

Welcome Packet for Subrecipients

THE JOHNS HOPKINS UNIVERSITY
School of Medicine

Dear Subrecipient,

The Johns Hopkins University, School of Medicine (JHU SOM) looks forward to working with you as a Subrecipient of U.S. Federal Government funds. This welcome packet is intended to provide you with the information you will need to effectively manage your Subaward. It is very important that all personnel involved in managing a Subaward from JHU SOM read this packet carefully to assure compliance with all applicable federal laws, rules, and regulations.

Information contained in this packet will be especially helpful to those with responsibility for the administrative and fiscal management of JHU SOM Subawards. The packet serves several purposes:

- 1) To ensure that Subrecipient funds are used for the purposes for which they were awarded;
- 2) To safeguard public monies to the greatest extent possible; and
- 3) To provide guidance to Subrecipients in establishing accounting procedures in accordance with federal requirements.

While this resource packet highlights or summarizes important issues, it does **NOT** serve as a substitute for JHU SOM policies or any prime sponsor requirements or provisions.

Specific topics that this packet addresses include:

- Applicable Regulations,
- Standard Assurances,
- Financial Management,
- Procurement,
- Record Retention and Access,
- Audits and Monitoring, and
- Debarment and Suspension.

As all Subrecipients are required to comply with the regulations set out in this packet, it is highly recommended that the following principles and procedures or their equivalent are implemented at your institution.

If you have any questions or concerns, please contact the contractual representative listed in Section 3.1 of your Subaward. We look forward to a successful collaboration!

Financial Standards

Procedures and rules (controls relating to your organization's financial accounting system) are very important. They must ensure that:

- Funds are guarded in a reasonable fashion; and
- Financial information is accurate.

Worksheets A(1)-(6) and B (attached) are provided so that your organization is capable of providing the financial information required by JHU SOM. In addition, your organization must, at a minimum, follow these control procedures:

- Financial records must show the source of funds received and the uses to which these funds are put;
- Receipts and expenses must be recorded in a consistent and orderly manner;
- Receipts and expenses must be supported by documentation (bank receipts, invoices, cancelled checks, etc.). These documents must be stored so that they are readily available for inspection. Copies of these documents must be provided to JHU SOM upon request;
- Expenses must be recorded in a manner that permits comparison with the budget attached in your Subaward. They must be actual, reasonable, allocable and allowable under the most restrictive provision of your Subaward in the event there is any confusion or contradiction among two or more provisions. Expenses must be accounted for separately, and not combined with any other expenses or funds. Finally, they must not be included in or attributed to activities paid for with non-JHU SOM funds;
- Responsibilities and functions of accounting staff should be documented, in writing, prior to the start of the project. Any changes during the implementation of the project also must be in writing. Responsibilities should be separated so that the same employee is not in a position to request, approve and make payments;
- Authority for approval regarding purchases of goods and services should be specified clearly before project implementation. All purchases must be approved prior to the placement of orders. Goods and services received should be verified against orders before paying invoices;
- Financial records should be reviewed regularly by a second responsible person other than the one who normally maintains these records.

Expense Reporting

In order for reimbursement to be made, it is recommended that the attached worksheets are used in order to fully complete the detailed invoice included as part of your Subaward, and sent to JHU SOM for examination and approval.

If the subaward contains a local currency budget in addition to a U.S. dollar budget, the attached Worksheets (A(1)-(6) and B), may be completed using local currency amounts. The invoice is required to be submitted in U.S. dollars, however.

If the Subaward contains only a U.S. dollar budget and the funds will be expended in local currency, two sets of accounts will have to be maintained for monitoring and reporting purposes. Each expenditure made with local currency will have to be converted to U.S. dollars and the financial reports and invoices will be submitted to JHU SOM in U.S. dollars.

Review this process carefully and discuss with JHU SOM if the process is not clear. ***Incorrect financial reporting may result in delays in payment or possible disallowance of expenditures.***

Regulations

When you receive funds from JHU SOM under a Subaward, there are federal policies and regulations you must adhere to in the administration of your Subaward.

In addition to your organization's own institutional requirements and policies, and other prime sponsor requirements included in your Subaward, as a Subrecipient you must also adhere to all applicable administrative requirements, cost principles and audits requirements.

1) *Administrative Requirements*

2 CFR 200 applies to all nonprofit organizations, institutions of higher education and hospitals and lays out the specific administrative requirements concerning federal grants. It is important because it outlines the steps the U.S. government require you to follow in order to be eligible to receive future U.S. federal funding. In an effort to ensure all nonprofit organizations are treated the same, this circular sets standards outlining the administration of grants and cooperative agreements.

2) *Cost Principles*

2 CFR 200 Subpart E is used by all Federal agencies to determine the cost of work performed by *nonprofit* Organizations, colleges, university, and places of higher education.

For-profit Organizations

48 CFR Part 31, "Contract Cost Principles and Procedures" is used by all Federal agencies to determine the cost of work performed by for profit organizations.

3) *Audit Requirements*

Subawards to foreign recipients who expended over \$300,000 for USAID awards or cumulatively over \$750,000 for all Federal prime awards must have program specific annual audits conducted regarding their internal controls. All Subrecipients (except for-profit entities) are required to comply with The Single Audit Act Amendments of 1996 and 2 CFR 200 Subpart F, which provides audit guidelines and standards. Failure to comply with the annual audit requirement may result in suspension of payments or disallowance of costs.

Assurances

Each Subrecipient must assure that it will comply with the regulations, policies, guidelines, and requirements imposed by the prime sponsor and JHU SOM. The Subrecipient is responsible for being familiar with the required assurances listed in its Subaward, including all exhibits and attachments, and adhering to them throughout the life of the Subaward.

Financial Management

Overview

The applicable regulations and JHU SOM policies require that Subrecipients have in place, prior to receipt of any funds, a financial management system that will provide:

- Accurate, current, and complete disclosure of the financial status of each Subaward program;
- Records which identify the source and application of funds for Subaward-supported activities, specifically information pertaining to Subawards, obligations, unobligated balances, assets, liabilities, outlays and income;
- Effective control over and accountability for all grant funds, property, and other assets;
- Comparison of actual expenditures with budgeted amounts for each cost category and work activity;
- Procedures for determining that all costs are allowable and that they may be allocated to an activity;
- Procedures to ensure that each expense paid from a Subaward was authorized in the budget of the Subaward that was charged with the expense;
- Accounting records that are supported by support documentation;
- Where applicable, audits or financial reviews which analyze the fiscal integrity of Subrecipient; and
- A systematic method to assure timely and appropriate resolution of audit findings identified in audits or management reviews.

The Subrecipient must be able to isolate and trace Subaward funds and have appropriate support documentation for each transaction. Examples of documentation are vendor invoices, bills of lading, purchase orders, payment vouchers, payroll records, and bank statements and reconciliations.

The basic accounting records and documents listed below comprise the framework for a good financial management system. If implemented properly, such a system can provide accurate, current, and complete disclosure of the financial status of each grant supported program, work activity, and cost category:

- Cash Receipts Journal
- Cash Disbursements Journal
- Payroll Journal
- General Ledger
- Subsidiary Ledger(s)

Accounting Procedures

Subrecipients must develop accounting procedures to meet the particular needs of the grant supported project.

Recording procedures must be designed to provide information accurately while at the same time serving as an effective control in preventing mistakes and safeguarding against unauthorized uses of funds.

Internal Controls

Subrecipients should have a management system in place that contains adequate internal controls (accounting and administrative) for the administration of the Subaward. This system of internal controls will be tested during reviews of the Subrecipient. The following are suggested internal accounting control procedures for Subrecipients:

- Record all cash receipts immediately;
- Conduct periodic independent comparison of deposit slips with receipts and bank statements;
- Deposit cash receipts frequently;
- Make all payments by pre-numbered checks (if applicable);
- Reconcile bank accounts monthly and retain a copy of the reconciliation in the files;
- Issue checks to vendors only in payment of approved invoices which have been matched with purchase orders and receiving reports;
- Separate staff duties so that one person does not perform all accounting functions from the time funds are received until the funds are disbursed;
- Mark all documentation “paid” to prevent duplicate payments; and
- Retain a CPA firm for an audit or review (if applicable). See Audits and Monitoring section for more information.

Careful review of all vouchers and invoices by Subrecipients is necessary to verify that they are legitimate costs eligible under the governing regulations. Further, officials should note that costs are properly allocated to the correct program or work activity. A receiving report system should be utilized to ensure payment for only those goods and services that are received.

Acknowledging that some Subrecipients are small organizations with few internal resources, the following internal control suggestions should be considered by those entities:

- All checks should be cosigned and all supporting documentation should be closely reviewed and marked “paid” before or as each check is signed;
- The principal officer of the Subrecipient organization should oversee all cash collections;
- A close examination of all financial reporting to JHU SOM should be made, noting in particular any unusual month-to-month and budget-to-actual account variances; and
- Someone other than the person who prepares the checks and the bank deposits should reconcile the monthly bank statement.

In addition to internal accounting controls, the Subrecipient should have administrative controls in place to ensure grant funds are not used in violation of federal laws and requirements, including but not limited to:

- Political Activity (the Hatch Act and the Intergovernmental Personnel Act of 1970, as amended) - federal funds should not be used for partisan political activity of any kind by any person or organization involved in the administration of federally-assisted programs;
- Civil Rights - no person is excluded from participation, or subject to discrimination in any program or activity funded in whole or in part by federal funds, on the basis of race, color, creed, age, sex, national origin, or handicap;
- Terrorism - U.S. law prohibits transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism; and

- Financial Conflicts of Interest – any financial conflict of interest must be reported to JHU SOM, along with an explanation as to whether the identified Interest is being managed, reduced or eliminated by the Subrecipient.

Documentation Requirements

All Subrecipient invoices include the following standard data elements:

Checklist of Required Information for Subrecipient Invoices	
<input type="checkbox"/>	Name of the Subrecipient
<input type="checkbox"/>	JHU Purchase order number
<input type="checkbox"/>	Date of the invoice
<input type="checkbox"/>	Invoice number (should be sequential) and project title
<input type="checkbox"/>	Period of performance covered by the invoice*
<input type="checkbox"/>	Invoice amount requested
<input type="checkbox"/>	Breakdown of costs in accordance with expenditure categories*
<input type="checkbox"/>	Previous, current period costs and cumulative project costs*
<input type="checkbox"/>	Cost sharing, if applicable
<input type="checkbox"/>	Program income generated, if applicable
<input type="checkbox"/>	Cash balance and interest earned (for advance payments)
<input type="checkbox"/>	Contact person for invoice questions
<input type="checkbox"/>	Certification as to the truth and accuracy of the invoice, such as: “As an authorized representative of the organization, I certify that all Deliverables and required work product due to date have been submitted, and expenditures reported (or payments requested) are for appropriate purposes and in accordance with the Statement of Work, Approved Budget and other requirements as set forth in the Subagreement.”

*This information is not required on fixed price or fixed fee agreements (i.e. per subject, per scan, per sample only payments).

Failure by the Subrecipient to submit any deliverables or required reports by the due date or an invoice with inadequate information is considered just cause for JHU to withhold any payments due. Incomplete invoices will be rejected by the PI and a new invoice will be requested or additional information may be attached to the original invoice. If the Subrecipient has a negotiated IDC rate agreement, the invoice should match the negotiated rate which should match the rate provided on the Subaward budget exhibit.

Invoices expenditures should match the budget line items, including PI effort percentage. The time period of the invoice should follow the previous invoice, not overlap the previously paid time period, and the current invoice time period should **NEVER** exceed the expiration date of the Subaward.

All invoices will be reviewed for financial accuracy

- Expense in line with budget category amounts
- Amounts aren't round dollars solely based on a percentage of budget
- Previous expense + Current expense = Cumulative expense for each budget category
- Column totals equal the amount of individual column amounts in total
- Fringe cost are in line with salary expense for the agreed upon fringe rate
- Facilities and Administrative (F&A) costs are in line with applicable costs for the agreed upon F&A rate
- Period of performance invoiced is not in advance of the current calendar date unless immediate cash needs are being met. If so, cash balances and interest must be tracked and reconciled before additional payments can be made.

The accounting system of each JHU SOM Subrecipient must provide adequate documentation to support the Subrecipient's financial claims. The following is a list of examples of adequate documentation for selected transaction types:

SUBAWARD EXPENDITURES

<i>Category</i>	<i>Explanation</i>	<i>Documentation</i>
Salaries & Fringe Benefits	Wages for all Subrecipient personnel charged to Subaward. Fringe benefits may include insurance, vacation/sick time, or other benefits given to employees.	Personnel records, time sheets, and time distribution sheets. Distribution sheets are required when personnel time is charged to more than one grant program. Sheets must reflect actual time, not budgeted figures. Documentation should include gross pay and all amounts withheld, matched, or paid by the Subrecipient for various taxes paid.
Travel	Local or long distance travel, including transportation costs, hotel, M&E per diems.	Evidence of authorized travel, travel expense voucher showing all travel expenses were incurred for the benefit of the Subaward program; copies of supporting bills.
Equipment	Any purchase of equipment of over \$500 with a useful life of more than 1 year.	Bids, quotations, purchase orders, receiving reports, invoices, bills of lading and property records.
Supplies	Consumables less than \$500 per item.	Invoices/receipts and receiving reports.
Contractual	Lower-tier Subawards, independent contractors or consultants.	Copies of agreements, client attendance records, documentation (Payments to/for clients) of services provided including dates, times, names.
Other Direct Costs	Telecommunications, leases, repairs/maintenance, participant costs.	Invoices, receipts, lease or maintenance agreements. For telecommunications: telephone bills, telephone logs, the date time calls, the reason and the number called.
Indirect costs	Costs that cannot be directly allocated to a particular Subaward and which are allowable under the prime award.	Approved indirect cost rate or cost allocation plan, analysis of indirect costs charged in accordance with approved plan; rate is applied to the distribution base per the approved plan.

Worksheets

The attached Worksheets are provided as a tool for preparation of the invoice and final financial report. The following information provides further instructions regarding the completion of the forms.

Expenditures Worksheets (Worksheets A(1) – (6))

The Expenditures Worksheets are designed to help you organize expenditures by budget line items. They also assist you to collect the appropriate signatures for salaries and consultants expenditures.

Details of each expenditure should be listed on the correct form. The specific forms are:

- Worksheet A (1) - Salaries/Fringe
- Worksheet A (2) - Travel and Allowances
- Worksheet A (3) - Equipment
- Worksheet A (4) - Supplies
- Worksheet A (5) - Contractual
- Worksheet A (6) - Other Direct Costs

Worksheets A (1) should list individually the names of all employees who received salaries during the period. The individual's title or occupation should also appear with the name of that employee. The original signature of the person receiving payment should be obtained on these forms each time they receive payment, and copies of payment receipts with signatures must be kept on file and submitted to JHU SOM upon request. So, if an employee receives his/her salary payments monthly, he/she should sign Worksheet A (1) each month.

Please note that on Worksheets A(2), A(3), and A(4), descriptions of each expenditure should be included. These descriptions need to be specific. For example, it is not enough to write "per diem" or "hotel accommodations". Instead, the description should read, "per diem for Mrs. Smith--Materials Development Workshop."

Worksheet A(5) should list the names and titles of all individuals paid as consultants and all organizations paid as lower-tier subcontractors.

It should be noted that no one is authorized to charge for "entertainment" expenses such as food, drink or other refreshments for guests. No alcoholic beverages for project personnel or guests will be reimbursed.

Voucher Summary Page (Worksheet B)

This is a basic form used to record expenditures as they are incurred. All expenditures should indicate which expense category was charged as this form will then be used to create Worksheets A(1) – A(6). The amount expended is entered in the total column. Use of Worksheet B is not required if you have your own basic reporting form.

Worksheet A(1)

THE JOHNS HOPKINS UNIVERSITY
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 EXPENDITURES WORKSHEET (BY CATEGORY)

CATEGORY I. SALARIES/FRINGE

Project Title: _____

Project No.: _____

Date of Expense	Voucher Number	Name and Position	Signature of Recipient	Total Expense
Total				

Prepared by: _____ Date: _____

(Continue on additional sheets if necessary)

Worksheet A(2)

THE JOHNS HOPKINS UNIVERSITY
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 EXPENDITURES WORKSHEET (BY CATEGORY)

CATEGORY II. TRAVEL & ALLOWANCES

Project Title: _____

Project No.: _____

Reporting Period: From _____ Through _____

Date of Expense	Voucher Number	What was money spent on and purpose	Expense Amount
Total			

Prepared by: _____ Date: _____

(Continue on additional sheets if necessary)

Worksheet A(3)

THE JOHNS HOPKINS UNIVERSITY
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EXPENDITURES WORKSHEET (BY CATEGORY)

CATEGORY III. EQUIPMENT

Project Title: _____

Project No.: _____

Reporting Period: From _____ Through _____

Date of Expense	Voucher Number	What was money spent on and purpose	Expense Amount
Total			

Prepared by: _____ Date: _____

(Continue on additional sheets if necessary)

Worksheet A(4)

THE JOHNS HOPKINS UNIVERSITY
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 EXPENDITURES WORKSHEET (BY CATEGORY)

CATEGORY IV. SUPPLIES

Project Title: _____

Project No.: _____

Reporting Period: From _____ Through _____

Date of Expense	Voucher Number	What was money spent on and purpose	Expense Amount
Total			

Prepared by: _____ Date: _____

(Continue on additional sheets if necessary)

Worksheet A(5)

THE JOHNS HOPKINS UNIVERSITY
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 EXPENDITURES WORKSHEET (BY CATEGORY)

CATEGORY V. CONTRACTUAL

Project Title: _____

Project No.: _____

Reporting Period: From _____ Through _____

Date of Expense	Voucher Number	Name and Position of Consultant or Name of Organization	Purpose	Local Currency
Total				

Prepared by: _____ Date: _____

(Continue on additional sheets if necessary)

Worksheet A(6)

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EXPENDITURES WORKSHEET (BY CATEGORY)

CATEGORY VI. OTHER DIRECT COSTS

Project Title: _____

Project No.: _____

Reporting Period: From _____ Through _____

Date of Expense	Voucher Number	What was money spent on and purpose	Expense Amount
Total			

Prepared by: _____ Date: _____

(Continue on additional sheets if necessary)

Worksheet B

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VOUCHER SUMMARY PAGE

Project Title: _____

Project No.: _____

Reporting Period: From _____ Through _____

Date of Expense	Voucher Number	Expense Description and Purpose	Expense Amount
Total			

Prepared by: _____ Date: _____

(Continue on additional sheets if necessary)