

The letters S, M, A, R, and T are arranged vertically, each inside a circle. The circles are connected by a dashed line that forms a path from the top of the 'S' circle, around the 'M' and 'A' circles, down the 'R' circle, and around the 'T' circle, ending in a small arrowhead pointing downwards. The background of the slide features a pattern of overlapping circles in light blue and orange.

S
M
A
R
T

Strategies

Monitoring

Accountability

Risk Mitigation

Transparency

Budget Management & Grant Modifications

SMART 4.0

Hosted by the Office of Grants Management
Division of Compliance Assistance and Policy
Employment and Training Administration
U.S. Department of Labor

SMART 4.0 Training Series

- The training modules are focused on: **S**trategies for sound grant management that includes **M**onitoring, **A**ccountability, **R**isk mitigation and **T**ransparency.
- **4.0 focuses on Risks Identification and SMART Practices!**



Disclaimer

SMART 4.0 is part of the catalog of SMART grant management tools. This conference and its materials should be viewed primarily as a support resource. It is not intended to be comprehensive, but rather to provide an understanding of 2 CFR 200, 2 CFR 2900, and the management of ETA grants. The use of these SMART 4.0 modules does not ensure compliance. Any omission of an applicable Federal requirement does not waive a grant recipient or subrecipient's responsibility to comply with that requirement.

If, in any instance, there appears to be a conflict with the program statute, Federal regulations or OMB guidance, such conflict must be resolved in favor of the statute, Federal regulations, or OMB guidance. All the information contained in the SMART 4.0 modules may not be reproduced or distributed for a fee or profit.

Today's Speakers

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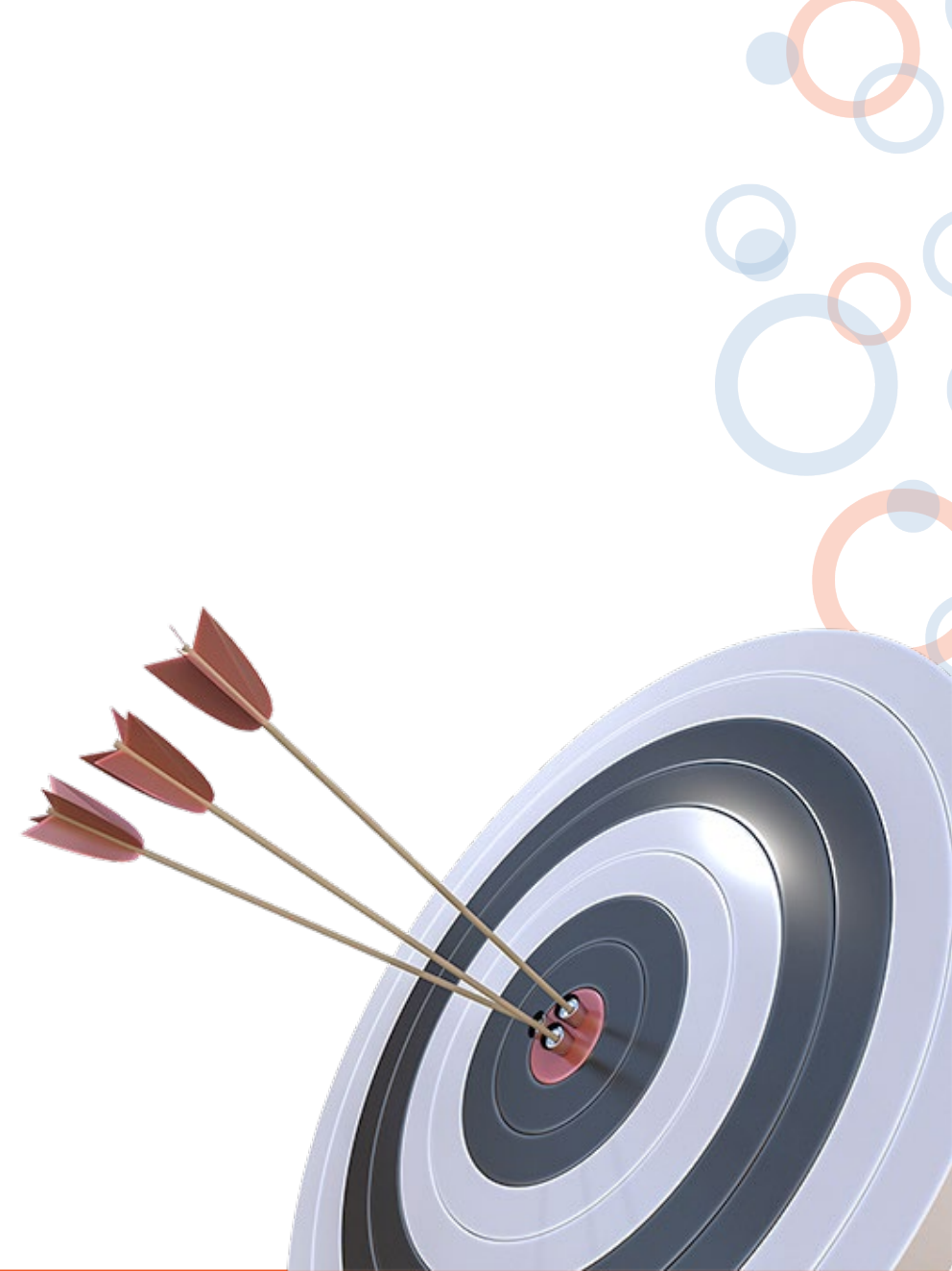
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Module Overview

- Budget Management.
 - Purpose, Budget Information, and Narrative.
 - Budget Controls.
- Grant Modification.
 - Types.
 - Prior Approval Items.
 - Process.
- Risks and SMART Practices.



S
M
A
R
T

Budget Management



Purpose, Budget Information, and Narrative

Purpose of a Budget

- **Quantify** planned actions and activities.
- **Facilitate communication** between program and fiscal staff and management.
- **Benchmark** in comparing actual results to milestones.
 - Basis for evaluating and improving performance.
 - Basis for course correction.
- **Resource allocation.**

SF-424A: Budget Information/Detail for Non-Construction Programs

- Summarizes financial aspects of the project or program.
- SF424A required budget form for discretionary grants.
 - Contained in the grant agreement.
 - Initial budget that has been approved by DOL-ETA.
- SF424A includes:
 - Section A - Budget Summary.
 - Section B - Budget Categories.
 - Section C - Non-Federal Resources.
 - Section D - Forecasted Cash Needs.
 - Section E - Budget Estimates of Federal Funds Needed for Balance of the Project.
 - Section F - Other Budget Information.

SF-424A: Section B - Budget Categories

Budget Categories include:

1. Personnel.
2. Fringe benefits.
3. Travel.
4. Equipment.
5. Supplies.
- 6) Contractual.
- 7) Construction.
- 8) Other.
- 9) Indirect costs.

1) SF-424A: Section B – Budget Category: Personnel

- Salaries or wages to be paid with award/grant funds.
 - Includes individuals that spend partial amount of their time on the grant.
 - During the grant's period of performance.
- Reasonableness.
 - Comparable to the local market for similar positions.
 - Consider salary and bonus limitations (look at grant agreement).

2) SF-424A: Section B – Budget Category: Fringe Benefits

- Allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages.
- Consider the types of benefits offered by your organization. Benefits need to be reasonable.
- Amount to be charged or allocated to the grant.
 - Based on the amount of time that individual spends on the grant (relative benefit received).

3) SF-424A: Section B – Budget Category: Travel

- Directly benefits the project.
- Includes all expenses for transportation, lodging, subsistence, and related items incurred in travel status.
- Based on actual costs, on a per diem, or mileage basis in lieu of actual costs incurred.

Reminder: Establish a written policy and refer to [2 CFR 200.475](#).

4) SF-424A: Section B – Budget Category: Equipment

- Used for benefit of the grant.
 - During the grant's period of performance (POP).
 - Can't be purchased in the last year of POP; Item D8. Terms and Conditions.
- Equipment is defined as:
 - Tangible personal property.
 - A unit cost of \$5,000 or more.
 - A useful life of 1 year or more.

REMEMBER – Discretionary grant recipients **MUST OBTAIN PRIOR WRITTEN APPROVAL** from Grant Officer **BEFORE** purchasing equipment. Subrecipients of States need approval from the State.

5) SF-424A: Section B – Budget Category: Supplies

- Means all tangible personal property **other than** those described in the definition of *equipment* in this section.
 - A computing device is a supply *if* the acquisition cost is less than the lesser of the capitalization level established by the grant recipient for financial statement purposes or \$5,000, regardless of the length of its useful life.

6) SF-424A: Section B – Budget Category: Contractual

- Includes products received through a contract and professional services.
- Defined at [2 CFR 200.1](#).
 - Previously replaced the term vendor.
- Distinct and **separate** from **subawards** and **subrecipients**.
- Look at the grant terms and conditions for the **daily consultant spending limit**.

7) SF-424A: Section B – Budget Category: Construction

- For all DOL-ETA grants, construction activities are typically not allowed.
- Minor repairs may be allowable, anything more would need Grant Officer approval.
- All grant recipients (Formula and Competitive Awardees) - Capital Improvements need prior approval from the Grant Officer.

8) SF-424A: Section B – Budget Category: Other

- Associated with the development, implementation, and evaluation of the project.
 - Rent, meeting costs, other costs not covered on the previous budget categories.
- Consider disaggregating this item more in budget narrative and in chart of account for your organization's budget tracking purposes.

9) SF-424A: Section B – Budget Category: Indirect Costs

- Report only if incurring indirect costs and it is APPROVED.
- Must have either:
 - Negotiated indirect cost rate agreement from your federal cognizant agency.
 - › If you received a **TEMPORARY** rate from DOL during the application process, then a FINAL rate must be obtained.
 - De minimis rate.
- Indirect costs represent the expenses that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs.
 - Examples include utilities such as heat and the lights, accounting personnel.
- Keep in mind any administrative cost limitation.

SF-424A: Section B – Program Income

- 2 CFR 200.1 - Any income earned by the grant recipient that is directly generated by a supported activity or earned as a result of the grant during the period of performance is considered program income.
- Must account for any program income earned and expended.
- It is required to expend program income prior to drawing down additional grant funds ([2 CFR 200.305\(b\)\(5\)](#)).
- Any program income at the end of grant's period of performance will be returned to DOL-ETA.

Budget Narrative

- A written description to ensure proper cost categorization.
- Links appropriate resources to meet project objectives.
- Supports the budget and provides clarity for stakeholders and new staff.

Budget Controls

Budget Controls

- Part of internal control systems, used for managing income and expenditures.
- Designed to provide methods to ensure costs are in line with projections.
- Ensures award recipients consistently request prior written approval from Federal agencies for cost items.
- Identify and reallocate unused funds.
- Highlight budget deviations prevents potential performance issues.
- Used to monitor spending shifts/swings.
- Ensures that Federal funds are spent both appropriately and effectively.

Budget Controls and Analysis – Basic Standards

[2 CFR 200.302\(b\)\(5\)](#)

- Comparison of expenditures with budget amounts for each Federal award.

[2 CFR 200.308\(b\)](#)

- Recipients are required to report deviations from budget or project scope or objective and request prior approval from Federal awarding agencies for budget and program plan revisions, in accordance with this section.

Budget Controls – DOL's Exceptions

[2 CFR 2900.1](#) & [2 CFR 2900.9](#)

- Approval of the budget as awarded does not constitute prior approval of those items requiring prior approval, including those items the DOL-ETA specifies as requiring prior approval.

[2 CFR 2900.11](#) – [2 CFR 2900.13](#)

- Unless otherwise noted in the grant agreement or cooperative agreement, prior written approval for revision of budget and program plans must come from the Grant Officer.

Check Your Knowledge in 60 Seconds

Answer True or False

1. Program and fiscal personnel must routinely communicate performance and financial results for effective budget management.
2. The entity's accounting records need to track back to budget and the line-item object class categories.
3. Certain changes in the budget cost categories do not need to prior approval as long as the costs estimates are relatively close to the costs submitted on the SF424A document.





Grant Modification

Grant Modification

- Types.
- Prior Approval Items.
- Process.

Grant Modification – What is it?

- What is a Modification?
 - A grant modification is a formal process used to make changes to your grant agreement that requires Grant Officer approval.
- Unilateral Modifications (internal).
 - The Grant Officer may initiate a change that does not need the agreement of the recipient prior to becoming effective.
- Bi-lateral Modifications (external).
 - These actions are most often initiated by the recipient.
 - Requires approval by the Grant Officer.

Grant Modification - Types

[2 CFR 200.308\(c\)\(1-8\)](#) non-construction Federal award recipients must request prior approvals from DOL-ETA for one or more of the following program or budget-related reasons:

- Statement of Work (SOW).
- Budget Realignment.
- Purchase of Equipment.
- Administrative Changes.
 - Authorized Representative.
 - Change in Key Personnel.
 - Address.
- Organization/Institution Name.
- Indirect Cost Rate Agreement/
Incorporation of Indirect Cost Rate Agreement.
- Period of Performance Extension.
- Specific to DOL-ETA:
 - Condition(s) of Award.

Prior Approval

- Several DOL exceptions at [2 CFR 2900.0- 2 CFR 200.12](#):
 - 2 CFR 2900.9 – Revision of budget and program plans.
 - › Approval of the budget as awarded does not constitute prior approval of those items requiring prior approval.
 - 2 CFR 2900.10 – Prior approval requests.
 - › Must request prior approval actions at least 30 days prior to the effective date of the requested action.
 - 2 CFR 2900.11-12 – Revision of budget and program plans.
 - › Must request prior approval for an extension to the period of performance.
 - › Unless otherwise noted in the Grant Agreement, prior written approval must come from the Grant Officer ([2 CFR 200.308\(d\)](#)).
- Unless otherwise noted in the Grant Agreement, prior written approval must come from the Grant Officer ([2 CFR 200.308\(d\)](#)).

Statement of Work (1)

- These are changes in the original grant agreement.
 - ETA rarely approves significant changes to the major components and performance outcomes committed in the SOW and in response to the Funding Opportunity Announcement (FOA).
- These modification requests must still:
 - Be in line with the original intent of the grant.
 - Completion is on time and within cost limits.
- These modification requests must provide:
 - An explanation of the issue.
 - What led to the issue.
 - The need for the SOW modification.
 - How the SOW change will resolve the issue and still achieve grant goals.
- No changes in grant award or period-or-performance.

Statement of Work (2)

DOL-ETA's position is to hold grant recipients to the original SOW. Changes are honored on limited and rare occasions, such as:

- Work or training site/location of services.
- Training curriculum and/or timeline.
- Population target.
- Project scope.
- Performance goals and measurements.
- Credentials.
- Industry changes.
- Targeted service areas.

Budget Realignment

- Redistributes the overall funding among the budget cost categories.
- The grant award approved budget, and budget flexibility terms, along with [2 CFR 200.308](#), outlines when a budget must be realigned.
- Depending on the type of grant, modification requests for budget realignments may be delegated to the State or are approved by the Grant Officer.

Budget Realignment: State/Formula Grant Recipients

- Formula awarded grant recipients such as States have the authority and flexibility to shift dollar resources among allowable cost categories or budget line items. This is also known as bottom line authority.
- Unless specified in the grant agreement, for those items requiring prior approval in the Uniform Guidance (e.g., budget realignment), the authority to grant or deny approval is delegated to the Governor for:
 - Unemployment Insurance.
 - WIOA Youth, Adult, and Dislocated Workers.
 - Wagner-Peyser Act and TAA.

Budget Realignment: Discretionary Grant Recipients

- Requests for budget modifications must be submitted in writing **at least 30 days** before the effective date of any change.
- Grants exceeding the Simplified Acquisition Threshold (SAT): if the total amount of the transfers between line items on the budget **exceeds** (or is **expected** to exceed) **10 percent** of the **total budget**, the grant recipient is required to go in for a budget modification.
- Must submit a revised SF424A.

Purchase of Equipment (1)

- Equipment is defined as:
 - Tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the grant recipient for financial statement purposes, or \$5,000.
- Discretionary awards (awards that are competitively awarded) must obtain prior approval before purchasing equipment.
 - Can not be purchased in the last year of POP. See Grant Terms and Conditions Item D.8.

Purchase of Equipment (2)

- Equipment modification must include:
 - Item name.
 - Item description and basic specifications.
 - Estimated useful life of the equipment.
 - Per-unit cost (actual or estimated) including the cost to put the asset in place and make it useable for the purposes acquired.
 - Purpose of the acquisition: description of how the equipment will be used to support the grant.
 - Contact name and telephone number.

Period of Performance

[2 CFR 2900.11](#)

No cost extensions – extension of period of performance (POP).

- One time extension to the period of performance end date up to 1 year.
- Must obtain prior approval to extend period of performance as early as possible but no later than 30 days from ending date from the Grant Officer.
- May not be exercised merely for the purpose of using unobligated balances.
- Must provide supporting reasons and revised POP.

Conditions of Awards (1)

- Conditions of Awards (COAs) are attached to grant agreements when awarded.
 - Findings, specific to each grant file, that need to be corrected or clarified early in the post award phase based on grant agreement.
 - Many times, grant activities cannot continue until COAs are resolved.
- Used to raise potential issues early.
- FPO works with the grant recipients through the resolution process.
- When resolution is satisfactory, the Grant Officer issues a grant modification to identify that the COAs has been correctly addressed.

Conditions of Awards (2)

Example – Budget

Condition X – SF-424A

The information provided on the SF-424A is not entered correctly. The grant recipient must submit an SF-424A that separates federal funds from matching funds:

- **Section A** - should include federal funds in column (e) and match funds in column (f).
- **Section B** - should be federal funds only.
- **Section C** - should be match funds only.

Please modify the SF-424A to meet the requirements and with the accompanying Budget Narrative submit revised documents to your FPO as a Budget Realignment modification request.

Process - Submitting a Modification Request (1)

All modification submissions must include:

- A cover letter on grant recipient letterhead addressed to the Grant Officer, dated, and signed by the Authorized Representative. The letter must include:
 - A written description and justification for each proposed requested modification type(s) including:
 - Why the modification is being requested, the modification specifics and how the modification will contribute to the success of the award.
 - Grant name.
 - Grant number.
- Any other documentation to support the request.
- Once all questions have been resolved, the FPO will review the request with the Regional Office management team.
- The FPO will then submit the modification request to the Grant Officer.

Process - Submitting a Modification Request (2)

- The modification process can take between 30 and 60 days to complete.
 - Requested changes cannot begin until final approval from the Grant Officer is provided.
- If additional information is needed by the Grant Officer, this may result in a delay in the processing of the request.
- If there are no additional questions, the Grant Officer processes and signs the modification.
 - Once the copy of the modification has been received, you may implement your requested changes.

Checklist for Grant Modification Requests

- Call your FPO to discuss your request.
- Prepare cover letter on the organization's letterhead.
- Attach appropriate documents.
- If requested, e-mail a draft of the letter to your FPO for feedback.
- Submit final request, with cover letter signed by your grant's Authorized Representative, to your FPO.
 - And, if relevant:
 - › Provide an updated project timeline.
 - › Provide an updated budget narrative.
 - › Provide an updated SF-424A form.
 - › Additional information needed to support the request.

Check Your Knowledge in 60 Seconds

Answer True or False

1. Discretionary grant recipients must request prior approval actions at least 30 days prior to the effective date of the requested action.
2. Discretionary grant recipients must obtain their prior written approvals from the DOL grant officer.
3. If a discretionary grant recipient cannot expend all its grant fund by the end of the POP, the recipient is entitled to an extension of the POP.
4. If a discretionary grant award does not include indirect costs, but the recipient subsequently receives a negotiated IDC rate, indirect costs may be charged to the grant without grant modification.





Risks and SMART Practices

Common Risks for Budget Management

- Failure to link financial and program performance data.
- Lack of detail in budget to identify different cost categories.
- Not tracking match/ cost sharing expenditures and program income.
- Not using your budget to perform actual versus budget analysis.

Common Risks for Grant Modifications

- Failure to request a grant modification.
- Lack of knowledge on types of changes that require a grant modification.
- Failure to review grant modification requests before submission.
- Missing signature of authorized representative on grant modification request.
- Approving subrecipient modifications when the revisions should first trigger a modification to the prime award, requiring Grant Officer approval.

SMART Practices

- Develop or update the process to periodically review planned budget and performance goals against actual costs and actual levels of performance ([2 CFR 200.302\(b\)\(5\)](#)).
- Develop a crosswalk and align chart of accounts to the budget categories identified on the SF-424A and any other reportable item listed on the ETA-9130 or performance report ([2 CFR 200.302](#)).
- Schedule quarterly meetings with program and fiscal staff to analyze actual results against the approved budget to allow time for adjustments.
- Have a checklist in place to ensure that all grant modifications are complete.
- Develop or modify procedures to obtain prior written approvals from the Grant Officer (for bilateral modifications) at least 30 days prior to the **executable action** (not just equipment) ([2 CFR 2900.9 to 2900.12](#)).
- Train program and fiscal staff on the budget and grant modification process including analysis of financial and performance data ([2 CFR 200.301](#)).

Any Questions?



Testing For Compliance – Core Monitoring Guide

The purpose of ETA monitoring is to assess for compliance using the Core Monitoring Guide (CMG). Here is a list of indicators that were discussed during the module's topic.

■ **Indicator 2.a.2: Prior Approval of Project Modifications.**

- The grant recipient is aware of the modification process that require prior written approval from the Federal awarding agency for certain changes to the project or budget. The process installed by the grant recipient ensures that prior written approval is obtained in a timely manner.

■ **Objective 2.b: Budget.**

- The grant recipient has a financial management system or budget control mechanism in place to monitor spending, determine allowability of costs, compare and reconcile the budget to actual expenditures. The system also has triggers for budget modifications when deemed necessary.
 - › Indicator 2.b.1 – Budget Controls.
 - › Indicator 2.b.2 – Budget Modifications.

Budget Management and Grant Modification Resources

- [Core Monitoring Guide](#)
Objective 2.b Budget, Indicator 2.b.2: Budget Modification
 - [Tool E: Budget Comparison Tool](#)
- [One – Stop Comprehensive Financial Management Technical Assistance Guide Part II](#)
Chapter 2 Financial management system
- [Grant Terms and Conditions](#)
Part B and Part C
 - Budget
 - Budget Flexibility
 - Budget – Cost Per Participant (CPP)
 - Funds – Submission of Revised Budget or Other Forms
- [Grantee Handbook](#)
Section 4 Modifying Grants
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [2 CFR Part 200](#).
 - [2 CFR 200.302](#)
 - [2 CFR 200.308](#)
- Department of Labor Regulations for Grants and Agreements [2 CFR Part 2900](#).
 - [2 CFR 2900.9](#)
 - [2 CFR 2900.10](#)
 - [2 CFR 2900.11](#)
 - [2 CFR 2900.12](#)

Thank You!