

NATIONAL ENDOWMENT FOR DEMOCRACY

GRANTEE GUIDE



**National Endowment
for Democracy**

Supporting freedom around the world

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1. Introduction

Congratulations!

The NED Board of Directors has approved funding for your proposal. The NED staff looks forward to working with you to help you achieve the goals that your organization has set.

Although NED is a private, nonprofit organization and is governed by a private Board of Directors, most of its funding comes from the U.S. Congress. Therefore, NED has developed procedures to ensure that both NED and our grantees follow requirements relating to the use of U.S. government funds, and to make sure that grant funds are spent as planned and managed according to best practices.

This step-by-step guide will give you instructions on what you need to do, when to do it, and how. The guide also includes responses to frequently asked questions ([FAQs](#)), as well as examples of forms used by NED and other materials useful to you.

Note: The Grant Agreement is the legal binding document between your organization and the NED. This document is a guide to be used to improve your understanding of the Grant Agreement.

GRANT PROCESSES AND REQUIREMENTS

2. Your Grantmaking Team at NED

The NED's Grantmaking team is ready to help you manage your grant. The members of the team include staff from the Program, Grants, and Compliance departments. The names and e-mails for these team members can be found in Box 8 of the Grant Agreement (NED Staff Contacts). Each team also has assistants who may send documents and correspondence related to your grant.

Reference Table of NED Staff

Here is a reference table to know who to contact for each issue or problem:

	Team Member	What They Do	When to Contact
PROGRAM	Assistant Program Officer or Program Officer or Senior Program Officer	<ul style="list-style-type: none">• Develop annual program priorities• Identify potential applicants, assess organization capacity, and credibility of applicants• Review proposals and narrative reports• Advise the NED leadership and Board of Directors on funding priorities and pending proposals• Monitor and evaluate current NED-funded projects	<ul style="list-style-type: none">• When you have a question about the project or the activities• When you have a question about the content of narrative reports, including the cumulative assessment• When you want to discuss new project ideas and proposals
GRANTS	Grants Administrator or Senior Grants Administrator or Manager, Grants Administration	<ul style="list-style-type: none">• Issue grant agreements, amendments, and process payments• Review budgets, financial questionnaires, and financial reports• Assess and provide guidance to strengthen grantees' organizational structure and financial systems• Facilitate grantees' understanding of NED grant requirements and ensure compliance with rules governing the use of grant funds• Follow up on invoice and daily transaction ledger issues	<ul style="list-style-type: none">• When you have a question about the terms of your grant agreement• When you have a question about procedures relating to grants and payments• When you have a question about your budget and/or allowable costs
COMPLIANCE	Auditor or Senior Auditor or Manager, Compliance	<ul style="list-style-type: none">• Review financial questionnaires to develop risk assessments and financial monitoring plans• Review invoices and daily transaction ledgers• Provide guidance on financial best practices and compliance	<ul style="list-style-type: none">• When you have a question about a request for invoices or other documentation• When you want to discuss accounting issues

Contacting Your Grantmaking Team

Although you may receive correspondence from NED staff who are not your direct contacts, you should always copy your designated Program and Grants contacts (as shown in Box 8 of the Grant Agreement) on all grant-related emails. Please also be sure to include your grant number (as shown in Box 1 of the Grant Agreement) in the subject line of all emails.

3. The Grant Agreement

Grant Approval Process

After a grant proposal is approved by the NED Board of Directors, the successful applicant will receive a notification by email. The Grants staff finalizes materials and prepares the [Grant Agreement](#) outlining the details of the project and the terms and conditions which must be followed.

NED staff makes every effort to issue new Grant Agreements promptly, but sometimes it takes time to work out the details. After receiving the approval notification, you may also receive messages from NED's Program, Grants, or Compliance staff requesting information about some details of your project, budget, or organization.

Until the Grant Agreement is signed by you and NED, NED does not have an obligation to provide funding for the approved project.

Signing the Grant Agreement

When your organization signs the Grant Agreement, you are indicating that you accept the terms and conditions of the award as well as the responsibilities related to conducting the project as it is described, and using grant funds as budgeted.

When NED signs the Grant Agreement, NED accepts the obligation to fund your project and the responsibility to monitor the activities and the prudent use of grant funds.

Components of the Grant Agreement

The Grant Agreement consists of a collection of documents that describe the terms and conditions of the grant award.

Grant Agreement form

The Grant Agreement form is a two-page document with the most important details about the grant and your reporting requirements. On this form you will find the project start and end dates, the grant amount, the reporting requirements, the payment schedule, and any special conditions. The bottom of the first page is where you must sign to indicate your acceptance of the grant.

Attachment A – Project Description

Attachment A is the description of the project for which the grant provides funds; it describes the project as approved by the NED Board of Directors. The "Objectives" state the intended purpose of the approved project. The "Project Activities" describe the activities which will be conducted in support of the objectives. The "Evaluation Plan" describes how you will assess the impact of your work on the

project in relation to the objectives. The “Organization Background” provides details about your organization – the grantee that is the recipient of grant funds.

Attachment B – Budget

Attachment B is the detailed budget for the grant-funded project as approved by the NED Board of Directors. The budget is organized into standard categories and serves as the basis for the financial reports that you will prepare over the course of your grant.

Attachment C – Standard Grant Provisions and Appendices

Attachment C is the section of the Grant Agreement where you will find the detailed rules that you must follow in order to be in compliance with NED requirements. Each provision and appendix of Attachment C is described in this guide to help you understand these requirements.

What are the Appendices?

The appendices in Attachment C provide information and links to the laws, rules and regulations, which NED requires its grantees to follow. These documents are incorporated as part of the Grant Agreement and are to be referred to if there is any confusion regarding the provisions.

Appendix A - The NED Act

[Public Law 98-164](#) (also known as the NED Act) is the law passed by the U.S. Congress in 1983 (and subsequently amended several times) which authorizes NED as a private nonprofit organization to receive U.S. government funds. The NED Act outlines the purposes for which NED may operate a grants program and how it is to report its activities to the U.S. Congress.

Appendix B – Code of Federal Regulations

Appendix B gives links to three documents – 2CFR230, 22CFR145, and 2CFR601 – which are regulations issued by the Office of Management and Budget (OMB) of the Executive Branch of the U.S. Government. These documents set out the rules about how to manage grants of U.S. federal funds. NED follows these rules in its own operations.

- 2CFR230 is the “Cost Principles for Nonprofit Organizations” and defines the types of costs in grant projects that are allowable, allowable only with prior approval, and unallowable. NED uses these guidelines for determining the allowability of your organization’s costs as shown in your proposal budget and financial reporting.
- 22CFR145 is “Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations” and defines the administrative and financial management requirements for the administration of NED grants. This is the origin of many of the requirements in the NED Grant Agreement and NED’s grant procedures.
- 2CFR601 is “Nonprocurement, Debarment, and Suspension”, the regulation that governs Grant Provision 22 on Ineligibility. Before issuing the grant agreement, NED staff verified that your organization is not included on a list of those who are not permitted to receive U.S. government funds due to prior misuse of funds. This requires that you, as a direct NED grantee, should also check whether your subgrantees and contractors are included on this list before advancing any funds.

Appendix C – OMB Circular A-133

OMB Circular A-133 is “Audit of States, Local Governments, and Non-Profit Organizations”, another regulation issued by the Office of Management and Budget of the Executive Branch of the U.S. Government. It sets forth the requirements related to audits of U.S. recipients of federal funds, which NED must follow and which we are required to let you know about. It requires grantees based in the United States to have an independent audit if they expend more than \$500,000 of federal funds in a year.

Appendix D – Travel Per Diem Allowances

Appendix D gives links to websites used by NED which display the limits of allowable costs for per diem (lodging, meals and incidentals) when using grant funds for travel anywhere in the world. There are two lists – one for travel in the United States, and one for travel outside the United States. When you use NED grant funds for travel, your costs must be within these allowable rates.

Appendix E – Executive Order 13224

Appendix E gives the link to the text of Executive Order 13224, a U.S. law which prohibits U.S. government funds to any individual or organization designated by the U.S. Government as terrorist or as assisting terrorism. Grant Provision 11 and Section 18 of this Guide describe the requirements related to this law.

Appendix F – Model Subgrant Agreement

Appendix F, Model Subgrant Agreement, is included in your grant agreement package only when your project includes subgrants. When you work with subgrants, you must use this document as the template to create the written agreement between your organization and the subgrantee(s), unless you have an alternate agreement approved by NED.

4. Receiving the Grant Documents

When you receive the grant agreement materials, there is a lot of information to read. You should review everything carefully to make sure the details are accurate, that the project description and budget accurately reflect your intended project, and that you understand what is required. Your NED Grants staff contact can help you with anything in the Grant Agreement that you might not understand.

Grant Agreement Packet

NED grant agreement documents will be sent to you by e-mail, unless you make a request otherwise. The packet of documents includes the following items:

1. [Grant Agreement form](#) (a 2-page document)
2. Project Description (Attachment A)
3. Budget (Attachment B)
4. Standard Grant Provisions and Appendices (Attachment C)
5. [Financial Report Form](#) (known as APFR or CRFR)
6. Payment Forms
7. Other special forms as needed.

What to do with the documents

Once you have received the packet, print the documents. The Grant Agreement will be in PDF form. Review and sign the agreement (Box 11) and any other form requiring signatures. You may send the Grant Agreement and other signed forms by e-mail as scanned documents. This will ensure that they are processed quickly by NED staff. Or, you may send them by fax or postal mail.

Your grantmaking team may request other documents. Review Box 14, Special Conditions, of the Grant Agreement to see if there are any Special Conditions that require you to submit additional documents.

5. Banking and Payments

(Also refer to Grant Provision 2. Payment)

Your grant will be managed either on an “Advance Payment” basis or on a “Cost Reimbursable” basis.

Payments – Advance Payment

Most grants work on an advance payment basis. That means the NED will send you funds before you start paying for your project activities. You should review your grant payment method and schedule in Box 13 of the Grant Agreement.

For advance payment grants, three forms must be filled out and returned to NED before the first payment will be sent (examples are in your packet):

- Verification of a Separate Bank Account Form (VSBA) or Verification of Bank Account Form (VBA)
- Authorization to Request Payment Form (ARP)
- Request for Payment Form (RP)

The **Verification of Separate Bank Account** (VSBA) form is needed because the use of a separate account for only NED grant funds is a requirement of the Grant Agreement (see Grant Provision 6.A). The form certifies that you are complying with this requirement and also identifies the bank account that will be used to receive all grant payments, including all the bank details.

This requirement for a separate bank account may be waived in certain conditions, most commonly if your organization can segregate NED funds from other fund sources in your accounting records. In these cases, the **Verification of Bank Account Form** (VBA) is required instead. This will be noted in your Grant Agreement as a special condition.

The **Authorization to Request Payment Form** (ARP) informs NED of the individuals in your organization who are authorized to sign the Request for Payment Form (see next item, below) and formally request that grant funds be sent to your institution’s bank account. NED recommends that two persons be authorized to request payments so there is a back-up if one person is not available when funds are needed.

The **Request for Payment Form** (RP) is the form you must use to request that NED send grant funds to your bank account. It must be submitted for each payment. The bank information on this form should exactly match the information on the VSBA form and the form must be signed by a person who is authorized on the ARP form. NED will send funds only upon the organization’s request. There is a

payment schedule for your grant in Box 13 of the Grant Agreement, which you should review. However, it is your responsibility to request funds. You may request only the amount that is scheduled for each payment. If these amounts do not match the needs of the project, please contact your Grants Administrator. (Further detailed instructions are available on the reverse side of the form).

How to Request Payments for an Advance Payment Grant

For all payments after the first payment, you need only to submit a [Request for Payment](#) (RP) form. If there have been any changes to your bank account information or to the authorized staff, you must send in revised VSBA and/or APR forms. Remember to look at Box 13 of the Grant Agreement to make sure you are requesting funds in accordance with the payment schedule.

Please submit the Request for Payment (RP) form to NED at least seven (7) working days before you need the funds so that NED has time to process your request. The first payment will not be sent prior to the start date of the grant.

Payments – Cost Reimbursable

If your grant is cost reimbursable instead of advance payment, this means that your organization must first spend funds on project activities and then request a reimbursement of the actual costs.

For cost reimbursable grants, two forms must be filled out and returned to NED before the first payment will be sent:

- Authorization to Request Payment Form (ARP)
- Claim for Reimbursement and Financial Report Form (CRFR)

The [Authorization to Request Payment Form](#) (ARP) informs NED about who from your organization is authorized to sign the Request for Payment Form and formally request that grant funds be sent to your account. NED recommends that two persons be authorized so there is a back-up if one person is not available when funds are needed.

The **Claim for Reimbursement and Financial Report Form (CRFR)** is a two-part form which includes the financial report and a request for reimbursement with bank transfer information. You should follow the Reporting Schedule in Box 12 of the Grant Agreement when submitting this form.

How to Request Payments for a Cost Reimbursable Grant

For all payments after the first payment, you may submit only a Claim for Reimbursement and Financial Report Form (CRFR). If there have been any changes to the authorized staff on your original ARP form, you must send in a revised ARP form.

Please submit the Claim for Reimbursement form to NED at least seven (7) working days before you need the funds so that NED has time to process the request.

Banking

Separate bank account

The standard Grant Agreement requires a separate bank account to be used exclusively for NED funds. You may not deposit any other funds in this bank account during the term of the NED grant, unless it is for an initial deposit to open the account.

If your Grant Agreement waives this requirement and allows you to submit a Verification of Bank Account Form (VBA), you must maintain separate ledger accounts in your financial accounting system that clearly distinguish NED grant funds from other funds you may receive.

Opening a new bank account

If an initial deposit must be made to open the required separate bank account, you may use non-NED grant funds for this purpose and then withdraw the non-NED grant funds following receipt of your first advance of NED grant funds.

Using a current bank account

If your organization has a separate bank account that was opened for an earlier NED grant, you may use the same bank account for the new grant if your organization's accounting system can clearly separate out the costs incurred for each grant.

Transferring funds

You may not transfer NED funds from your separate bank account to other bank accounts that your organization controls and that contain funds from other sources.

Using bank account funds for financial transactions

When possible, please make all financial transactions for approved grant expenditures (See Attachment B, Budget) by direct transfer or check drawn on the separate NED bank account and directly to the vendor or payee.

6. Subgrants

(Also refer to Grant Provision 17. Subgrants)

This section applies to your grant if your project objectives will be implemented through one or more subgrantee(s) designated in the Grant Agreement Box 7 and Attachment A, Program Description.

A *subgrantee* is an organization to which you provide funds from your NED grant in order for the organization to conduct its own project. When there is a subgrantee as part of your project, you are the grantor, and therefore you must sign a *subgrant agreement* with the subgrantee. You have the same relationship with the subgrantee as NED has with you.

You may also see the term *subrecipient*. A subrecipient is an organization which receives funds from you, but not necessarily in the form of a grant. It is a more general term than subgrantee.

Please make sure that your Grants Administrator knows how you intend to account for funds going to a subrecipient: by entering into a subgrant agreement, a contract with that organization, or by covering their costs directly and including the costs in your regular financial reports.

The Subgrant Agreement Requirement

A written Subgrant Agreement signed by responsible officials of your organization and each subgrantee is required when your organization will be providing the following to the subgrantee:

- Advances of funds for subgrant costs, either from advances that NED provides to you **or** from your own funds, for later reimbursement by NED; or
- Equipment, as defined in Grant Provision 15.A, purchased with grant funds; or
- A combination of advances of grant funds **and** equipment purchased with grant funds.

Components of the Subgrant Agreement

Appendix F of the Grant Agreement (and Attachment B of this Guide) is a [Model Subgrant Agreement](#). Use this model for all subgrants, unless you have requested and received approval to use a different model. If you already have procedures for working with subgrants, you may send your own model to your Grants Administrator. If it meets NED's general requirements, you will be permitted to follow your existing procedures and your own model will be incorporated into the NED Grant Agreement.

A Subgrant Agreement includes four components:

Component 1: Appendix F, Model Subgrant Agreement

Please see all paragraphs and provisions in Appendix F, Model Subgrant Agreement. You must ask NED for prior approval if you wish to waive any requirement contained in the Model Subgrant Agreement.

You may include additional requirements in your Subgrant Agreement, with prior NED approval, as long as they do not contradict those in the Model Subgrant Agreement. These special conditions may be specified in Box 14 of the Grant Agreement.

Component 2: Attachment A – Program Description

This is a description of the project to be carried out by the subgrantee and should be consistent with the parts of Attachment A of the NED Grant Agreement that describe the activities to be conducted by the subgrantee. The Subgrant Agreement program description should accurately describe only the subgrantee's project activities that are funded by NED.

Component 3: Attachment B – Budget

This budget should be consistent with the "support grant" portion of Attachment B of the NED Grant Agreement that shows the budget for activities to be carried out by the subgrantee. In preparing the projected schedule of payments, show only those amounts that you will forward to the subgrantee. These amounts should be coordinated with the payment schedule in the NED Grant Agreement.

Component 4: Subrecipient Financial Questionnaire

The Financial Questionnaire is required for any subgrant at or above \$10,000 or if otherwise requested by NED. The subgrantee must complete the same Financial Questionnaire that your organization filled out as part of the application process.

For subgrants at or above \$10,000:

You must submit a fully signed written Subgrant Agreement to NED prior to advancing any funds to the subgrantee. To ensure compliance, NED may hold your first grant payment until the following items are received and reviewed for each subgrantee:

- Fully signed written Subgrant Agreement including any Special Conditions
- Attachment A – Program Description
- Attachment B – Budget
- Subgrantee Financial Questionnaire

Subgrantee Monitoring

If you issue a Subgrant Agreement to a designated subgrantee, then you are required to determine whether the subgrantee organization has an adequate financial management system including:

- The ability to comply with the terms of the Subgrant Agreement
- An accounting system capable of recording and summarizing grant expenditures by budget category
- Adequate security over grant funds and goods or services purchased with grant funds

As the grantor, your organization has the responsibility to adequately monitor all subgrantees to ensure compliance with the provisions of the Subgrant Agreement, including receipt and review of financial and narrative reports prior to advancing funds to the subgrantee.

7. Reporting Guidelines

(Also refer to Grant Provision 3. Monitoring and Reporting Requirements)

Your organization is required to monitor the progress of your project to make sure that planned activities are being carried out, progress is being made toward objectives, and funds are being used properly. You should consult with NED staff regularly and notify them promptly of any significant problems or changes that could affect the successful implementation of project activities and achievement of objectives as stated in Attachment A, Program Description. NED staff or representatives may make on-site visits to observe project implementation and to verify information provided in the narrative and financial reports that you submit, or to help you solve problems you may encounter in grants administration or program implementation.

Periodic Report Requirements – Financial and Narrative

Your organization is required to submit reports to NED documenting both progress (in a narrative report) and expenditures (in a financial report). **The schedule for submission of reports is shown in Box 12 of the Grant Agreement.** If reports are late or unsatisfactory, NED may suspend payment until the problem is corrected.

If project activities are being implemented through a subgrantee designated in Box 7 of the Grant Agreement, you are responsible for ensuring that your subgrantee provides your organization with sufficient information about the progress of the project and expenditure of funds to comply with the reporting requirements.

Financial Reports

A [Financial Report Form](#) (APFR or CRFR) is sent with your Grant Agreement documents. This form has been customized with information specific to your grant. The Financial Report Form is an Excel spreadsheet and all sections of the form are locked except for areas to report expenditures and explanations. Even if you know how, you should never change the form. Doing so may delay a requested payment. If there are mistakes or you want to make a change, please contact your Grants Administrator. A sample of the form is included as [Attachment F](#) of this Guide.

The report includes the following information:

- **Budget:** The category and dollar amount of expenditures approved by NED for this project. This is already filled in on the form.
- **Expenditures:** The amount of grant funds you spent in a reporting period. You will see a separate column for each reporting period. When it is time to submit the financial report, you should complete one additional column on the same form. Each time you submit the form, the column you completed previously must stay the same. If you do make any changes, an explanation must be provided in the designated space on the report.
 - **Expenditures This Period:** The amount of grant funds spent during this reporting period.
 - **Total Expenditures:** The sum of all grant expenditures to date.
 - **Remaining Balance:** The Budget minus Total Expenditures.
- **Signatures** (not required on all forms): Signatures may be required to confirm separation of duties relating to your grant financial management. If your financial report requires signatures, the people from your staff who are authorized to sign will be identified in Box 14 (Special Conditions) of the Grant Agreement and shown on the Financial Report Form.

When completed in Excel, the column totals, Total Expenditures, and Remaining Balance will be calculated automatically with formulas.

In some cases, you may be required to provide copies of supporting documentation of expenditures as part of your financial report. This requirement will be included in Box 14 (Special Conditions) of the Grant Agreement.

When preparing the financial report, please remember the following:

- You must explain any expense for items that are not in the approved budget (Attachment B) of your grant, or any expense that is more than the flexibility limit (Grant Provision 7). NED allows for flexibility in each budget category of 15% or \$5,000 of each category's amount, whichever is higher (See *Grantee Guide* Section 24 Financial Management). A budget amendment is not required for amounts below this limit but you must explain any significant changes. Non-budgeted expenditures will be reviewed by NED for allowability.

- The financial report must be submitted in U.S. dollars. If either you or your designated subgrantee converts grant funds to other currencies, expenditures must be converted to U.S. dollars for the financial report.
- If your last financial report for the grant shows that grant funds of more than US\$100 were not spent by the end date of the grant, a check payable to NED, or a wire transfer to NED's bank account will be requested by your Grants Administrator (see Grant Provision 5 and *Grantee Guide* Section 11, Returning Grants Funds to NED).

Narrative Reports

Each narrative report must include detailed and comprehensive information about activities, progress towards objectives, and how the project is progressing. Project activities should be consistent with the activities stated in Attachment A. Each narrative report should include the information listed below.

Note: Your Program Officer may provide you with additional guidance to help you prepare the narrative report.

In preparing your narrative report, please include:

- **Grant Details:** Your organization name, grant number, grant amount, grant start and end dates, project title, subgrantee (if applicable), and reporting period covered (identified by beginning and ending dates, example: January 1 – March 31, 1925).
- **Objectives:** Copy the objectives exactly as they are in Attachment A, Program Description.
- **Actual Activities:** A description of actual project activities carried out during the relevant reporting period. For each activity, list information to include responses to questions such as: Who? What? Why? When? Where? How? This includes providing dates and locations of events, number and kinds of participants, links to online materials and websites, and specific accomplishments. Material changes from activities in the Program Description (Attachment A) or difficulties with implementation should be explained.
- **Assessment:** A summary of the main accomplishments of the project thus far. Specifically, this section should address to what extent the activities to date have contributed to achieving your project's objectives. Throughout the project, you should follow the evaluation plan in Attachment A, Program Description, and report your progress here.
- **Supplemental Information:** Documentation, such as selected examples of newspaper accounts, photos, letters, brochures, or citations of relevant sources of information, which provide evidence of activities or changes described in the report. Such accompanying documentation should be organized and labeled appropriately.
- **Evaluation:** A section detailing the results of the evaluation of the project, which should be included in the last narrative report for the grant. You should detail the successes and achievements of the project, following the evaluation plan in Attachment A, Program Description. In this section, tell us how your organization has made an impact and how the project has fulfilled its objectives. Give us a sense of how the situation or environment in which you are working has changed as a result of the project's activities. What have you learned

during the course of this grant and how you have adapted to any difficult circumstances? What changes have you observed in your target population or community as a result of this project? Have you followed up with project beneficiaries? What have you learned from them?

Cumulative Assessments

You may be required to write a Cumulative Assessment Report as a reporting requirement. If you do, the due date for submission of the Cumulative Assessment Report is shown in Box 12 of the Grant Agreement. The Cumulative Assessment Report should cover each of the previous grants listed in Grant Agreement Box 12. Refer to [Attachment G, Cumulative Assessment Guidance](#), in this Grantee Guide for more information about the Cumulative Assessment Report.

Grantee Products

You may have a Grantee Product as a reporting requirement in your Grant Agreement. If you do, the items that are required and the due date for submission of the items are shown in Box 12 of the Grant Agreement. Projects that include publications, such as books, journals, or newspapers, or other forms of media, such as videos, posters, recordings, or websites, are likely to have this requirement.

8. Grant Agreement Amendments

(Also refer to Grant Provision 4. Amendments)

There are many circumstances where it is necessary to change the terms and conditions of the Grant Agreement. This is done through a grant amendment, which is signed by you and NED.

Types of Amendments

Your Grant Agreement will require an amendment under the following conditions:

- **No-Cost Extension Amendment:** If you need to extend the grant period to be able to complete your project objectives satisfactorily without an increase in the grant amount.
- **Budget Amendment:** If the Budget (Attachment B) needs adjustments in budget categories that are in excess of the flexibility limit of 15% or \$5,000 of each category in the budget, whichever is greater.
- **Program Description Amendment:** If the approved objectives, major activities, or designated subrecipient(s) (Attachment A) need to be modified. Approval by the NED's Board of Directors may be required for some types of changes.
- **Deobligation Amendment:** If there are any funds remaining after the completion of the project, or if the project cannot be completed.

Most often, deobligation amendments are completed after the grant expires, to reconcile the actual amount spent on the project with the grant amount shown in the Grant Agreement. After the grant expires, you must refund any balance of US\$100 or more to NED. After the

refund is received, NED will issue an amendment to revise the amount of the grant to match the amount reported as spent on the final financial report.

- **Contraction Amendment:** If the grant period must be shortened.
- **Supplement Amendment:** If funds are added to the grant amount. Supplements require a formal proposal and must be approved by NED's Board of Directors.
- **Other Amendments:** There may be other cases in which an amendment would be necessary to change the terms of the Grant Agreement. If you are unsure whether a change to your activities or spending requires an amendment, please contact your Program Officer and Grants Administrator.

Combining Amendments

You may include more than one type of amendment in an amendment to the grant agreement.

Example 1:

Your grant project includes organizing a conference series. You find that you need extra time to complete the conference series. You request a no-cost extension of one month to complete the conference series. In addition to needing more time, you find you are likely to go over the budget flexibility limit in the "Other Direct Costs" category, because preparations for the conference series turned out to be more expensive than you had anticipated. You request both a no-cost extension and budget amendment at the same time.

Example 2:

Your grant includes a \$6,000 part-time salary for a bookkeeper. However, you are unable to find a qualified individual until 6 months after the grant has started. Given the delay, you wish to hire the bookkeeper for a 6-month probation period for the remaining grant period and compensate him/her under 'Contractual Services'. This delay in hiring also results in \$3,000 in savings, which you would like to use to host a two-day conference. You request both a budget amendment and program description amendment at the same time.

Requesting Amendments

Requesting Amendments in Writing

If the Grant Agreement form and/or Attachments need to be amended or modified, your organization must request this revision in writing prior to incurring any costs related to the requested change and before the end date of your grant (preferably by e-mail) to both your Program Officer and Grants Administrator, explaining why you are requesting the changes. Requests for amendments may not be considered if you have not submitted all reports due as scheduled in Grant Agreement Box 12.

When requesting to amend the expiration date of the grant, you should ask NED staff about the NED Board Meeting schedule and deadlines for any future proposals. Extending a grant may delay the consideration and potential start date of a future grant.

The Amended Grant Agreement

No amendment or modification will have any force or effect unless it is in writing and signed by an authorized representative of NED. Amendments must be issued by NED's Grant staff. Informal approval from NED staff is not sufficient.

9. Prohibited Activities

Prohibited Activities

Some activities are not allowed as part of a NED-grant funded program. Please refer to Grant Provision 10 for a list of activities which are prohibited. If you are unsure whether an activity is prohibited, please ask your grant management team. A few of the items are described below.

Lobbying on U.S. Government Policies

As noted in Grant Provision 10.A, NED grant funds may not be used by you or any of your subrecipients for lobbying or propaganda aimed at influencing U.S. government policy. This includes staff time that is paid under the NED grant. Lobbying and propaganda are activities directed at influencing public policy decisions of the Government of the United States or any U.S. state agencies. You may participate in lobbying activities as an organization as long as NED funds are not used. Please refer to Grant Provision 20 for more details.

Activities that are Illegal in the U.S.

As noted in Grant Provisions 10.C and 10.D, none of your NED grant funds may be used to support any activities which are illegal in any part of the United States. Also, funds may not be used to support or advocate violence.

Campaigns of Candidates for Public Office

As noted in Grant Provision 10.F, none of your NED grant funds may be used to finance the campaigns of candidates for public office in any country. If your project includes activities related to elections, you should seek guidance from your Program Officer about which activities may be supported with NED grant funds.

10. Audit Requirements

(Also refer to Grant Provision 13. Audit Requirements)

In addition to the required financial and narrative reports, NED may require you to submit financial documentation for costs claimed in the financial report. This documentation will be reviewed by NED's Compliance department.

The most common types of financial monitoring performed by NED's Compliance department are *invoice verification* and *daily transaction ledger reviews*. You will be notified by a representative of NED's Compliance department if you will be required to submit any financial documentation.

NED does not usually ask for a full audit report nor do we conduct such audits if you are located outside of the United States, unless there are specific reasons to do so, but NED is required to let you know that this is a possibility. If an audit is required, you will be notified and receive guidance from NED.

Invoice Verification and Daily Transaction Ledger Reviews

NED monitors the expenditures reported in financial reports in two ways: through Invoice Verification Reviews and Daily Transaction Ledger Reviews. *Invoice Verification Reviews* are performed to ensure that grantees have invoices, receipts, vouchers, and timesheets supporting claimed costs. *Daily Transaction Ledger Reviews* ensure that grantees have an accurate cash ledger supporting claimed costs.

NED will send a request letter if you are required to submit documentation for review. **You should not send any expenditure documents to NED until you receive a letter.**

If you are required to submit supporting documentation for an Invoice Verification Review, you will be instructed to complete a [Summary Spreadsheet](#) (Attachments [N](#) and [O](#) in this Grantee Guide) to show all of your invoices and receipts by budget category. A separate worksheet is used for each budget category. You will receive more detailed instructions on what to submit when you receive the request letter.

A Daily Transaction Ledger Review requires you to complete a Summary Spreadsheet, but does not require you to submit invoices and receipts.

Grantee Audits

Overview

U.S. regulations require U.S.-based nonprofit organizations that expend \$500,000 or more in federal awards in a fiscal year to undergo an audit in accordance with OMB Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations."

Nonprofit organizations based outside the U.S. may be required to undergo an independent public accountant audit (IPA) covering NED grant funds. Your organization may be required to select an auditor who is familiar with these requirements.

To help grantees, NED has prepared a guide, available upon request, entitled "NED Guide for Procuring Audit Services", which explains the step-by-step process for selecting a qualified auditor. Adequate planning and consultation with the NED Compliance staff is important in completing this requirement.

In the event that an audit is performed, auditors will review your organization's policies and procedures, accounting records, supporting documentation, bank statements, bank reconciliations, and other accounting records that reflect your financial transactions to confirm grantee compliance with the requirements stated in the Grant Agreement.

Grantees Located in the United States

If your organization is located in the United States and expends \$500,000 or more in U.S. federal funds in a fiscal year, you are required to have an A-133 audit, commonly referred to as a *single audit*. A Single Audit Report must include a Schedule of Federal Awards. This schedule must identify each Federal grant by grant number and must reflect the total revenue, expenditures, and deferred or receivable balance

for each grant. This schedule should agree with the periodic financial reports submitted to NED. These requirements are detailed in OMB Circular A-133 (Appendix C of the Grant Agreement).

All Single Audit Reports must be submitted online with Form SF-SAC to the Federal Audit Clearinghouse at <http://harvester.census.gov/sac>. Please be in touch with your NED Compliance contact if you have any questions about this.

U.S. Grantees Receiving Federal Funds Only From NED

If your organization is located in the United States and receives federal funds only from NED (\$500,000 or more per fiscal year), OMB Circular A-133 provides the option of having either a single audit (see above) **or** a program-specific audit.

For program-specific audits, all funds received from NED are considered as one program, but each individual NED grant must be audited and separately identified in a Fund Accountability Statement, which is a revenue and expense statement in which expenditures detailed in the grant budget are compared to actual costs and any questioned costs are identified.

Program-specific audits must be conducted in accordance with Government Auditing Standards. Guidance for your auditors may be found in the American Institute of Certified Public Accountants Statement of Position 98-3, "Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards," and OMB Circular A-133.

Subgrantee Audit Report Requirements

The written Subgrant Agreement you sign with each subgrantee requires them to provide independent auditors access to their records and financial statements as necessary for compliance with the NED and/or OMB Circular A-133 audit requirements. The subgrantee should understand that they are required to maintain all grant-related financial records and that they must make these records available to you, NED, or an outside auditor, if an audit is conducted.

11. Returning Grant Funds to NED

Unspent Grant Funds

After you submit your final financial report, your Grants Administrator will review the report to determine if you have any unspent funds. NED requires a refund of unspent funds of US\$100 or more. Your Grants Administrator will send you an e-mail requesting that you submit the refund to NED's bank account.

NED should receive the funds no later than three weeks from the date of the refund request. Once the funds have been sent from your account, please send a short message to your Grants Administrator letting him or her know that the funds have been sent. This will make it easier for NED to identify funds as they are received. NED cannot send payments for any new grants until the refund is received in our bank account.

Unallowable Costs

If, after reviewing your financial report and invoices, NED determines that certain costs charged to the grant are unallowable, you will be asked to remove unallowable costs from your financial report(s) and may be required to refund the amount to NED. Grant payments may be held until the issue is resolved.

12. Grant Closeouts

Following the end of your grant period, NED staff will review all files to determine that your organization's grant requirements are complete. The grant will be closed out and NED will place your file in inactive status. When the closeout is complete, NED will send you a [closeout letter](#). This letter will remind you to retain all grant-related materials for three years from the date the final financial report was submitted. This is required to ensure the availability of complete information should there be an audit or evaluation of your grant by NED or one of NED's auditors.

13. Grant Agreement – Controlling Language

(Refer to Grant Provision 1. Controlling Language)

Grant Provision 1 contains four important terms of the Grant Agreement:

- **Language:** this section states that the English-language version of all sections of the Grant Agreement is the official version that governs compliance and any disputes.
- **Privity/Relationship:** this section states that your organization and NED are the only parties to the Grant Agreement. Although the source of funds for the grant originates with the U.S. Congress and is awarded to NED through the Department of State, neither the U.S. Government nor the U.S. Department of State is authorized to impose any requirements or obligations on your organization related to the grant-funded project.
- **Assignment:** this section states that you shall not transfer any of your responsibilities relating to the Grant Agreement to anyone else without permission from NED. You are not permitted to issue any subgrants using grant funds unless specifically authorized to do so.
- **Order of Precedence:** this section lists the order in which the terms of the grant will be followed in the event of any discrepancy or dispute.

ADDITIONAL GRANT TERMS AND CONDITIONS

14. Suspension and Termination

(Refer to Grant Provision 18. Suspension and Termination)

If NED has concerns about your organization's compliance with the terms and conditions of the grant, NED may suspend payments or even the entire grant, pending corrective action. When a grant is suspended, it means that you may not continue to conduct NED project activities with grant funds or to incur new costs until the suspension is lifted. You will be notified in writing of a grant suspension and will have a chance to respond to NED's concerns.

A termination is an early ending to the grant, before activities are completed and all funds are spent. If there is significant and clear noncompliance with the terms of the Grant Agreement, NED may terminate a grant. For more specific information on the termination process, please see Grant Provision 18.

15. Disputes

(Refer to Grant Provision 19. Disputes)

Since NED is located in Washington (District of Columbia), in the United States, the Grant Agreement is governed by U.S. federal government law and the laws of Washington, DC. If a problem arises concerning the terms and conditions of the Grant Agreement or compliance with those terms and conditions by your organization or by NED, NED will try to resolve the problem through direct communication. If that is not possible, any resolution will be conducted in accordance with the laws of Washington, DC.

16. Indemnity

(Refer to Grant Provision 21. Indemnity)

An indemnity is a sum paid to compensate another for a particular loss. As noted in Provision 21, your organization agrees to compensate NED and its Officers, Directors, and employees for all loss, including attorneys' fees and costs, incurred by them in connection with any claim made against them as a result of your organization's non-compliance with the terms and conditions of the Grant Agreement.

The amount of the compensation would be in excess of what is covered by NED's insurance policies.

17. Ineligibility

(Refer to Grant Provision 22. Ineligibility)

When your organization signs the Grant Agreement you are certifying to NED that your organization and primary staff are eligible to receive U.S. government funds. You may be ineligible if you previously received funding, either from NED or a U.S. government-funded source, and did not comply with the

terms and conditions of that funding, and then were placed on a list that bars your organization from receiving U.S. Government funds.

When you sign the Grant Agreement you are also agreeing that you will not hire as an employee or do any business with any other person or organization that is ineligible to receive U.S. funds.

You can find out whether someone is ineligible by searching the online database here:

<https://www.sam.gov>

18. Executive Order 13224

(Refer to Grant Provision 11. Executive Order 13224)

There is a U.S. law referred to as [Executive Order 13224](#) which prohibits providing U.S. government funds to any individual or organization designated by the U.S. government as terrorist or as assisting terrorism. Those receiving U.S. federal funds must check a watch list maintained by the U.S. Government to ensure that any recipients of federal funds are not designated as terrorists or associated with terrorism.

NED is required to check all grantee organizations and primary individuals to see if they are on this watch list and does so before issuing any Grant Agreements.

As a NED Grantee, you are also required to check this watch list to ensure that no grant funds are paid to parties on the list. You should check this list to ensure that any person or organization paid from a NED grant, whether as an employee, contractor, vendor or subrecipient.

You can find the list here:

<http://sdnsearch.ofac.treas.gov>

19. Trafficking in Persons

(Refer to Grant Provision 12. Trafficking in Persons)

There is a U.S. law referred to as the Trafficking in Victims Protection Act of 2000 which prohibits recipients of U.S. Government funds from engaging in activities relating to trafficking in persons, commercial sex acts, or forced labor.

As a NED grantee, your organization, your employees, your subrecipients, and your subrecipients' employees are prohibited from engaging in these activities. NED may terminate your grant immediately if it is found that you or a subrecipient has violated the terms of the Trafficking in Victims Protection Act.

You are required to notify NED immediately of any information you receive from any source alleging a violation of this provision.

20. Other Laws

(Refer to Grant Provision 23. Other Laws)

Grant Provision 23 reminds U.S. based grantees and U.S. citizens located outside the United States of four federal acts/amendments related to discrimination. They are:

- Title VI of the Civil Rights Act of 1964, as amended, 42 USC. 2000d et. seq., which prohibits discrimination in the United States on the basis of race, color, religion or national origin in programs and activities receiving Federal financial assistance.
- Section 504 of the Rehabilitation Act of 1973, as amended, 29 USC. 794, which prohibits discrimination in the United States on the basis of handicap in programs and activities receiving Federal financial assistance.
- Title IX of the Education Amendments of 1972, as amended, 20 USC. 1681 et. seq., which prohibits discrimination in the United States on the basis of sex in education programs and activities receiving Federal financial assistance.
- The Age Discrimination Act of 1975, as amended, 42 USC. 6101 et. seq., which prohibits discrimination in the United States on the basis of age in programs or activities receiving Federal financial assistance.

Also, Grantees located in the United States must comply with all U.S. laws and regulations related to employment of personnel.

ALLOWABILITY OF COSTS

21. Allowability of Costs and Supporting Documentation

(Also refer to Grant Provision 7. Allowable Costs; Grant Provision 9. Unallowable Costs; and Grant Appendix B.i – 2CFR230, Cost Principles for Nonprofit Organizations)

This section discusses the *allowability* of the major budget categories that may be included in the grant budget and references the appropriate sections of 2CFR230 where additional details can be found. It also describes how you can properly document the different types of expenditures.

Allowability of Costs

In general, costs charged to the NED grant are allowable if they meet all the following criteria:

- Are specified in the grant budget
- Relate to the NED grant project
- Were incurred during the grant period
- Are reasonable and comply with grant requirements
- Are adequately documented by supporting documentation and included in the accounting records

The Cost Principles for Nonprofit Organizations describe three principles that determine whether costs are permitted: allowability; reasonableness; and allocability.

- Costs are *allowable* if they follow the above criteria and are mentioned as allowable in the grant, or the Cost Principles for Non Profit Organizations
- Costs are *reasonable* if the amount is not more than that which a prudent person in the same circumstances would expend for the same items
- Costs are *allocable* if they are incurred for this specific project and, if shared among other projects, are treated consistently and proportionally

All expenditures should be supported by an invoice and a payment receipt or a canceled check. The following is a list of allowable expenses and the type of supporting documentation that is acceptable for each type of expenditure.

Budget Categories

Salaries and Wages

References: 2CFR230: B-8 and B-47

Employee salaries are allowable costs. Employees whose salaries are charged to the grant must work on the grant-funded project. You may charge the full salary of the employee, or partial salary, if the employee spends time working on activities which are not related to the NED grant project. The portion of salary paid with NED grant funds should be in proportion to the amount of time or effort actually devoted to NED activities, usually based on hours worked on NED projects versus other projects. Salary rates for employees should be consistent with your organization's written personnel policies and should

be reasonable for the activities or services performed. Your organization must have a written employment agreement with every person paid a salary, whether full-time or part-time, paid with NED grant funds.

Supporting documentation for salaries should include payroll records approved by a responsible official of the organization, timesheets, and written employment agreements outlining the conditions of employment. More details on salary costs are in Section 28 of this Guide.

Benefits, Taxes and Allowances

References: 2CFR230: B-8.f-l, B-13, B-19, B-20, B-22.a(2)(e), B-42, B-47, B-49, and B-51

Employee fringe benefits (vacation, sick leave, insurance, pension costs, etc.) are allowable provided the benefits are paid in accordance with the law or the grantee's established written policies. The portion of fringe benefits paid with NED grant funds should be in proportion to the amount of time or effort actually devoted to NED activities, usually based on hours worked on NED projects versus other projects. Personal use of an organization's automobile, housing allowances and personal living expenses for employees are unallowable without prior NED approval.

Supporting documentation for benefits, taxes, and allowances should include payroll records, insurance policies, approved pension plan agreements, and other supporting documentation.

For U.S. organizations: Severance payments to non-U.S. employees working for a U.S. organization outside the U.S. may not exceed the organization's usual and customary severance payments for employees working in the U.S. without prior written NED approval. Except for U.S. Federal income taxes on organizations, taxes unrelated to employment required by local law may be paid from grant funds unless the organization is eligible for an exemption.

Space and Utilities

References: 2CFR230: B-11, B-27, B-42, B-43, and B-46

Costs for your organization's office rent and utilities (such as electricity, water, etc.) are allowable. These costs must be reasonable and are subject to the limitations described in 2CFR230, B-43. See the appropriate section of 2CFR230 for further information and documentation requirements for space and utilities costs and related expenses such as maintenance, repairs, and alterations costs. Purchase of real property (land or buildings) requires prior written approval from NED.

Supporting documentation for office rent payments and office utilities consist of a lease agreement and vendor bills for utilities.

Supplies and Equipment

References: 2CFR230: B-11, B-15, B-28, and B-50

Supplies and equipment purchased to implement project activities are allowable. Generally, an item is considered to be "equipment" if it costs more than \$5,000, which requires prior written NED approval. Equipment items included in the Grant Budget (Attachment B) already have prior NED approval. NED may disallow the cost of equipment for which prior approval was not obtained.

The cost of shipping equipment or supplies is allowable and should be accounted for in conjunction with the purchase of such items. All air freight shipments paid with grant funds must be on U.S. flag carriers,

or other airlines included under “Open Skies Agreements,” when such service is available. (See Section 27 of this Guide for more detail on air travel.)

Supporting documentation for supplies and equipment consists of an invoice and/or a receipt.

Communications and Postage

References: 2CFR230: B-7

Costs incurred for telephone services, local and long distance calls, fax charges, e-mail, telex, telegrams, postage, and similar costs related to implementation of the project objectives are allowable.

Supporting documentation for communication and postage expenses consists of a bill/invoice and/or receipt.

Travel and Per Diem

References: 2CFR230: B-51

Travel and per diem costs related to grant program activities are allowable. Costs may be for the travel and per diem of employees, contractors, or participants of the program.

All international travel costs require prior written approval from NED. Any costs shown in the grant budget already have prior approval. If additional international travel must be added to your project, you should contact your Grants Administrator and Program Officer to obtain prior approval, before you spend funds on any travel costs.

Travel costs could be for travel by train, bus, air, taxi, etc. Per diem costs include lodging, meals, and incidentals. Additional costs that may be included in this category are travel insurance and visas. More details related to travel and per diem costs are in Section 27 of this Guide.

Supporting documentation for travel and per diem costs include ticket stubs, boarding passes, transport receipts, hotel receipts, and travel expense reports.

Please inform any travelers whose travel costs are paid with grant funds that they must save their ticket stubs and boarding passes to include with their travel expense reports.

Contractual Services (including Consultants)

References: 2CFR230: B-1, B-4, B-10, B-17, B-25, B-27, B-31, B-35, B-37, B-39, B-41, B-45, and B-49

Items such as temporary personnel services, translation services, rented or leased equipment, legal fees, consultants, and accounting services are examples of contractual services. Expenses for contractual services are allowable provided they are reasonable and directly related to authorized grant activities. Retainer fees are not allowable unless supported by evidence of actual services available or rendered.

Please remember to review the items in Section 23 of this Guide, “Unallowable Costs.” Certain legal fees and associated costs are unallowable, such as payment of fines, penalties, and legal fees associated with your organization’s violation of law, whether in the U.S. or in another country. See 2CFR230 B-10 for these specifics. If your program involves legal fees, and you have questions or concerns, please contact your NED staff contacts.

Officers and employees of the organization may not be paid for contractual services. All payments for services performed by officers and employees should be included under the budget category "Salaries."

Supporting documentation for contractual services consists of a written contract and an invoice or receipt indicating which services have been performed and the basis for payment (rate per hour, day, etc.).

Other Direct Costs

The Other Direct Costs category typically includes items such as printing and publishing costs, meeting and conference costs, reference materials and bank service charges. These are each described below. Refer to 2CFR230 or consult with your Grants Administrator to determine the allowability of cost items not discussed below.

Printing and Publishing

References: 2CFR230: B-1, B-29, B-38, B-41, B-45, and B-49

Costs related to printing and publication are allowable. If grant funds are used to cover the cost of printing or publishing materials offered for sale, you must account for sales revenue in accordance with Grant Provision 16, Program Income. Selling or marketing expenses for goods or services of your organization are unallowable without prior NED approval.

Meetings and Conferences

References: 2CFR230: B-14, B-29, B-33, and B-49

Allowable costs related to meetings and conferences typically include space rental, catering, and materials. Expenses for these items should be documented in your files with (1) receipts, (2) an explanation of the purpose and location of the function, and (3) a list of participants.

Reference Materials

Reference: 2CFR230: B-30

Reference materials, including subscriptions, are allowable when required for grant-related activities.

Bank Service Charges

Bank service charges are allowable and typically include fees related to wire transfers, account maintenance, and currency exchange.

Indirect Costs

Indirect costs are allowable and included in a grant budget only when the grantee has a negotiated indirect cost rate agreement (NICRA) with a cognizant U.S. government agency.

22. Prior Approval Requirements

(Also refer to Grant Provision 7. Allowable Costs)

Some expenditures require prior approval by NED in order to be allowable. Any item included in Attachment B, Grant Budget, is authorized and considered to have prior approval. If you need to spend funds on an item which is not included in the budget and is in the list below, then you must request prior approval from NED. You should contact your Grants Administrator and Program Officer if you find yourself in this situation. Your Program Officer will guide and advise you and will also advise the Grants

Administrator whether the request is warranted. Official **approval will come in writing from your Grants Administrator.**

The following items always require prior approval in writing from NED:

1. Expenditures related to activities outside those approved in Attachment A, Program Description, and Attachment B, Program Budget.
2. Expenditures in excess of the budgeted cost categories, above the flexibility limits as detailed in Provision 7.A.
3. Costs related to any international travel not already specified in the grant budget.
4. Purchase of equipment as defined in Grant Provision 15 not already specified in the grant budget.
5. Purchase of real property (land and land improvements such as buildings and structures) (see Grant Provision 15.C).
6. Airfare in excess of coach-class travel. The terms *tourist*, *economy-class*, or *single class* are sometimes used instead of coach-class.
7. Per Diem in excess of the applicable maximum daily rates (see Grant Provision 8.A).

23. Unallowable Costs

(Also refer to Grant Provision 9. Unallowable Costs, and Grant Provision 10. Prohibited Activities)

There are some items which are never allowable under a NED grant. If you are found to have spent grant funds on any of these items, the costs will be disallowed and you will be asked to send a refund to NED or cover those costs with other funds, and re-allocate NED grant funds to other allowable costs. For a full explanation or clarification of any of these items, please contact your Grants Administrator.

The following items are unallowable under any NED grant:

1. Costs incurred before or after the official grant period (unless permitted by a Special Condition or otherwise noted in official grant correspondence).
2. Expenditures in excess of the grant amount.
3. Advances or loans of grant funds outside a binding contractual agreement to any entity other than one designated as a subgrantee in Box 7 of the Grant Agreement (except travel advances).
4. Advances of grant funds to a subgrantee prior to execution of a satisfactory written Subgrant Agreement.
5. Costs related to activities prohibited under this grant (see Grant Provision 10).
6. Entertainment; amusement; social activities; ceremonies; and related costs including meals, lodging, rentals, transportation, and gratuities (see 2CFR230, B-14).
7. Contributions, donations, or gifts to individuals or organizations (see 2CFR230, B-1 and B-12).
8. Compensation to individual employees that is not reasonable for the services rendered or that does not conform to the established policy of the organization (see 2CFR230, B-8).
9. Alcoholic beverages (see 2CFR230, B-3).
10. Bad debts and related collection and legal costs (see 2CFR230, B-5).
11. Fines or penalties resulting from violations of, or failure to comply with U.S. Government Federal, State, and local laws and regulations (see 2CFR230, B-16).
12. Advertising and public relations expenses solely to promote the organization (see 2CFR230, B-1).
13. Goods and services for personal use of employees (see 2CFR230, B-19).

14. Interest on borrowed funds; costs of fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses (see 2CFR230, B-23).
15. Depreciation or use allowance on equipment or facilities purchased with funds provided under this or a previous NED Grant (see 2CFR230, B-11.c).
16. Retainer fees, unless supported by documentation of actual services rendered (see 2CFR230, B-37.c).
17. Contributions to a contingency reserve or similar fund, except under the limited circumstances described in 2CFR230, B-9.
18. The estimated cost of services or goods donated by others for grant-related activities (see 2CFR230, B-12).
19. Any excess of costs over income on other awards or activities is unallowable as a cost on this grant (see 2CFR230, B-26).
20. Lobbying aimed at influencing U.S. Government policy (see Grant Provisions 10A and 20 and 2CFR230, B-25).

Additional activities which may not be supported with NED grant funds are described in Grant Provision 10, Prohibited Activities.

REQUIRED FINANCIAL MANAGEMENT PRACTICES

24. Financial Management

(Also refer to Grant Provision 6. Financial Management)

Accounting Records

Your organization must maintain an [accounting record or ledger](#) for your NED grant. A separate accounting record or ledger is used to record NED grant income and expenses. The information in the accounting records is used to complete financial reports.

At the end of the reporting period, the amount of funds spent for each budget category should be totaled and inserted into the financial report in the column for expenditures. It is very important that all grant expenditures be accurately recorded in the accounting records since they will be the source of information for the financial report.

Accounting Systems

Some organizations have more sophisticated accounting systems than others. No matter what type of accounting system your organization uses, you must be able to summarize actual expenditures by budget category so that expenditures can be compared to the grant budget.

[Attachment M, Cash Record Book](#), of this Grantee Guide is provided as a suggested format in which to record expenditures. It can be completed as follows:

Date: the date the financial transaction occurred.

Payee: the person or company which is being paid. If this is income, the payee will be the organization or person providing the funds (in most cases, NED or the primary grantee).

Budget Category: the line items (salaries, space and utilities, travel and per diem, etc.) approved in the Grant Agreement. Payments should only be made for items approved in the grant budget.

Amount: the amount of the financial transaction. This can either be income (money which is received) or an expense (money which is paid).

Balance: the amount of grant funds remaining. If the transaction in the "Amount" column is income, then that figure should be added to the "Balance" column. If the transaction in the "Amount" column is an expense, that figure should be deducted from the "Balance" column.

Budget Flexibility

As mentioned in Section 7 of this Grantee Guide (and Grant Provision 7), each NED grant budget has a budget flexibility limit. Expenditures in any major line item may not exceed the budgeted amount by more than 15% or \$5,000, whichever is greater, without prior NED approval. All grants have at least \$5,000 as a budget flexibility limit. For example:

Example 1: Your budget's Supplies and Equipment category total is \$25,000.
To calculate your budget flexibility limit, calculate 15% of the category total.
 $15\% \times \$25,000 = \$3,750$.
Since 15% of the category total is **less** than \$5,000, your budget flexibility limit is \$5,000.

Example 2: Your budget's Salaries total is \$40,000.
To calculate your budget flexibility limit, calculate 15% of the category total.
 $15\% \times \$40,000 = \$6,000$.
Since 15% of the category total is **more** than \$5,000, your budget flexibility limit is \$6,000.

Please note that total expenditures may not exceed the total amount of the grant.

Allocating Costs

It is common for a NED grant to cover only a portion of an organization's administrative costs, especially when you have more than one grant or other sources of funds. In these cases, it is important to divide costs between those various sources in a reasonable, logical, and consistent way. It would be inappropriate, for example, to charge all of the office rent to one grant and all of the utilities for that office during the same period to another.

As an example, if you have two grants, one from NED and one from another donor, and the activity for the NED grant will take 60% of your staff time and resources, it would be appropriate to charge NED for 60% of the office rent, utilities and other administrative costs.

In some instances, however, NED may specifically agree to cover a larger or smaller percentage of costs related to grant-funded activities, and this will be described in Attachment A (Program Description) and included in Attachment B (Grant Budget).

Types of Supporting Documentation

Grantees must maintain adequate supporting documentation for grant revenues and expenditures. The purpose of supporting documentation is to verify that the payment occurred, that the payment was for an approved grant expenditure, and that it was made within the grant period. **It is not necessary to send supporting documentation with each financial report.** However, from time to time, NED may ask you to send documentation for a specific reporting period for review.

Supporting documentation for each expenditure would typically consist of the following items:

- A document with the signature of a responsible official who has approved the payment
- An invoice, receipt, or contract
- An entry in the accounting records indicating the date, amount and purpose of the expenditure
- A bank statement

Invoices should provide adequate detail to show that the payment was for goods or services relating to the NED grant, occurred during the grant period, and was approved by an authorized individual. Additional descriptions should be included on the invoice if it does not provide sufficient detail about the nature of the payment.

Cash Management

If you are working without checking accounts or direct transfers for some or all of your grant expenditures, or if you maintain amounts of cash on hand to pay expenses, your system requires additional controls over cash. Additional controls are needed in order to:

- Maintain security over cash
- Provide a system for tracking cash advances until expenditures are made
- Provide evidence that cash was actually disbursed to and received by the intended person, vendor, or organization

Please see the [Cash Management Procedures](#) (Attachment P of this Grantee Guide) for detailed recommendations concerning cash management procedures.

25. Internal Controls

(Also refer to Grant Provision 6. Financial Management)

In addition to maintaining accounting records, it is important to maintain a system of internal controls to make sure that your accounting records are reliable and any errors or possible mismanagement of funds can be detected.

Separation of Duties

It is important to separate the functions of maintaining cash, recording transactions, authorizing payments, and reconciling cash records. Separation of duties typically requires a minimum of three people:

- The person who controls cash, bank checks or other assets (custodian of the assets)
- The person who records financial transactions (the accountant or bookkeeper)
- The person who authorizes or approves financial transactions (this should be an official such as the president or executive director)
- The person who reconciles bank statements to the accounting records (this should be the same official mentioned above who authorizes transactions)

If three people are not available to perform these functions, at a minimum, someone other than the person who completed the bank reconciliation should review it.

Approving Transactions

All transactions related to the NED grant should be approved by a responsible official of the organization. Transactions which need approval include expenditures, payment requests, reports, and entering into contracts or other obligations. Approvals should be documented by the responsible official by signing his or her name and date on the invoice.

Safeguarding Assets

As a grantee you must be able to safeguard assets related to the NED grant. Assets include grant funds, property and equipment purchased with grant funds, accounting records, and supporting documentation (invoices and receipts). If it is necessary to maintain a limited amount of cash outside of the separate bank account, it should be stored in a locked safe or drawer. Access to cash should be restricted to a limited number of people. The person who maintains cash should not be the person who also maintains the accounting records or reconciles bank statements.

Maintaining Accounting Records

You should make sure to maintain all accounting records and supporting documentation. These records must be kept for a period of at least three years following submission of the final financial report. In the event that any audit findings, litigation, or other claims have not been resolved by the end of the three year period, your organization must continue to maintain the records and supporting documentation until all grant related issues have been resolved.

Your organization must maintain records for equipment purchased with NED grant funds for three years after the end of the grant period. If you do not expect to be able to maintain accounting and equipment records for this time, you must make arrangements to transfer these records to another location where they can be safeguarded.

Reconciling Accounting Records

Accounting records should contain all the financial transactions which relate to the grant. It is important that these accounting records are periodically reviewed and reconciled to ensure that they are accurate. There are several types of reconciliations that should be performed on a regular basis.

Bank Reconciliations

Grantees maintaining a separate bank account for NED funds should perform a bank reconciliation each month. The ending bank balance on the bank statement should be reconciled to the ending balance of the accounting system. Any errors in the accounting system or on the part of the bank should be resolved.

Petty Cash Reconciliations

Grantees who maintain petty cash should also perform periodic reconciliations of the petty cash fund. Reconciliations should be performed by a person other than the petty cash custodian.

Inventory Reconciliations

Grantees who have purchased equipment (which cost \$5,000 or more per item) with grant funds should periodically compare the inventory listing of equipment to the actual equipment. Any item which is on the inventory list but which cannot be located should be investigated.

Conflicts of Interest

A conflict of interest depends upon the specific situation and not on the character or actions of the individual. The following are the most common forms of conflicts of interest:

- Self-dealing, in which public and private interests collide, for example when issues involving family, or private business interests are related to the work and/or expenditures of the organization
- Outside employment, in which the interests of one job contradict the interests of another job, for example when a position with the organization helps the employee gain profit or influence in a position with another organization
- Use of NED-funded grantee property for personal purposes

You must report any potential conflicts of interest to your grant management team.

26. Procurement and Property Standards

(For more detailed information, refer to Grant Provision 14. Procurement Standards, and Grant Provision 15. Property Standards)

Procurement refers to the act of purchasing goods or services. Any time you use grant funds to buy goods or services, no matter how big or small, you must follow standards of procurement in order to be in compliance with the terms of the grant agreement.

Procurements of \$25,000 or more require a formal process of requesting bids and comparing the results. However, some type of fairness must be evident in all procurement actions.

Procurement

Written procurement policies and procedures

You may use your own written procurement policies and procedures for purchasing supplies, equipment, and services with grant funds provided that such policies meet the standards described below. Such transactions are considered contractual actions under the grant.

Practical, open, and free competition

Each procurement transaction should be conducted in a manner that provides, to the maximum extent practical, an open and free competition. This means that if all other things are equal, you must select the lowest price for the goods or level of service needed.

If your organization is located in the U.S., you should make positive efforts to use small business and minority-owned suppliers and services.

Maintaining procurement records and files

Procurement records and files should include:

- Explanation of the criteria used to select a contractor
- Justification for lack of competition when competitive bids or offers are not obtained
- Cost or price analyses

Paying for goods/services after receipt

Whenever possible, delay payment of the full purchase price of goods or services until goods have been delivered in good condition or services completed.

Equipment

Equipment is defined as items which cost more than \$5,000 and will be used for more than one year. Any equipment purchased under the grant may only be used for authorized purposes.

Prior written approval

You may not use grant funds to purchase equipment unless it is in the approved grant budget (Attachment B) or you have requested and received prior written approval from NED. (Any item that is included in the grant budget already has prior approval.) The cost of equipment is defined as the net invoice price of the equipment including the cost of modifications, attachments, and accessories necessary to make the item usable for the purpose for which it was acquired. Other costs such as fees for installation, transportation, taxes, or insurance may be included or excluded from the unit acquisition cost in accordance with your organization's regular accounting practices.

Maintaining an inventory

You must maintain a detailed inventory of equipment costing more than \$5,000 purchased with grant funds and have written policies and procedures for maintaining the inventory. [Attachment L](#) contains a form to be used for this purpose.

The inventory list must include a record of each item with the following information:

- Description of the item
- Serial and model number
- Date of purchase
- Cost
- Source(s) of funds, including grant numbers(s), used for its purchase
- Location, use, and condition of equipment
- Ultimate disposition data, including date of disposal and sale price

These records must be supported by adequate documentation (purchase orders, invoices, shipping receipts, receiving reports, etc.).

At least once a year, the inventory list should be matched against the actual equipment. Any discrepancies should be resolved. Records for equipment acquired with grant funds must be retained for three years after the final disposition of the equipment.

Insurance and maintenance

Insurance for equipment purchased with grant funds must be maintained at a level equivalent to insurance for equipment that was not purchased with grant funds. Also, your organization should implement adequate maintenance procedures to keep the equipment in good condition. Finally, a control system should be put in place to prevent loss, damage, or theft of equipment.

27. Travel and Per Diem

(Reference: 2CFR230: B-51. Also see Grant Provision 8.)

Reasonable costs (transportation, lodging, meals, and related items) for travel directly related to your grant project are allowable provided the expenses are in accordance with the regulations and your

organization's written travel policies. If you do not have a written travel policy, you must adhere to the requirements listed below: *Travel*, *Per Diem*, and *Travel Expense Report*.

Travel

Travel must be directly related to grant activities. Any additions or changes to international travel specified in the grant program description and budget must be approved in advance by NED.

U.S. flag carrier requirement

All international air transportation must be on U.S. flag carriers or non-U.S. flag carriers that are included in an "Open Skies Agreement," when such service is available. ("Open Skies Agreements" are in effect for the European Union, Switzerland, Australia, and Japan.)

Up-to-date Information on "Open Skies Agreements" in which the United States has entered is available on the website of the U.S. General Services Administration at:

<http://www.gsa.gov/portal/content/103191>

Exceptions to U.S. flag carrier requirement

There are some exceptions to the U.S. flag carrier requirement. Grant Provision 8 provides the references to the Fly America Act which defines when travel may be on non-U.S. flag carriers due to "unavailability" of U.S. "Open Skies" flag carriers. Lower cost is not an acceptable reason for using a non-U.S. or "Open Skies" flag carrier.

Exceptions include the following circumstances:

For travel between the U.S. and another country:

If the U.S./"Open Skies" flag carrier offers direct, non-stop service, use of the U.S./"Open Skies" flag carrier would:

- Extend your travel time, including delay at origin, by 24 hours or more

If the U.S./"Open Skies" flag carrier does not offer direct, non-stop service, use of the U.S./"Open Skies" flag carrier would:

- Increase the number of aircraft changes you must make outside of the U.S. by 2 or more
- Extend your travel time by at least 6 hours or more
- Require a connecting time of 4 hours or more

For travel outside of the U.S.:

If use of the U.S./"Open Skies" flag carrier would:

- Increase the number of aircraft changes you must make en route by 2 or more
- Extend your travel time by 6 hours or more
- Require a connecting time of 4 hours or more

The specific guidance from the U.S. General Services Administration on compliance with the Fly America Act is available at:

<http://www.gsa.gov/portal/ext/public/site/FTR/file/Chapter301p010.html/category/21868/#wp1088896>

If a U.S./"Open Skies" flag carrier is not available (as described above) for international air travel that is necessary for the project, you must maintain in your files documentation of such "unavailability" to justify the purchase of a plan ticket on any other airline. You may use [Attachment J](#) of this Guide as a convenient way to document these cases.

Economy-class travel requirement

Travel must be in economy class, unless you can adequately document the following circumstances in your records:

- The total travel time (origin to destination) is expected to exceed fourteen hours
- An upgrade from economy to business class may be obtained by redemption of frequent flyer benefits
- Regularly scheduled flights between the origin and destination points (including connection points) provide only business class service. The traveler must provide written certification to that effect
- Space is not available in economy or coach class service on any scheduled flights in time to accomplish the purpose of the travel, which is so urgent that it cannot be postponed
- The traveler is handicapped or otherwise physically impaired so that economy or coach class service cannot be used, and this medical condition is substantiated by a competent medical authority
- Business class service is required for security purposes
- Economy or coach class service does not provide adequate sanitation or meet minimum health standards

Per Diem

Per Diem is a payment to cover daily expenses and includes:

- Lodging
- Meals
- Incidental Expenses

Payment for lodging, meals and certain incidental expenses while in travel status may not exceed the maximum daily allowance in effect on the date of travel.

NED uses the U.S. General Services Administration per diem rates for locations in the United States. Visit <http://www.gsa.gov/perdiem/travel.htm> for up-to-date per diem rates.

NED uses the U.S. Department of State per diem rates for locations outside of the United States. Visit http://aoprals.state.gov/content.asp?content_id=184&menu_id=81 for up-to-date worldwide per diem rates.

Transportation and incidental travel expenses over US\$75 (or a lesser amount as stated in your organization's travel policy) must be supported by the original ticket stub or receipt and boarding pass. Lodging must be supported by a hotel receipt. Receipts are not required for meals while traveling if the traveler is being reimbursed on the basis of per diem instead of actual expenses.

Travel Expense Report

The [Travel Expense Report](#) in Attachment K of this Grantee Guide is a suggested format that your organization can adapt for its own use. The form summarizes the dates, destination, and purpose of travel. Whatever form you use should indicate the amount claimed and received for per diem expenses and should be approved by an authorized official.

Some tips for managing travel expenses and documentation:

- When reporting travel costs to NED, do not include any travel advances. Travel costs included in financial reports should only include actual expenses incurred and reported by the traveler after advances have been cleared by submission of actual expense documentation
- Along with your travel expense report, you must submit the original airline boarding pass, ticket stub and all other required original receipts (such as receipts for lodging expenses, vehicle rental costs, etc.)
- You should not give an advance to a traveler until accounting for previous advances has been submitted

28. Salaries and Timekeeping Procedures

Timesheets

Each employee paid from grant funds must maintain a timesheet documenting the number of hours worked. [Attachment I](#) of this Grantee Guide is a suggested format which may be modified as long as the modifications meet the criteria stated below. The daily total for full-time work will normally be 8 hours. The timesheet must be prepared on a periodic basis corresponding to pay periods but not less frequently than once a month. For each pay period, the number of hours for which the employee is paid must, at a minimum, equal the number of hours recorded on his/her timesheet.

Timesheets must be an after-the-fact record of actual activity for each employee. Hours reflected on the timesheet should be recorded after the hours have actually been worked. It is recommended that an employee enter the hours worked each day at the end of the working day.

Timesheets must account both for hours worked on NED projects and total hours worked each day. For example, if an employee worked eight hours, of which two hours were for NED projects, the employee would enter two hours for the NED project, and six hours for "Other."

All timesheets must be signed and dated by **the individual employee and a supervisor** and coincide with each pay period. Total hours shown on timesheets should match payroll records.

Hours charged to NED grants on timesheets should match salary amounts claimed on financial reports. For example, if an employee's approved hourly rate is \$5 per hour and the employee worked 70 hours for the period, the amount charged to salaries for this employee should be \$350 (\$5/hour X 70 hours). The 70 hours worked on the NED funded project should be documented by timesheets for the reporting period and the total hours the employee worked for the period should be reflected in the payroll records.

Salaries and Wages

Regular Hours

The amount of salary for each employee should be written in the letter of employment or similar documentation. Salaries should also be based on documented payrolls approved by an authorized official of the organization. For a salaried employee, the amount reported on the NED financial report should equal the applicable portion of the employee's salary. An hourly rate can be calculated for salaried employees by dividing the annual salary by the total number of business hours in the year. For example, if someone's annual salary is \$30,000 and he works 40 hours a week, his hourly rate is \$14.42 per hour (\$30,000 divided by 2,080 [40 hours/week X 52 weeks/year]).

Overtime and Bonuses

Overtime pay and employee bonuses are allowable, if the employee's overtime hours are approved in advance by a supervisor or other appropriate authority, and if they are in accordance with your organization's established policies and practices. Overtime hours should be recorded on a separate line from regular hours on the employee's timesheet.

Payroll

You must maintain detailed records of amounts paid to each employee for each pay period. For employees paid by the hour, payrolls should include the number of hours worked for the pay period. Records should also be maintained for approved salary rates whether salary is based on hourly, monthly, or annual rates. An employee's pay should correspond to the payroll records. For example, if an employee's approved salary is \$5 per hour and the employee worked 150 hours for a monthly pay period, the amount of the employee's gross pay should be \$750.

Taxes withheld from the employee's salary as required by law and remitted by the employer to the taxing authority are generally considered part of salary and are allowable with documentation supporting withholding and remittance.

29. Currency Exchange and Reporting Procedures

(Also refer to: Grant Provision 6. Financial Management)

All payments by NED to your organization will be made in U.S. dollars. It is likely that you will be exchanging the payments from U.S. dollars to your local currency. This may be done automatically by your bank, or you may have the option of exchanging currency at your convenience. In either case, you must keep careful records of all currency exchange transactions.

All expenditures made in local currency must be converted back to U.S. dollars for the NED financial report. The rate(s) used to make the conversion must be noted in your accounting records. It is recommended that you keep a spreadsheet recording local currency expenditures and exchange rates applied to each transaction. A sample spreadsheet is provided in Attachments N and O of this Guide.

Documenting Currency Exchange Rates

You should keep careful records detailing all currency exchange transactions noting the amount exchanged, date, exchange rate, and amount of local currency received. Whenever possible, obtain and maintain documentation confirming these details for each exchange transaction.

When Converting U.S. Dollars Twice

If U.S. dollars are being converted into two different currencies, you should convert the U.S. dollars to currency #1, then convert currency #1 to currency #2 and then back to U.S. dollars for the report (not back to currency #1 and then U.S. dollars).

Example: A grantee in Thailand receives funds in U.S. dollars and converts the U.S. dollars to Thai Baht. Then, the grantee converts Thai Baht to Burmese Kyat. When preparing financial reports, the grantee must convert currency in the original sequence from U.S. dollars to Thai Baht to Burmese Kyat and back to U.S. dollars. The grantee cannot convert from Burmese Kyat back to Thai Baht back to U.S. dollars.

You may consult your NED Grants staff contact if you have any questions about this.

When Converting Multiple Times at Different Rates within a Reporting Period

If U.S. dollars are converted at different times throughout a reporting period, you should keep a record of each currency exchange transaction. The entry for each expenditure should note the exchange rate that applied to funds used for expenditures.

Converting Expenditures for the Financial Report

If you maintain a spreadsheet recording exchange rates applied to each transaction, it will be simple for you to add the amount of the expenditures for each budget category to include on the financial report.

If you do not record exchange rates for each transaction and multiple rates were used, you may use a reasonable average rate for the reporting period. If NED conducts an invoice review, the reasonableness of the exchange rate will be verified using an online tool (such as www.OANDA.com).

You may use different exchange rates for each reporting period, if the exchange rates change. Your reported expenditures should reflect a reasonable rate for the period in which expenditures were incurred. For example, suppose you use an exchange rate of 1.5 for the first period financial report. During the second period, the exchange rate changes and you use an exchange rate of 2.7 for second period expenditures. The prior period (first period) exchange rate must stay at 1.5.

Favorable Exchange Rates

NED requires that all grant funds be used for purposes authorized under the Grant Agreement. If more funds than anticipated become available due to favorable exchange rates, the additional funds must be spent for items included in the grant budget, or you may request approval from NED to purchase items not included in the grant budget. A budget amendment may be needed, and you should notify NED in this situation.

If the exchange rate becomes unfavorable resulting in less funds than anticipated, you should also notify NED. In these cases, it will not be possible to add more funds to the grant.



Grant Agreement

1 NED Grant Number 2012-135	2 Amount \$25,000	3 Term 12 months	4 Start Date February 01, 2012	5 End Date January 31, 2013
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6 GRANTEE

Sample Human Rights NGO

516 Main Street

Arlington VA 22202

United States

Contact: James Tester, Project Manager

j.test@hro.org

Federal Tax ID: 90040687321

7 SUBGRANTEES

One: Human Rights NGO

8 NED STAFF CONTACTS

Program: John Smith

johns@ned.org

Grants: Nicolette Aftimos

nicolette@ned.org

Audit: Keith Burton

keith@ned.org

9 PURPOSE

Project Title: Sample Human Rights Project

To enable the Grantee to carry out the project objectives shown in Attachment A, Program Description, which are consistent with the purposes stated in section 502(B) of the NED Act. The Grantee is responsible for planning, organizing, and administering the program to carry out the project objectives in accordance with the terms of this agreement and all attachments and appendices.

10 AUTHORITY AND RESPONSIBILITIES

This grant is awarded in accordance with the authority contained in Public Law 98-164 (the NED Act) as amended and Grant Number -S-LMAQM-12-GR-1014 (CFDA 19.345) between the United States Department of State and the National Endowment for Democracy.

This agreement consists of these pages and the following attachments. Each of the attachments and appendices is fully incorporated into this agreement.

Attachment A: Program Description

Attachment B: Budget

Attachment C: Standard Provisions and Appendices

Any amendments to this agreement must be requested in writing PRIOR TO THE END DATE indicated in Box 5 and must be signed by an authorized representative of the NED.

11 SIGNATURES

By signing this agreement, the Grantee assures that it will comply with all terms and conditions of this grant. Failure to comply with the terms set forth in this agreement may result in the withholding of payments, grant suspension, grant termination, or legal recourse.

Sample Human Rights NGO

National Endowment for Democracy

Signature _____

Signature _____

Name _____

Name W. Michael Davis

Title _____

Title Senior Director, Grants Administration

Date _____

Date _____

12 REPORTING SCHEDULE**Narrative Reports**

Period Covered:

From	To	Due Date
Feb 1 2012	- Apr 30 2012	May 31 2012
May 1 2012	- Jul 31 2012	Aug 31 2012
Aug 1 2012	- Oct 31 2012	Nov 30 2012
Nov 1 2012	- Jan 31 2013	Feb 28 2013

Financial Reports

Period Covered:

From	To	Due Date
Feb 1 2012	- Apr 30 2012	May 31 2012
May 1 2012	- Jul 31 2012	Aug 31 2012
Aug 1 2012	- Oct 31 2012	Nov 30 2012
Nov 1 2012	- Jan 31 2013	Feb 28 2013

Cumulative Assessment: Yes

Due Date	Covering Grants
Jul 31 2012	2009-123, 2010-456, 2011-789

Grantee Products: Yes

Due Date	Required Items
Feb 28 2013	Book and video

13 PAYMENT SCHEDULE**Payment Method:** Advance Payment**NED Fund Code:** 2012/AA

Schedule Date	Amount
Feb 1 2012	\$8,000
Jun 1 2012	\$6,000
Sep 1 2012	\$6,000
Dec 1 2012	\$5,000

Total: \$25,000**14 SPECIAL CONDITIONS**

The payment of funds outlined in Grant Agreement, Box 13, is contingent upon receipt of the following overdue items for Endowment Grant No. 2011-789.

SUBGRANT AGREEMENT

GRANT AGREEMENT NO. _____ [Create your Grant No.]

Grantor: [Insert Your Organization's Name]
[Insert Your Organization's Address]

Recipient: [Insert Recipient's Organization Name]
[Insert Recipient's Organization Address]

This Agreement is entered into between the [Insert your organization's name], referred to as "Grantor" and [Insert Recipient's organization name], referred to as "Recipient".

This Agreement is awarded as part of and in accordance with conditions and provisions of Grant Agreement Number [Insert NED Grant Number here] between the National Endowment for Democracy (NED) and [Insert Grantor Organization's Name here].

Both parties to this Agreement agree as follows:

1. Amount, Purpose, and Term

- A. Grantor agrees to provide funding in the maximum amount of **\$XXX.XX** to the Recipient for the purpose of the activities described in Attachment A, which is made an integral part of this Agreement. All attachments referred to in this Agreement are incorporated by reference and constitute part of this Agreement.
- B. The duration of this Agreement will be from [Insert starting date] to [Insert ending date]. All expenditures paid with funds provided by this Agreement must be incurred for authorized activities during this period.

2. Budget and Terms of Payment

- A. Grantor will pay all funds to the Recipient, which are to be expended by the Recipient according to the Grant Budget shown in Attachment B. The projected payment schedule is:

Payment Amount:
[Insert payment amounts]

Projected Date:
[Insert expected payment dates]

- B. The Recipient agrees to refund to the Grantor any excess cash advanced at the conclusion of the grant period identified above. Also, the Recipient agrees to repay the Grantor for any expenditures that are determined to have been spent in violation of this Agreement.
- C. [Grantor to insert the following sentence for any Subagreement at or above \$10,000 or if otherwise requested:] The Recipient must maintain a Separate Bank Account reserved exclusively for funds paid under this Agreement.

3. Reporting and Maintenance of Records

The Grantor will provide a description of financial and narrative reports, and instructions regarding how the Recipient should submit them.

The Recipient will submit financial and narrative reports according to the following schedule:

Period Covered:

Due Date:

[Insert dates the report should cover] [Insert due date]

All funds paid under this Agreement should be maintained in a separate Cash/General Ledger. The Recipient will maintain all financial records, supporting documentations, and other records related to this Agreement for a period of three years. It is the sole responsibility of the Recipient to properly account for all funds.

The NED and/or the Grantor reserve the right to conduct or have conducted an audit of the Recipient's books or records including a copy of this Agreement. The Recipient will make its books and records related to the funds given under this Agreement open and available for inspecting and copying by Grantor or its representative. In the event of an audit, the Grantor will generally provide five (5) days advance written notice to the Recipient, but is not limited to doing so. The Grantor or its representative will have access to the place or places where the accounts of the Recipient are normally kept.

4. Amendments and Modifications

Any amendment or modification of this Agreement will not be in force unless it is in writing and signed by an authorized representative of the Grantor and an authorized representative of the Recipient.

5. Termination

NED, Grantor, and/or the Recipient may terminate this Agreement at any time by providing all the parties with written notice ten (10) business days in advance. In the event of such termination, the Grantor will pay the Recipient for services rendered up to the date of termination, and the Recipient will return any advance payments paid by the Grantor and provide the Grantor with any reports, including the materials made under this Agreement before the date of termination.

6. Required Compliance

In accepting this Subgrant, the Recipient certifies that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this agreement by any U.S. Government department or agency. Further, the Recipient promises not to do business, going forward, with any party that is presently or proposed to be excluded by the U.S. Government.

The Recipient agrees to fully comply with the requirements of the following U.S. federal regulations:

- A. Executive Order 13224 (<http://www.state.gov/s/ct/rls/other/des/122570.htm>)
- B. Trafficking in Victims Protection Act (<http://www.state.gov/g/tip/laws/61124.htm>)

7. Special Conditions

[Insert any special conditions referenced in NED Grant Agreement that apply.]

8. Signatures

The Agreement is executed when it is signed and dated by both parties, as indicated below:

FOR THE

[Insert Recipient Organization
Name]

FOR THE

[Insert Grantor Organization Name]

_____	SIGNATURE	_____
_____	TYPED NAME	_____
_____	TITLE	_____
_____	DATE	_____

ATTACHMENTS TO INCLUDE:

- *ATTACHMENT A – Program Description*
 - **Grantor:** Use a description of the project to be carried out by the Recipient, including information relevant to the Recipient corresponding to Attachment A in the NED Grant Agreement. The program description should accurately describe only the Recipient's project activities for which funding is provided.
- *ATTACHMENT B -- Budget*
 - **Grantor:** Use the relevant part of the "support grant" portion in Attachment B of the NED Grant Agreement, if applicable.

Subagreement Preparation Checklist

To prepare the subagreement, please add the following information to the model subagreement. Please contact your NED Grants Administrator if you have any questions.

	Done?
• Insert Grant Agreement number (that you create) in top section	<input type="checkbox"/>
• Insert Grantee and Recipient Organization Names in top section	<input type="checkbox"/>
• Insert NED Grant Agreement Number in top section	<input type="checkbox"/>
• Insert grant amount in Section 1.A	<input type="checkbox"/>
• Insert NED Grant Agreement Number in Section 1.B	<input type="checkbox"/>
• Insert project start and end dates in Section 1.C	<input type="checkbox"/>
• Insert Payment Schedule in Section 2.A <i>These amounts should be coordinated with the Payment Schedule in the NED Grant Agreement.</i>	<input type="checkbox"/>
• Include or exclude provision requiring separate bank account in Section 2.C	<input type="checkbox"/>
• Insert Reporting Schedule in Section 3	<input type="checkbox"/>
• Include any Special Conditions in Section 6	<input type="checkbox"/>
• Prepare Attachment A: Program Description	<input type="checkbox"/>
• Prepare Attachment B: Budget & Schedule of Payments	<input type="checkbox"/>

Then do the following prior to sending any payments to the recipient:

• Send subagreement to recipient	<input type="checkbox"/>
• Request a VSBA (Verification of Separate Bank Account) form from Recipient if required (See Section 2)	<input type="checkbox"/>
• Make sure that both parties have signed the Agreement and send fully signed copy to the Recipient	<input type="checkbox"/>
• Return copies of the signed subagreement to NED, if required	<input type="checkbox"/>



VERIFICATION OF SEPARATE BANK ACCOUNT

All the information provided below must be about the separate bank account to be used for funds received under the NED grant. One form must be completed for the Grantee bank account plus a separate form for each subrecipient, if any. Grant funds may not be paid out until separate bank account verification forms for the Grantee and subrecipient have been completed and returned.

1. GRANT NUMBER:

2. GRANTEE NAME:

SEPARATE BANK ACCOUNT FOR ENDOWMENT GRANT (Final Destination Bank)

3. ACCOUNT NAME:

4. BANK NAME:

5. ACCOUNT NO.:

6. SWIFT CODE:

7. STREET ADDRESS:

8. CITY, STATE / COUNTRY:

9. ABA / ROUTING NO.:

YOUR BANK'S CORRESPONDENT BANK IN NEW YORK (For Non-U.S. Organizations Only)

10. NY CORRESPONDENT BANK:

11. ABA NO.:

12. ACCOUNT NO.:

THE INTERMEDIARY BANK INFORMATION (For Non-U.S. Organizations Only)

13. INTERMEDIARY BANK:

14. CITY, COUNTRY:

15. ACCOUNT NO.:

16. IS THE SEPARATE BANK ACCOUNT FOR THE ENDOWMENT GRANT INTEREST-BEARING?

☐ YES ☐ NO

PERSONS AUTHORIZED TO WITHDRAW FUNDS FROM ACCOUNT

NAME:

TITLE:

NAME:

TITLE:

Certification:

☐ a) I hereby certify that (1) the above bank account will be used only for the receipt and maintenance of Endowment grant funds; (2) the above bank account will contain no funds from sources other than the Endowment; (3) expenditures made with funds provided under the above NED grant will be made whenever possible directly to payees by check or direct transfer from the above bank account.

☐ b) By checking this box, I agree that I have read and understood the directions and completed all of the applicable information on this form. I certify that all of the information on this form is accurate and complete to the best of my knowledge.

This is a required field. You must agree and check this box in order to submit the form.

NAME:

TITLE:

DATE:



VERIFICATION OF BANK ACCOUNT

All the information provided below must be about the bank account to be used for funds received under the NED grant. The VSBA or VBA form must be completed for the Grantee bank account plus a separate form for each subrecipient, if any. Grant funds may not be paid out until the appropriate bank account verification forms for the Grantee and subrecipient have been completed and returned. See Special Conditions for details on which form is to be completed by the grantee and subrecipient.

1. GRANT NUMBER:

2. GRANTEE NAME:

BANK ACCOUNT FOR ENDOWMENT GRANT (Final Destination Bank)

3. ACCOUNT NAME:

4. BANK NAME:

5. ACCOUNT NO.:

6. SWIFT CODE:

7. STREET ADDRESS:

8. CITY, STATE / COUNTRY:

9. ABA / ROUTING NO.:

YOUR BANK'S CORRESPONDENT BANK IN NEW YORK (For Non-U.S. Organizations Only)

10. NY CORRESPONDENT BANK:

11. ABA NO.:

12. ACCOUNT NO.:

THE INTERMEDIARY BANK INFORMATION (For Non-U.S. Organizations Only)

13. INTERMEDIARY BANK:

14. CITY, COUNTRY:

15. ACCOUNT NO.:

16. IS THE BANK ACCOUNT FOR THE ENDOWMENT GRANT INTEREST-BEARING?

☐ YES ☐ NO

PERSONS AUTHORIZED TO WITHDRAW FUNDS FROM ACCOUNT

NAME:

TITLE:

NAME:

TITLE:

Certification:

☐ a) I hereby certify that (1) the above bank account will be used for the receipt and maintenance of Endowment grant funds; (2) expenditures made with funds provided under the above NED grant will be made whenever possible directly to payees by check or direct transfer from the above bank account.

☐ b) By checking this box, I agree that I have read and understood the directions and completed all of the applicable information on this form. I certify that all of the information on this form is accurate and complete to the best of my knowledge.

This is a required field. You must agree and check this box in order to submit the form.

NAME:

TITLE:

DATE:



AUTHORIZATION TO REQUEST PAYMENT OR REIMBURSEMENT

Every person authorized by the grantee to request funds from the Endowment should be listed below.

This form must be certified by an official of the Grantee organization. If this person is also authorized to request payments, his/her name should appear on the list. Should any changes occur in authorized persons, a revised form should be forwarded immediately to the Endowment.

1. GRANT NUMBER: _____

2. GRANTEE NAME:

3. THE FOLLOWING PERSONS ARE AUTHORIZED TO REQUEST PAYMENTS OF GRANT FUNDS FROM THE NATIONAL ENDOWMENT FOR DEMOCRACY:

A. NAME:

B. TITLE:

4. CERTIFIED BY:

By checking this box, I agree that I have read and understood the directions and completed all of the applicable information on this form. I certify that all of the information on this form is accurate and complete to the best of my knowledge.

This is a required field. You must agree and check this box in order to submit the form.

NAME:

TITLE:

DATE:



REQUEST FOR PAYMENT

**PLEASE COMPLETE THIS FORM TO REQUEST A PAYMENT.
THIS FORM MUST BE COMPLETED BY ONE OF THE PERSONS AUTHORIZED ON FORM ARP.**
(See instructions on reverse of form/ please use this form for all advance payment requests).

1. GRANT NUMBER:

2. PAYMENT NUMBER:

3. GRANTEE NAME:

4. TOTAL SPENT TO DATE:

(PLEASE ACCURATELY SHOW FUNDS SPENT AS OF DATE INDICATED IN b.)

a) TOTAL AMOUNT SPENT:

b) DATE:

5. PAYMENT PERIOD:

6. AMOUNT REQUESTED:

7. SEND VIA:

WIRE TRANSFER

CHECK:

Mail

Pick Up

8. IF VIA WIRE TRANSFER, PLEASE COMPLETE:

ACCOUNT NUMBER:

ACCOUNT NAME:

BANK NAME:

CITY, COUNTRY:

9. FUNDS REQUESTED BY:

By checking this box, I agree that I have read and understood the directions and completed all of the applicable information on this form. I certify that all of the information on this form is accurate and complete to the best of my knowledge.

This is a required field. You must agree and check this box in order to submit the form.

NAME:

TITLE:

DATE:



INSTRUCTIONS FOR COMPLETING THE REQUEST FOR PAYMENT FORM

1. **Grant Number:** The Grant number found at the top of the first page of the Grant Agreement.
2. **Payment Number:** The Grantee should assign a number to each request for payment, beginning with number 1.
3. **Grantee Name:** The name of the organization requesting funds. Only the organization which signs the Grant Agreement may request a payment.
4. **Total Spent to Date:** The total amount of grant funds that have been spent by the date indicated. The date may be the date of the payment request or the last day of the most recently ending month.
5. **Payment Period:** The funds requested should cover cash requirements during the period indicated here.
6. **Amount Requested:** the amount of Grant funds requested in this payment.
7. **Send Via:** Please indicate whether you want the funds sent by wire transfer directly to your bank account or a check written to be mailed or picked up from our offices by a person on your staff.
8. **Bank Account Information:** Complete section 8 ONLY if you are requesting that funds be sent via wire transfer.
9. **Funds Requested By:** The certification, title, and typed or printed name of a person authorized to request a payment of Grant funds. This person's name must appear on the "Authorization to Request Payment or Reimbursement" form. The certification box must be checked for this form to be accepted.

NOTE: *Payment may be delayed or held if reporting or other requirements have not been met.
Please see Attachment C, Provision 1.B.3.*

FINANCIAL REPORT

NED Grant No. 2012-123

GRANTEE:**Sample Human Rights NGO**

GRANT BUDGET	
CATEGORY	AMOUNT
Salaries	\$9,500
Benefits, Allowances & Taxes	\$2,300
Office Space & Utilities	\$4,800
Supplies & Equipment	\$3,500
Communications & Postage	\$800
Travel & Per Diem	\$2,250
Contractual/Consultant Services	\$0
Other Direct Costs	\$1,850
TOTAL	\$25,000

Feb - Apr 12 Expenditures	May - July 12 Expenditures	Aug - Oct 12 Expenditures	Nov - Jan 13 Expenditures	Total Expenditures	Remaining Balance
				\$0.00	\$9,500.00
				\$0.00	\$2,300.00
				\$0.00	\$4,800.00
				\$0.00	\$3,500.00
				\$0.00	\$800.00
				\$0.00	\$2,250.00
				\$0.00	\$0.00
				\$0.00	\$1,850.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$25,000.00

check:**\$0.00 \$25,000.00****PRIOR EXPENDITURE CHANGES:**

Please check box below if changes have been made to previous report periods. If box is checked, please explain the reason for the changes.

☐

CERTIFICATION:

I certify that I have reviewed this report and to the best of my knowledge and belief that it is correct and complete and that all expenditures are for the purposes set forth in the Grant Agreement.

Name, Title

Date

Name, Title

Date



CUMULATIVE ASSESSMENT GUIDANCE

Your Grant Agreement may include a requirement to submit a Cumulative Assessment report. This requirement will be shown in Box 12 of the Grant Agreement. The purpose of this document is to assist your organization in the preparation of the Cumulative Assessment report.

What is the Cumulative Assessment report?

A report that will cover several previous grants made to your organization by the NED. The purpose of the Cumulative Assessment report is to provide NED with an overall look back at the NED-supported work of your organization. This is also an opportunity for you to assess the past few years of your organization's growth and development.

Who should write the Cumulative Assessment report?

Only one person needs to write the actual report but the information gathering and analysis should be a collective effort. If possible, everyone who has worked directly on the projects should provide input into the report. This might mean organizing a meeting to discuss the contents of the report or having the person who writes the report interview staff who worked on the project.

What should be included in the Cumulative Assessment report?

In short, the Cumulative Assessment will take an evaluative look back at several past grants made to your organization by NED.

You should include these topics in the report:

Objectives and Outcomes

- Look back at your previous grants (specifically the ones listed in the grant agreement reporting schedule) and restate the objectives. Did you achieve your objectives? Why or why not?

Challenges

- Thinking back over the grant periods, what challenges did you encounter during the projects?
- Where did you make changes and why? What did you learn from those challenges?
- How did your experiences change the way you worked around the challenges *within your control* and *out of your control*? Possible challenges that are *out of your control* might include: security, cooperation of government officials, natural disasters, and technical limitations. Examples of challenges in your control might include: insufficient staffing, underestimation of technical complexity, problems with a partner, or difficulties in recruiting target groups.
- Did the challenges you faced force you to redesign your program?

Results and Long-term Changes

- Your reports to NED include information on short-term results achieved by your projects but you haven't had the opportunity to discuss long-term changes and impact. If you were to go back and do these projects over again, what would you do differently?
- How would you change the design and implementation of your projects in order to achieve your desired results? In other words, what lessons have you learned from the projects?
- What changes have you noticed in your target population (city, country, region, or institution) that are a result of your projects?

Organizational Assessment

- How has your organization changed over the course of the projects?
- Were there changes in staff, structure, or leadership? If so, tell us about those changes.
- Did your organization change its approach and strategy in any way over the course of the projects? Perhaps you expanded to a new city or region or added an additional program focus?
- What organizational lessons have you learned over the course of these projects?

When is the Cumulative Assessment due?

The due date for submission of the Cumulative Assessment report is shown in Box 12 of the Grant Agreement. If there is no requirement shown in Box 12, then you do not have to submit a Cumulative Assessment Report as part of your grant reporting requirements.

Will my organization be asked to submit a Cumulative Assessment report next year also?

Your organization will be asked to submit a Cumulative Assessment report approximately every three years.

Who can help my organization if we have questions or concerns about the Cumulative Assessment report?

Your Program Officer can assist you if you have questions about the Cumulative Assessment.

Does my organization still have to submit a Final Evaluation report at the end of our current grant?

NED has eliminated the final evaluation report that used to be due after the end of each grant period and replaced it with the Cumulative Assessment report. Your final narrative report should include an evaluation section.

ACCOUNTING RECORD

[illegible]

TIMESHEET

MONTH: _____

NAME: _____

GRANT #: _____

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	TOTAL
NED GRANT																
OTHER HOURS																
TOTAL HOURS																

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	TOTAL
NED GRANT																	
OTHER HOURS																	
TOTAL HOURS																	

Employee Signature

Date

Supervisor Approval

Date

Certification of Unavailability of US Flag or "Open Skies" Air Carrier

I _____ (name of traveler) certify that it was necessary to use a non-US flag or non-"Open Skies" carrier for certain segment(s) of the **attached complete travel itinerary**, which shows the date and complete name of every actual air carrier and flight number for each leg of my trip from (origin) to _____ (destination). The reason why a US flag/"Open Skies" carrier was unavailable is indicated below. (If more than one flight was on a non-US flag carrier, indicate the reason for each flight).

- ___ There was no US-flag/"Open Skies" air carrier service on a particular leg; a foreign air carrier was used to the nearest interchange point to connect with US-flag/"Open Skies" air carrier service.
- ___ A US-flag/"Open Skies" air carrier involuntarily rerouted travel to a foreign air carrier.
- ___ Service on a foreign air carrier was three hours or less, and use of a US-flag/"Open Skies" air carrier would have doubled the travel time.
- ___ Transportation was paid in full from non-federal funds.
- ___ Travel time from origin to destination on a US-flag/"Open Skies" carrier offering nonstop or direct (no aircraft change) service exceeded travel time by a foreign carrier by more than 24 hours, including delay at origin.
- ___ US-flag/"Open Skies" air carrier nonstop or direct (no aircraft change) service was not offered between origin and destination. Using a US-flag/"Open Skies" air carrier on every portion of the route where service exists would have
 - ___ Increased the number of aircraft changes outside the US by 2 or more,
 - ___ Extended travel time by 6 hours or more, or
 - ___ Required a connecting time of 4 hours or more at an overseas interchange point.
- ___ For travel between two places outside the US, a US-flag/"Open Skies" carrier was not used because, when compared to using a foreign air carrier, it would have required
 - ___ Two or more aircraft changes, or
 - ___ Travel time of 6 hours or more longer than on the non-US flag/"Open Skies" carrier, or
 - ___ The US-flag/"Open Skies" carrier service required a connecting time of 4 hours or more at an overseas interchange point.

Name

Signature

Date

NOTES:

A US flag or "Open Skies" carrier must be used for trans-Atlantic or trans-Pacific travel.

These conditions **do not qualify** for exceptions to the requirement to use US-flag/"Open Skies" carriers:

- Comparable or a different kind of service by a foreign carrier costs less
- Service by a foreign carrier is preferred by or is more convenient for the traveler.

Travel Expense Report

Name: _____

Employee Signature: _____

Date: _____

Supervisor Signature: _____

DATE	PLACE (City/Country)	TRAVEL	HOTEL	PER DIEM	MISC.	TOTAL	PURPOSE OF TRIP/EXPENSE
TOTALS							

TOTAL
LESS ADVANCES
TOTAL DUE/OWED

NOTES Travel: Indicate A (air), T (train), TX (taxi), S (subway), C (personal car)
 Misc: Indicate the nature of the expense (telephone, airport tax, etc.)

PLEASE USE INK

GRANT NO: _____

PROPERTY AND EQUIPMENT INVENTORY

DATE OF PURCHASE	PURCHASE PRICE	DESCRIPTION	SERIAL NUMBER	MODEL NUMBER	LOCATION

CASH RECORD BOOK

DATE	PAYEE	BUDGET CATEGORY	AMOUNT	CASH BALANCE

SUMMARY SPREADSHEET

Name of Grantee:

Grant No.:

NOTE: This form is to assist you in preparing the submitted documentation requested for NED's invoice review. Please use this form (make as many copies as necessary to list all expenses related to each budget category specified in "Attachment B" of your Grant Agreement

Reporting Period

From:

To:

List of Expenses for:

Budget Category

Budget Category

(PREPARE A SEPARATE LIST FOR EACH BUDGET CATEGORY)

Ref. Item No.	Invoice Date	Invoice/ Receipt No.	Vendor/Payee or Recipient	Amount in Foreign Currency	Conversion Rate	Amount in US\$	Description of Expenses
			Total	0.00		\$0.00	

- * Please submit only photocopies not originals.
- * Please note that each item or amount written in this sheet should be supported by an attached document (copy of timesheet, invoice, receipt, contract or bill) which is numbered and correspond to (reference/item No.) in this sheet).
- * Make sure that the total in each budget category sheet correspond to the amounts reported in the Financial Report.

SUMMARY SPREADSHEET

Name of Grantee: **Sample Human Rights NGO**

Grant No.: **2012-135**

Reporting Period **Feb. 1, 2012- Apr. 30, 2012**

NOTE: This form is to assist you in preparing the submitted documentation requested for NED's invoice review. Please use this form (make as many copies as necessary to list all expenses related to each budget category specified in "Attachment B" of your Grant Agreement

List of Expenses for: **Salaries**

Budget Category (PREPARE A SEPARATE LIST FOR EACH BUDGET CATEGORY)

Ref. Item No.	Invoice Date	Invoice/ Receipt No.	Vendor/Payee or Recipient	Amount in Foreign Currency	Conversion Rate	Amount in US\$	Description of Expenses
1	02/29/2012	361	Frank Williams	60,000.00	110.98	\$540.63	Salary for Coordinator for the month of February 2012
2	02/29/2012	362	George Carlos	30,000.00	110.98	\$270.31	Salary for Assistant for the month of February 2012
3	03/31/2012	363	Frank Williams	60,000.00	110.98	\$540.63	Salary for Coordinator for the month of March 2012
4	03/31/2012	364	George Carlos	30,000.00	110.98	\$270.31	Salary for Assistant for the month of March 2012
5	04/30/2012	365	Frank Williams	60,000.00	110.98	\$540.63	Salary for Coordinator for the month of April 2012
6	04/30/2012	366	George Carlos	30,000.00	110.98	\$270.31	Salary for Assistant for the month of April 2012
			Total	270,000.00		\$2,463.11	

- * Please submit only photocopies not originals.
- * Please note that each item or amount written in this sheet should be supported by an attached document (copy of timesheet, invoice, receipt, contract or bill) which is numbered and correspond to (reference/item No.) in this sheet).
- * Make sure that the total in each budget category sheet correspond to the amounts reported in the Financial Report.

CASH MANAGEMENT PROCEDURES FOR NED GRANTEES



Procedures for NED grantees and subrecipients operating without checking accounts or maintaining significant amounts of cash.

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Introduction

If you are working without checking accounts or if you maintain significant amounts of cash on hand to pay expenses, your system requires additional controls over cash. Additional controls are needed in order to:

- Maintain security over cash.
- Provide a system for tracking cash advances until expenditures are made.
- Provide evidence that cash was actually disbursed to and received by the intended person or organization.

1. Procedures for Safeguarding Cash

You should ensure that:

- 1) Cash is kept in a locked area, such as a safe or drawer. (This locked area is referred to as the "cash bank" for the rest of this document). Access to the cash bank (i.e. person with a key or lock combination) should be restricted to a limited number of designated persons.
- 2) One person (a custodian) should be responsible for the cash bank. This person would be responsible for deposits to and withdrawals from the cash bank for authorized cash payments and advances. The custodian should establish cash limits on withdrawals to ensure that only the amount of cash needed for a specific purchase is withdrawn.
- 3) A Cash Record Book (Attachment A) should be maintained for recording all deposits and withdrawals from the cash bank. This book should be maintained by someone other than the custodian of the cash bank. **The Cash Record Book is an important accounting record and is the primary means of control over cash receipts and disbursements.**
- 4) Documentation for all cash disbursements should include the date, the person or organization being paid (payee), purpose, and an authorization to pay. Attachment B (Expenditure/ Cash Advance Voucher) is a suggested format to use for **both** cash advances and actual expenditures. This form is filled out and approved for each disbursement of cash from the cash bank. The person authorizing the payment or advance should be someone other than the custodian or the person who maintains the Cash Record Book.
- 5) The Cash Record Book and the cash bank should be reconciled at least monthly by counting the remaining cash in the cash bank and comparing the amount to the Cash Record Book. Also, each entry in the Cash Record Book should be reviewed to ensure that each disbursement is supported by an approved grant Expenditure/Cash Advance Voucher. The person performing this function should be someone other than the custodian or the person who maintains the Cash Record Book. The person who approves disbursements may perform this function. Any differences should be promptly investigated and reported to management, if necessary.
- 6) As noted above, it is important to separate the functions of maintaining cash, recording transactions, authorizing payments, and periodically reconciling the Cash Record Book. This requires a minimum of three persons as described in the following schedule:

<u>Function</u>	<u>Responsible Person</u>
-----------------	---------------------------

Custodian of the cash bank	Person other than accountant/bookkeeper or person authorizing transactions
Recording cash transactions	Accountant/bookkeeper
Authorizing transactions	Responsible supervisory official (i.e., Executive Director)
Reconciling cash to the Cash Record Book.	Responsible supervisory official (i.e., Executive Director)

In the event that three people are not available to perform these functions, a responsible management official either performs the bank reconciliation function or reviews and approves the bank reconciliation, the bank statement and canceled checks.

2. **Cash Advances and Cash Expenditures**

Disbursements from the cash bank are divided into two categories - **Cash Advances** and **Cash Expenditures**. The distinction between cash advances and cash expenditures is that a cash expenditure represents an actual purchase, whereas a cash advance is the transfer of money to someone who will make a purchase at a future date.

Procedures and detailed controls for cash advances and cash expenditures are below. The recommended procedures may be adapted to fit your organization's structure. Regardless of the procedures and policies, the important controls regarding cash items which must be included in any system are as follows:

- Cash must be safeguarded.
- Adequate records of cash transactions must be maintained and periodically reconciled.
- Cash advances or payments must be properly authorized.
- Cash expenditures must have adequate supporting documentation.

Records must be kept so expenditures (not advances) can be summarized by budget category for financial reporting to NED.

3. **Detailed Procedures for Cash Advances**

Cash advances are defined as approved payments made from the cash bank to employees or representatives of the organization who will use the money to pay travel costs or to make purchases (i.e. paper, computers, etc.). Cash advances should not be reported in the NED Financial Report since they are not expenditures. The expenditure should only be reported when the actual purchase is made and supporting documentation has been obtained.

Obtaining Advances - Cash advances should be based on documented, approved requests. A suggested format for requesting an advance is the Expenditure/Cash Advance Voucher (Attachment B). Employees

receiving cash advances should complete the Expenditure/Cash Advance Voucher, explain the purpose of the advance, and obtain approval for the advance.

Accounting for Advances - The employee receiving the cash advance should provide an accounting of the cash expenditure by submitting supporting documentation. To provide supporting documentation in an organized format, an Expense Report or a similar report should be utilized. Attachment C is a suggested Expense Report. This format should be adapted to your own individual needs and may be broken up into various budget categories (i.e., travel, food, lodging, supplies/equipment purchases, etc.).

The Expense Report should list each expenditure, date of expenditure, and amount. The Expense Report should be signed by the employee and approved by the supervisor. Supporting documentation of expenditures should be attached behind the Expense Report. Information from approved Expense Reports (signed by the supervisor) can be entered directly into the accounting records. Note that the category - "Budget Item" (on the Expense Report, Attachment C), can be filled out either by the employee, the supervisor, or the accountant. This "Budget Item" would be the category to be recorded in the Financial Report (i.e., supplies and equipment, communications and postage, travel and per diem, etc.).

The Expense Report can also be used to keep track of outstanding cash advances to employees. The following items would be recorded on the Expense Report in the box at the bottom left of the form:

- **Beginning Employee Cash Balance:** The employee's beginning cash balance at the beginning of the period.
- **Additional Cash Advances:** Any additional cash the employee has received since the last Expense Report was submitted. If the employee returned a portion of the cash advance to the cash bank, this should be entered as a negative amount.
- **Expenditures:** Total itemized expenditures reflected on the Expense Report for the period.
- **Ending Employee Cash Balance:** The sum of the beginning cash balance, additional cash advances, minus actual reported expenditures. The Ending Employee Cash Balance should be carried forward as the beginning employee cash balance on the next period Expense Report.

Expense reporting periods should be determined by your organization. Since Expense Reports and supporting documentation are used to record expenditures in the accounting records, Expense Report periods should coincide with financial reporting periods. When a large number of employees are given cash advances, or individuals are advanced relatively large amounts, Expense Reports should be submitted on a monthly, bimonthly, or weekly basis.

4. Cash Advances – Step by Step

This is a recommended sequence for issuing, accounting for, recording, and reporting cash advances.

1. Employee fills out an Expenditure/Cash Advance Voucher (Attachment B).
2. Expenditure/Cash Advance Voucher is approved and signed by an authorizing officer.

3. Cash bank custodian disburses cash advance to employee based on approved Expenditure/Cash Advance Voucher and forwards the Expenditure/Cash Advance Voucher to the accountant/bookkeeper.
4. Accountant/bookkeeper records the cash advance in the Cash Record Book (Attachment A) and files the Expenditure/Cash Advance Voucher.
5. Employee uses cash for grant purposes and records expenditures on the Expense Report (Attachment C) attaching supporting documentation (i.e. receipts).
6. Expense Report with supporting documentation is submitted to authorizing officer.
7. Authorizing officer reviews Expense Report and supporting documentation and approves and signs Expense Report.
8. Expenditures are recorded in the accounting records by the accountant/bookkeeper.
9. Authorizing officer periodically performs a reconciliation of the Cash Record Book to cash in the cash bank and cash paid out and verifies that employee advances in the Cash Record Book are supported by approved/signed Expenditure/Cash Advance Vouchers.
10. On a periodic basis determined by NED, expenditures are reported to NED according to budget categories.

5. Detailed Procedures - Cash Expenditures

A cash expenditure is an actual purchase of or payment for a good or service. Examples of expenditures which may be made from the cash bank include employee salaries, payments based on invoices or other requests for payment, and reimbursements to employees for expenses. Expenditures are summarized by budget category in NED Financial Reports.

Unlike check payments, cash payments do not leave a record that the payment was actually made and was made to the intended person. For example, if an organization purchases office supplies from "The Supply Store", receives an invoice, pays for the supplies with a check, and obtains a receipt, an auditor will be able to review the receipt to determine that supplies were received by the organization. Further, an auditor can review the canceled check and bank statement to determine that the organization actually paid for the supplies and that the payee was "The Supply Store".

For this reason, cash payments require additional supporting documentation to document that cash was actually paid and paid to the intended person. For expenditures from the cash bank, supporting documentation should be attached behind the Expenditure/Cash Advance Voucher (Attachment B). For employee advances, supporting documentation of expenditures should be attached behind the Expense Report (Attachment C). Although it is not possible to define exact standards for obtaining supporting documentation for cash purchases, the following items should be taken into consideration:

- In all cases, some form of receipt for payment should be obtained. Receipts should include a statement by the vendor or person that cash was received, the date of payment, and a description of the reason for payment. In instances in which the purpose, payment method, or

amount are not specified, the payer should request this information be added to the receipt by the payee.

- The amount of the payment should be traceable to a cash withdrawal entry in the Cash Record Book.
- Official company invoices and receipts should be obtained whenever possible. If this is not possible, the organization should attempt to obtain an invoice and receipt on company letterhead, or have the invoice/receipt imprinted with the company's stamp.
- For instances in which only unofficial receipts are available, the receipt should be a clear statement that payment was received for goods or services performed. For example:

5/5/11
"I have received \$20.00 on May 5, 2011, from <i>(name of Organization or employee)</i> , for two calculators."
(Signature) Bob Smith The Supply Store

- Payments for salaries should be based on approved payroll records and timesheets.

5. **Cash Expenditures – Step by Step**

This is a recommended sequence for accounting for, recording, and reporting cash expenditures.

1. Employee (other than authorizing officer) prepares an Expenditure/Cash Advance Voucher (Attachment B), listing amount, payee, date and explanation of expense.
2. Employee submits the Expenditure/Cash Advance Voucher to the authorizing officer, with supporting documentation (i.e. invoice, etc.).
3. Authorizing officer reviews the expenditure and approves and signs the Expenditure/Cash Advance Voucher.
4. Cash bank officer disburses cash to the payee based on an approved Expenditure/Cash Advance Voucher and obtains a signed receipt from the payee.
5. The payee purchases an item and submits supporting documentation to the cash bank officer.
6. Expenditure/Cash Advance Voucher with attached supporting documentation is forwarded to the accountant/bookkeeper.

7. Expenditures are recorded in the accounting records by the accountant/bookkeeper.
8. Authorizing officer periodically performs a reconciliation of the Cash Record Book (Attachment A) to actual cash in the cash bank and cash paid out and verifies that expenditures in the Cash Record Book are supported by authorized Expenditure/Cash Advance Vouchers.
9. On a periodic basis as determined by NED, expenditures are reported to NED according to budget category.

CASH RECORD BOOK

DATE	PAYEE	DESCRIPTION	AMOUNT	CASH BALANCE

EXPENDITURE/CASH ADVANCE VOUCHER - Grant #
(GRANTEE)

Expenditure _____ (check payment voucher or cash advance)

Cash Advance _____

Voucher Date _____ (date of preparation)

Amount _____

Payee _____

Expense Type _____ (budget line item or advance)

Payment Method _____ (cash, wire, check & check #)

Explanation of Expense/Advance

Approval Signature for Payment/Advance _____

Approval Date _____

Payment Date _____

(GRANTEE)
EXPENSE REPORT
 Grant #

Date	Amount	Explanation	Budget Item
Total			

Beginning Employee Cash Balance _____

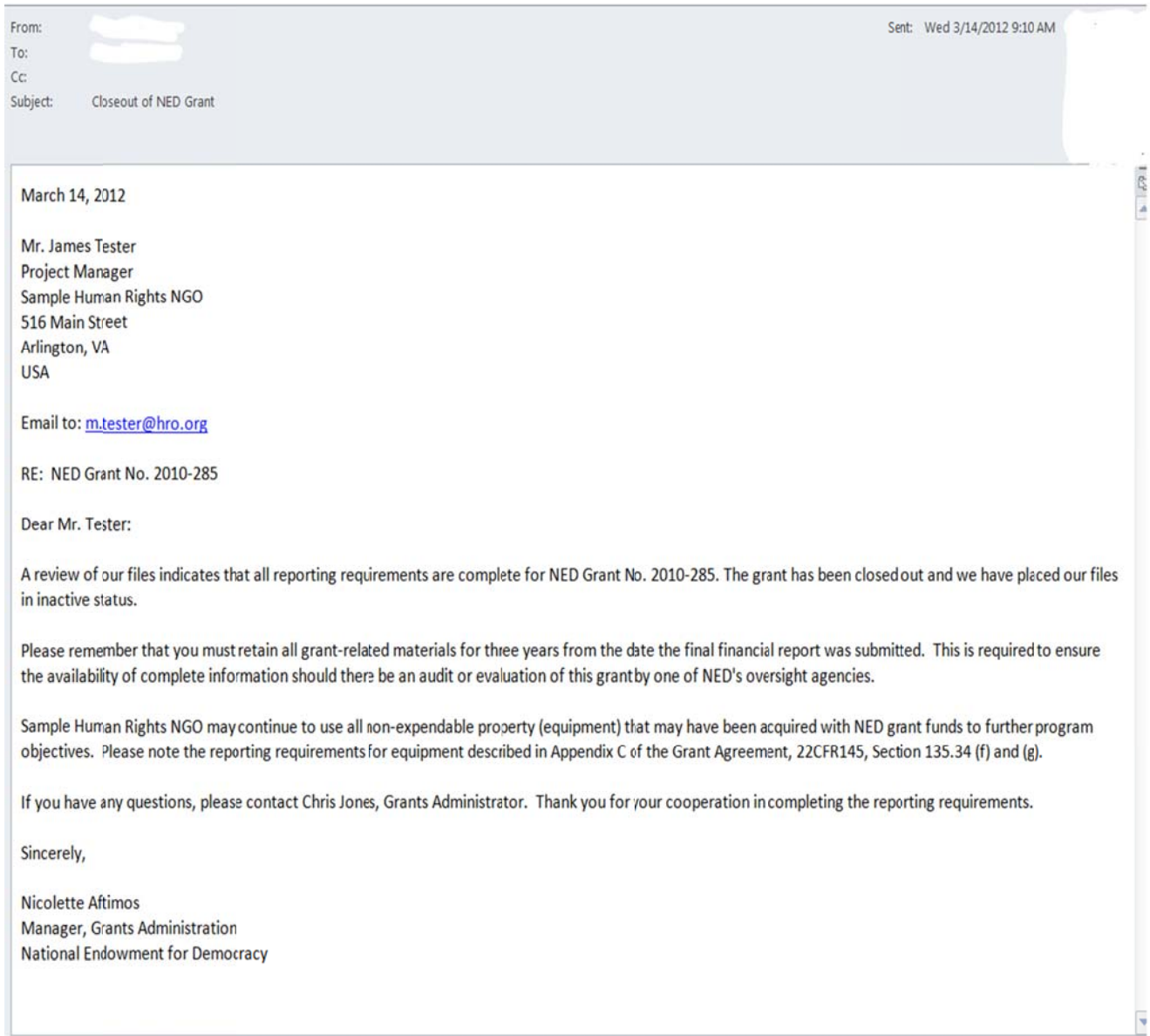
Additional Cash Advances _____

Expenditures _____

Ending Employee Cash Balance _____

Employee Signature_____
Date_____
Supervisor Signature_____
Date

SAMPLE GRANT CLOSEOUT LETTER





**National Endowment
for Democracy**
Supporting freedom around the world

Frequently Asked Questions Regarding Grants and Payments

1. *The Board approved our proposal. When do we get the Grant Agreement?*

The Grant Agreement will be sent after the following items are received:

- Completed financial questionnaire (if requested)
- A detailed revised budget reflecting the approved grant amount (if requested)
- All pending requirements for any prior NED grants
- Any other information requested by the NED Program or Grants staff specific to your grant, such as bank account arrangements or project details.

Note: Grant Agreements are usually sent between 2 and 3 weeks after Board approval. If you haven't received it by that time, please contact your Grants Administrator.

2. *How will we get the Grant Agreement?*

The Grant Agreement is usually sent by email to the email address indicated in your Proposal Cover Sheet. The email will have several attachments which you must open and review. Then you must print, sign, and return the Grant Agreement.

3. *Do I have to open a bank account exclusively for NED funds?*

Yes. Unless your grant agreements specifies otherwise, funds for the project must be deposited and maintained in a bank account reserved solely for NED funds. If you have more than one NED grant, you may use the same bank account for all of the grants.

4. *How do we get the first grant payment?*

Read the Grant Agreement, sign it, and return the signed copy to NED, along with the following three forms:

- Verification of Separate Bank Account (VSBA)
- Authorization to Request Payment (ARP)
- Request for Payment (RP)

After NED receives the completed forms and any other items requested specifically for your grant, the first payment will be processed.

5. *How do we get future grant payments?*

You must complete a Request for Payment form (RP) for every payment. **Payments will not be processed until you have submitted all required financial and narrative reports and any additional**

requested items, such as invoices. See Box 12 of the Grant Agreement for the Reporting Schedule and Box 13 for the Payment Schedule.

6. *Why haven't I received the payment yet?*

If you have not been notified that your payment is on hold, the delivery of payments may be delayed for a variety of reasons:

- NED staff may not have received your Request for Payment;
- Your grant reports are still under review by NED staff;
- There is a problem with the wire transfer

Please contact your Grants Administrator if you do not receive a payment that you are expecting.

7. *Why is my payment on hold?*

A payment may be put on hold if there are overdue or incomplete reporting or lack of submission of requested items, such as invoices. A payment on a new grant may be held if there are overdue items on a previous grant. If you are in this situation, you will be notified by your Grants Administrator.

Please contact your Grants Administrator if you do not receive a payment that you are expecting.

8. *How can I expedite payments?*

- Send the Request for Payment with the financial and narrative reports;
- Verify that the bank account information on the Request for Payment matches the account information on the VSBA form;
- Verify that your reports are complete and have no errors before sending, including any signatures that may be required;
- Send the documents to your Grants Administrator by email.

9. *When are reports due?*

All grants require financial and narrative reports. The schedule is customized for each grant. The grant reporting schedule is found in Box 12 of the Grant Agreement.

10. *How should I send reports?*

NED prefers submission of all reports by email to the Grants Administrator. If email is not possible, you may send your reports by fax, or mail. Financial reports and forms requiring signature may be sent by email as scanned files. Narrative reports may be submitted in English or the language in which you correspond with your NED Program Officer.

11. *Who should I send reports to?*

Please send all grant reports to your Grants Administrator.

12. *If no activities have been done, do we still need to submit a report?*

Yes, you must still submit a narrative and financial report. You may indicate that no activities were done in the reports. If there were no expenditures, you may simply show "0"s in the column "Expenditures This Period" on the financial report form.

13. *What should we do if we need more time to complete project activities after the grant expiration date?*

You may request to extend the grant. You must request the extension in writing, **prior to the expiration date**, explaining why the extension is needed and how much additional time will be needed to complete the project. Please send any extension request to your Grants Administrator and your Program Officer.

14. *What is needed to complete all reporting requirements for my grant?*

The following items are required:

- All financial and narrative reports
- A cumulative assessment (if required, as indicated in your Grant Agreement)
- Grantee products (if required, as indicated in your Grant Agreement)
- A list of any equipment purchased with NED grant funds which cost \$5,000 or more.
- Any information requested by NED's Compliance staff, including audit or invoices.
- Any additional information requested by NED's Grant or Program staff.

15. *Who do I contact with questions?*

Box 8 of your Grant Agreement indicates the names of your three contacts for your NED grant.

Program: Contact for information relating to proposals, program design and follow-up, field visits, narrative and evaluation reports.

Grants: Contact for information related to the terms of your Grant Agreement, reporting requirements, payments, guidance on grant procedures, and submission of reports.

Compliance: Contact for information related to the Financial Questionnaire, Invoice Review, Audits, and accounting issues.