbook</td>
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</tbody>
</table>

Table of Contents
Your tracking log can also help you summarize your expenditures so that you can enter the information directly into your invoice template.

In this example, we were able to use the summary tab of our tracking log to get invoice-level expenditure totals.

Then, we transferred those subtotals into our Expenditure Data Entry tab of the invoice template to create a well-supported invoice.
All These Rules are Making Me Crazy!
By now, you realize that you need income to offset all of your spending. And you are ready to submit an invoice to MSDE. If decimal points and fiscal regulations make you crazy, you may not enjoy this part as much as you enjoy spending the funds. But no worries, we can help with that.

Let’s recap. Remember these happier times from Phase 2?

Are You Sure That You Understand?
Receiving financial assistance is always a great thing. But it often comes with rules and regulations. So before we issue funds to you, we need to make sure that you understand what is required of you. Start by reading the face of the NOGA. It may include conditions & reporting requirements in the Additional Information area.

(You cannot say that we did not warn you. 😊)

As a Sub Grantee of funding, you partake in all of the reporting conditions imposed upon MSDE. MSDE is now responsible for your spending activities and you are now responsible to MSDE AND the original funding agency. The relationship is similar to a parent-child relationship. For example, if you take your children to a china shop, you are responsible for anything that they break. You did not break it, but you are the responsible party. Likewise, if you, MSDE’s Sub Grantee, break a spending rule, MSDE is responsible and can incur stricter conditions and audit findings.
Since you have been keeping your tracking log and supporting documents, there are No Worries, right?

MSDE is subject to audit and reporting requirements for all of the funds that we receive and sub grant. And since your organization is now in a financial relationship with MSDE, so are you!

But, don’t worry. We will handle those requirements on your behalf as the parent in the relationship. However, we do need your help.

We need you to fulfill your reporting and invoicing requirements as detailed on the face of your NOGA and in the Recipient Assurances that you signed. This allows us to have your documents on hand in case we are asked to justify your expenditures.

To ensure that your spending can pass audits, we will often ask to see your supporting documentation. In other words, we cannot submit insufficient information to our granting agency, so you cannot submit it to MSDE.

MSDE understands that this can often cause an administrative burden on your organization; however, we only ask for what we need. This allows us to remain in compliance so that we can continue to Sub Grant funds to organizations, like yours, that benefit our communities.
In addition to your invoice from the invoice template that we provide, please submit supporting documentation to the detail-level requested. This can include:

- Your organization as the purchaser
- The name and contact information of the vendor/seller
- The date of purchase
- Detailed listing of items purchased, the quantity purchased, and the cost per item
- The amount due and paid by you
- An indication that the invoice has been paid (unless you asked for permission to purchase in advance and are submitting a quote. Organizations in a corrective action plan may be limited to reimbursement payments. Check with your grant manager).

You cannot create your own invoice. It must come from the seller.
What We Need From You ... The Truth, The Whole Truth, and Nothing But the Truth, Please.

In addition to your invoice from your invoice template, please submit supporting documentation to the detail-level requested. This could include: RECEIPTS AND/ OR A COPY OF YOUR GENERAL LEDGER

Under normal/routine circumstances, we can accept a copy of your general ledger. It should include enough information for us to cross-reference it to our invoice categories. It should also include a running total for expenditures that will tie into the Year-to-Date totals in your invoice template workbook.

Oftentimes, MSDE will request receipts, especially for large equipment purchases or other items that may raise red flags during audits. No need to feel that we do not wish to reimburse you. We are just making sure that adequate support is available if we are asked to produce it.

In order for your supporting documentation to be considered acceptable, it cannot be altered in any material way. It should only represent your actual purchase activities. Side notes for clarification and category identification that do not cover invoice items are acceptable.
FISCAL ASSISTANCE FOR SUB-RECIPIENTS

Closing Points:

☑ Start with a balanced and well-constructed budget that has been approved by your program and fiscal monitors.
☑ Stick to the budget, but if you need to make changes, get prior approval from your program monitor.
☑ Be very familiar with the specific conditions and regulations associated with your funds. Failure to adhere can = failure to receive funds.
☑ Keep a tracking log that can be helpful when you are preparing your invoices.
☑ Keep a file of your supporting documents arranged and identified by category for easy retrieval.
☑ At the close of the grant period, there may be a remaining balance. This could be the result of price discounts, staff absenteeism, or changes in purchasing plans. This is normal, so do not try to plug in unallowable or unrelated costs to fill in the gap. Instead, let your grant monitors know as soon as you are aware of the possibility that a balance will exist at the end of the grant period. They may have advice or options that can assist you.
☑ Your questions are always welcome, so be sure to ask them.

Prepared by MSDE’s DEC Fiscal Team 01/2020
FISCAL ASSISTANCE FOR SUB-RECIPIENTS

Checklist:

- Expenditures are in line with the pre-approved budget narrative. If not, you have notified your program manager via budget amendment or a request for guidance.
- All expenditures are reasonable, allowable, and necessary.
- All expenditures are supported by acceptable invoices, receipts, and ledgers.
- All expenditures took place within the grant’s life.
- Your invoice totals agree with your tracking log.

Prepared by MSDE’s DEC Fiscal Team 01/2020