

## **GUIDELINES FOR REVIEW OF STANDARD FORM 270, REQUEST FOR ADVANCE OR REIMBURSEMENT**

### **SUBMITTED BY HIGH-RISK GRANTEES**

To facilitate the review of Standard Form (SF) 270s, Division of Grants Management (DGM) staff must adhere to the guidelines detailed in this document.

#### **General Comments and Instructions**

Organizations with grants classified as high risk have their Payment Management System (PMS) accounts restricted. These organizations must submit SF270s, *Request for Advance or Reimbursement*, to SAMHSA and receive prior approval for all expenditures and advances before drawdowns can be made from PMS. SF270s must cover at least a 30-day period (preferably a calendar month), but not more than a 60-day period (preferably two sequential calendar months) and may not be submitted more than 60 days after the end of the period covered by the SF270 (e.g. – A January SF270 must be submitted no later than the end of March). Otherwise, the SF270 may not be considered or accepted by DGM. Further, the SF270s must be signed by the grantee's Authorized Representative for the grant.

The grantee's Authorized Representative, Business Official, and/or Project Director (PD) should work with an accountant, on staff or contracted out, that has experience handling Federal grants. If the grantee appears to be struggling to submit the proper documentation as detailed in this guidance, DGM should determine who is preparing the information for submission. If the person is not an accountant, DGM may require the grantee to obtain the services of an accountant with the appropriate knowledge, skills, and abilities to assist them with accounting for Federal funds and the preparation of SF270s.

#### **Reimbursement Requests**

SF270s submitted to SAMHSA for reimbursements must be accompanied by the following:

- ✓ A Summary Schedule of Costs Claimed<sup>1</sup> (SSCC) that separates the costs being claimed by the categories from the most recently approved grant budget<sup>2</sup>. (See Attachment I for an example)
- ✓ An accounting system report (e.g. – Statement of Activities, Detail Transaction Report by Project, etc.) that lists the individual cost items that make up each budget category total being claimed in the SSCC.
- ✓ Source documentation (e.g. – cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.) must be submitted to support each individual cost item greater than \$500 included in the aforementioned accounting system report. This information must be submitted until we can conclude that the costs being claimed are adequately documented and appropriately charged to the grant(s).

The GMS must review the costs claimed for allowability<sup>3</sup> as well as consistency with the most recently approved grant budget<sup>4</sup> and complete the amounts accepted, amounts not accepted, and explanation columns. The GMS then must submit the SF270 package to the Project Officer (PO) (Team Leader or Branch Chief, in the PO's absence) for review and approval. After a program official reviews and approves the SF270 package, it is returned to the GMS. The GMS then submits the approved SF270<sup>5</sup> to DPM for payment and scans the fully completed, dated, and signed SSCC (that includes the amount approved for drawdown) to a PDF file and emails it to the grantee.

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<sup>1</sup> The SSCC must include columns entitled cost category, approved budget amounts, amounts claimed, amounts accepted, amounts not accepted, explanation, and a signature box at the bottom of the schedule for the Grants Management Specialist (GMS) to sign and date that states the grantee may submit further explanations and additional information to support the costs included in the amounts not accepted column as allowable, but the allowability of these costs will not be reconsidered beyond 30 days of the date of the GMS' signature on the SSCC. Further, once an organization's grant(s) is(are) classified as high risk, the GMS must prepare an SSCC using Microsoft Excel, for the grantee to use as a template, that includes the amounts from the most recently approved budget. The grantee must complete the amounts claimed column within the SSCC.

<sup>2</sup> This would either be the budget from the most recent application (initial or continuation) or a subsequently submitted and approved revised budget.

<sup>3</sup> A cost must be reasonable, allocable, and adequately documented to be allowable under Federal awards. A cost is: reasonable if it does not exceed what a prudent person would have incurred under similar circumstances; allocable if the amount charged to the grant program is based on the relative benefits actually received; and adequately documented if it is supported by source documentation.

<sup>4</sup> Costs claimed that are not included in the most recently approved grant budget will not be accepted as allowable without adequate explanations.

<sup>5</sup> The SSCC, accounting system report, and source documentation are not submitted to DPM, rather they are maintained in the official grant file(s).

## Advance Requests

If the SF270 is being submitted to SAMHSA for an advance, it must be accompanied by the following:

- ✓ An SSCC that lists the grantee's estimate cash needs, in the amounts claimed column, by cost category from the most recently approved grant budget for the monthly advance period.
- ✓ A detailed explanation must accompany the SSCC when the monthly advance being requested for a cost category is 25 percent more or less than the approved amount divided by the 12 months in the budget period.
- ✓ Advance requests for all months other than the first month of project periods must be accompanied by a SSCC, accounting system report, and source documentation for individual cost items greater than \$500 for the prior month's actual costs claimed under the grant.
- ✓ The GMS reviews the actual costs claimed for the prior month and must either reduce or increase the current month's advance amount depending on whether or not the prior month's costs deemed allowable were more or less than the prior month's advance. If the prior month's actual allowable costs were less than the advance received for the prior month, the current month's advance will be reduced by the difference and vice versa.

The same procedures detailed in the last paragraph of the *Reimbursement Requests* section earlier are followed for advance requests with the exception of what is submitted to the Division of Payment Management (DPM) regarding approved advance amounts. Specifically, the GMS is to submit a memorandum, rather than an approved SF270. (See Attachment II for an example) The memorandum must request that the amount of the grant funds restricted in PMS be reduced by the approved advance amount for the month. This will allow the grantee to drawdown the approved advance funds on an as needed basis, rather than all at once, which results in noncompliance with Federal cash management requirements.

## Personnel

These costs are calculated by multiplying each employee's hourly rate by the hours they worked on the grant for the period and the hourly rate and level of effort used to calculate the salary and wages (S&W) for each employee must be consistent with the approved grant budget and be supported by payroll reports (e.g. - payroll distribution schedules, payroll summaries, payroll slips, etc.) and time and attendance records (e.g. – timesheets). The payroll reports must reflect the full S&Ws of each employee, the

portion of the S&W charged to the grant, and the deductions for fringe benefits (e.g. – insurance premiums) and payroll taxes.

The allocation of S&Ws to grants must be based on personnel activity reports (timesheets) that:

- ✓ Are maintained for each employee whose compensation is partly or fully charged directly to Federal awards;
- ✓ Reflect an after-the-fact determination of the actual activity of each employee;
- ✓ Accounts for the total activity for which the employee is compensated;
- ✓ Are either signed by the employee or a supervisory official familiar with the employees' activities; and
- ✓ Are prepared at least monthly and coincide with one or more pay periods.

Budget estimates do not qualify as adequate support for S&Ws charged to grants of non-profit organizations. However, local and Indian Tribal governments:

- ✓ May charge grants for S&Ws based on budget estimates provided that: the estimates are compared to the actual costs no less frequently than quarterly; the estimates being charged are adjusted, at least quarterly, for variances exceeding 10 percent; and the amounts charged are adjusted to actual costs annually.
- ✓ May charge S&Ws based on documented time studies approved SAMHSA.
- ✓ May support S&Ws for employees working solely on one Federal project via the preparation of certifications, that state 100 percent of the employees time was spent on that project, no less frequently than bi-annually.

Leave time or paid time off must be reported in timesheets by type (i.e. - vacation, sick, holiday, bereavement, jury duty, etc.) and specifically identify the hours taken on each occurrence. Further, the leave must be supported by an approved leave request.

Any replacement of, or substantial reduction in effort of the PD or other key grantee staff or subrecipients, as stated in the Notice of Award and HHS Grants Policy Statement, requires prior written approval of the grants management officer.

Once the GMS is able to conclude that S&Ws are adequately documented and properly charged, it is not necessary to review detailed source documentation every month. However, the SSCC and accounting reports should continue to be reviewed each period

for changes not consistent with the approved budget and the addition of new employees.

### Fringe Benefits

The costs claimed must be supported by detailed source documentation and consistent with the approved grant budget or be accompanied by an adequate explanation or justification. Unless the grantee has an approved fringe benefit rate with the Division of Cost Allocation, fringe benefits may not be claimed using a rate (percentage) that is multiplied by S&Ws such as 25 percent.

Once the GMS is able to conclude that these costs are adequately documented and proper, it is not necessary to review detailed source documentation every month. However, the SSCC and accounting reports should continue to be reviewed each period for changes not consistent with the approved budget.

### Supplies

This includes property items costing less than \$5,000 (e.g. – paper, pens, staples, clips, computers, printers, etc.). These type costs often benefit all of a grantee's programs. If this is the case and the grantee has a negotiated indirect cost rate, these costs should not be directly charged on SF270s, rather they would be included in the indirect costs the grantee claims on the SF270. If the grantee does not have a negotiated indirect cost rate and the supplies benefit all of its programs, these costs should be allocated to all the grantee's programs using an equitable base, such as full-time equivalents (FTE), but not based on the grant award amount or grant program costs. For instance, if the SAMHSA grant program has 3 FTEs and the grantee's total FTEs are 10, 30 percent (3/10) of the supplies costs should be charged to the SAMHSA grant in the SF270 and accepted by the GMS as allowable.

If the grantee demonstrates that the supplies related exclusively to the SAMHSA grant or to only a couple or few programs along with the SAMHSA, the entire amount or a larger portion of the costs can be charged to the SAMHSA grant. For instance, if a computer was purchased to be used by an employee who only works on the SAMHSA grant, it would be appropriate for the entire cost of the computer to be charged to the SAMHSA grant. Further, if the employee worked on the SAMHSA grant and two other grantee programs, it would be appropriate to charge a portion of the computer's cost to the SAMHSA grant based on the employee's average level of effort on the SAMHSA grant.

### Equipment



This includes property items with a useful life of more than a year and an acquisition cost of \$5,000 or more and prior approval is required from SAMHSA for equipment purchases of \$25,000 or more (e.g. – van purchases). Unless the total acquisition is approved by SAMHSA in advance to purchased in a single grant year, the cost of all equipment items should be capitalized and charged to the SAMHSA grant(s) over the useful life of the equipment

### Travel

Prior approval for all travel, other than local mileage, must be documented via travel authorization forms signed by an appropriate management official. The travel authorization must identify the purpose of the trip, staff traveling, dates, mode of transportation, and the estimated cost. Travel costs are also subject to the following, unless otherwise justified:

- ✓ Mileage, meals and incidentals, and lodging should be limited to the lesser of the rates published by the General Services Administration in the Federal Travel Regulations or the grantees' policies and procedures;
- ✓ Airfare should be limited to coach; and
- ✓ Car rental should be limited to mid-sized.

Grantees should reimburse employees for travel costs based on timely submitted expense reports that separately report each expense by type as well as identify the trip's traveler, purpose, destination, and dates. Copies of the approved travel authorization and original receipts for expenses greater than \$25 should be attached to the expense reports.

Expense reports for local mileage should include a log that lists the travel dates, purpose (grant program, meeting, client visit, etc.), departure locations, destinations, and number of miles traveled.

Once the GMS is able to conclude that these costs are adequately documented and proper, it is not necessary to review detailed source documentation every month. However, the SSCC and accounting reports should continue to be reviewed each period for changes not consistent with the approved budget.

### Contractual

These costs must be consistent with the approved budget and be supported by invoices that include the following: signature of the contractor or consultant; approval signature by an appropriate grantee official; hours being claimed for reimbursement by date;

description of the services provided by date; and rate of compensation. The invoice should be on an official invoice or the contractor's or consultant's letterhead paper. It may be necessary to obtain a copy of the written agreement to determine the agreed-upon method of compensation and scope of services. Contractual costs are subject to the following:

- ✓ Costs should not be reimbursed for fixed price contracts that were not competitively procured that simply take the total contract amount and divide by the period covered by the SF270. Grants are made on a cost reimbursement basis. Therefore, contracts should be funded in the same manner, not using inflated amounts agreed to without any competition (i.e. – 20 percent for evaluation)
- ✓ Contractors involved with the writing or preparation of the application cannot be compensated under the grant as the evaluator, project director, project coordinator, etc.

Once the GMS is able to conclude that these costs are adequately documented and proper, it is not necessary to review detailed source documentation every month. However, the SSCC and accounting reports should continue to be reviewed each period for changes not consistent with the approved budget.

### Other

The basis for space costs or rent should have been determined during the budget analysis.

Space Costs (Rent) may be charged to SAMHSA grants based on the space directly used for the grant or the full-time employees (FTE) that work on the grant versus total FTEs; however, the methodology used to allocate rent must be described in detail if multiple activities are operated in the space. Rent must be supported by a lease agreement. If the space is owned by grantee management or Board officials or any related parties or entities, rent may only be claimed up to the cost of ownership (i.e. - depreciation, taxes, insurance, maintenance, etc.), not current market rates.

These costs should be supported by purchase authorizations or orders and/or invoices, receipts, etc. Credit card usage for these expenditures should be limited to small amounts and specific types of expenditures such as office supplies.

Once the GMS is able to conclude that these costs are adequately documented and proper, it is not necessary to review detailed source documentation every month. However, the SSCC and accounting reports should continue to be reviewed each period for changes not consistent with the approved budget.

## Indirect Costs

Indirect costs are costs incurred for common or joint objectives that cannot be readily identified with an individual project, program, or organizational activity. Examples include: office space (lease costs or cost of ownership); office utilities; janitorial services; telecommunications; Internet; IT services; website development; administrative staff time (e.g. – executive director, fiscal and personnel staff, supplies etc.). Grantees recover these costs by either using an indirect cost rate or charging them directly.

If an indirect cost rate is to be used, the grantee must negotiate a rate with its cognizant agency for audit, which is usually HHS' Division of Cost Allocation with the exception of Indian Tribes whose cognizant agency is usually the Department of the Interior. The results of the negotiation are documented in an *Indirect Cost Rate Agreement*. The indirect costs being claimed should be consistent with the rate agreement and be applied to the base identified (e.g. – direct S&Ws, total direct costs, etc.). In this case, the SF270 SSCC should include a separate cost category for indirect costs.

If the grantee elects to charge all costs directly, joint costs, cost that benefit multiple or all programs, must be allocated to each program using an equitable and consistent basis (e.g. – square footage, FTEs, etc.) that most closely approximates that actual benefits received by each program. The basis cannot be grant award amount or grant program costs.

## Non-Federal Matching

If non-Federal matching is required, the grantee must report and track expenditures and in-kind services being claimed in its accounting system and provide a report from the accounting system along with detailed supporting documentation. Please note that the same allowability rules applicable to expenditures charged to Federal awards apply to expenditures and in-kind services claimed as matching. Therefore, if costs or activities are not allowable per the applicable cost principles, they cannot be accepted as non-Federal matching.

If the grantee is able to demonstrate that the matching it claims is adequately documented and allowable, detailed supporting documentation should not be reviewed every month.

Once the GMS is able to conclude that these costs are adequately documented and proper, it is not necessary to review detailed source documentation every month. However, the SSCC and accounting reports should continue to be reviewed each period for changes not consistent with the approved budget.



**SF270 Review Notes**

Personnel Notes:

Fringe Benefits Notes:

Supplies Notes:

## Equipment Notes

## Travel Notes

## Contractual Notes

Other Notes

Indirect Costs Notes