



Special Attention of:

**TRANSMITTAL for Handbook No.
CFO-14-002 issued August 2014**

- **HUD Principals with Grant Program Oversight responsibilities.**
- **Office of the Chief Financial Officer (OCFO) Staff with responsibilities related to recording grant accrual estimates.**
- **Program Office Staff with responsibilities related to formulating and reporting grant accrual estimates.**

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1. This transmits the original handbook, Departmental Grant Accrual Policy, Handbook No. CFO-14-002 issued August 2014.
 2. Summary: The purpose of this handbook is to establish a policy for estimating accruals for grant programs in the Department of Housing and Urban Development (HUD). This handbook outlines recommended methods for accruing grant expenses. HUD is responsible for estimating accruals for all grant programs except subsidy programs in accordance with Federal Accounting Standards Advisory Board's (FASAB) *Federal Financial Accounting Technical Release 12 (TR 12), Accrual Estimates for Grant Programs*¹.
 3. This policy is to be followed by OCFO staff with responsibilities relating to recording grant accrual estimates, and all Program Office staff with responsibilities relating to formulating and reporting grant accrual estimates.

¹ http://www.fasab.gov/pdffiles/handbook_tr_12.pdf.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-3000

OFFICE OF THE CHIEF FINANCIAL OFFICER

SEP - 4 2014

To: All HUD Principals with Grant Program Oversight
From: Joseph I. Hungate, Deputy Chief Financial Officer, F
Subject: Implementation of Grant Accrual Policy

The Federal Accounting Standards Advisory Board (FASAB), which establishes generally accepted accounting principles (GAAP) for government entities, requires Federal entities to recognize a liability arising from “nonexchange” transactions (i.e., transactions in which one party to the transaction receives value without directly giving or promising value in return, such as grant and certain entitlement programs) for any unpaid amounts due as of the reporting date. The liability includes amounts due from the federal entity to pay for benefits, goods, or services provided under the terms of the program, as of the federal entity’s reporting date, whether or not such amounts have been reported to the federal entity. This memorandum contains instructions for grant managers to begin estimating and reporting grant accruals.

Background

On August 4, 2010, FASAB released Technical Release 12, *Accrual Estimates for Grant Programs* (TR 12), with an effective date of September 30, 2010. TR 12 does not establish new reporting requirements, since other FASAB standards already address the necessity and manner of reporting assets, liabilities, inventory, revenue, and financing sources in financial statements prepared on an accrual basis.

In the most recent audit of HUD’s FY 2013 financial statements, the Office of Inspector General (OIG) cited HUD for a failure to have GAAP-compliant policies for accruals. In correcting this deficiency, the Office of the Chief Financial Officer (OCFO) has published a Grant Accrual Policy (see attachment), which is to be implemented immediately for all grant programs administered by HUD offices.

Estimating Grant Accruals

Each HUD program office that administers grants is responsible for establishing and reporting accrual estimates to recognize liabilities arising from grant programs for any unpaid amounts due as of the reporting date. HUD’s Grant Accrual Policy incorporates TR 12 and explains the process for estimating accruals.

Required Actions and Responsibilities

The OCFO recognizes that grant programs have become subject to unusual scrutiny and new guidance, which increases the workload for every program office. Every effort will be made to minimize the added stress involved in initiating this effort for estimating grant accruals. The following requirements are the bare minimum needed in order to be compliant with GAAP.

HUD is responsible for estimating accruals for all grant programs except subsidy programs in

accordance with TR 12. Program offices are responsible for developing methodologies to estimate grant accruals for their respective programs. OCFO will review and approve grant accrual methodologies developed by the Program Offices to ensure the methodologies:

- a) Are adequate to prepare reliable and timely accrual estimates.
- b) Identify key assumptions.
- c) Ensure adequate documentation is maintained by Program Offices to support the data and assumptions used to develop grant accrual estimates.

OCFO-Accounting, with support from OCFO-Financial Management, will review the assumptions, and test and verify the accrual estimates. Program Offices will monitor their grant accrual methodology to determine if it is producing the most accurate estimate based on available information. OCFO will provide oversight of the grant accrual estimation process by approving program office methodologies and determining if those methodologies are consistently applied.

Below is a summary of responsibilities for the grant accrual estimation process:

Program Office:

- a) Develop grant accrual methodology and accrual amounts on a quarterly basis.
- b) Document the grant accrual methodology on a quarterly basis.
- c) Evaluate grant accrual estimates on a quarterly basis.
- d) Adjust the grant accrual methodology to improve estimates, when necessary.

OCFO Accounting:

- a) Review and approve grant accrual methodologies developed by the Program Offices on a quarterly basis.
- b) Review, approve, and record grant accrual estimates on a quarterly basis.
- c) Consider materiality of program and related accruals on a quarterly basis.

OCFO Financial Management:

- a) Assess, evaluate, and test internal controls of HUD's accrual process on an annual basis.
- b) Perform risk assessments annually.

Time Line

Accrual estimates are to be submitted to the Financial Reporting Division, care of Keith Donzell (x. 3449), for evaluation and inclusion in the financial reporting.

To enable the Department to comply with Federal GAAP requirements, Program Office staff must provide accrual estimates to OCFO-Accounting by the third business day after the end of each quarter. Thank you for your support in helping bring HUD into compliance with these requirements. If you have any questions regarding this process or this requirement, please contact Bill Guilford at extension 3865.

cc: Bill Guilford, Director of Financial Policy and Procedures
Keith Donzell, Director of Financial Reporting
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U.S. Department of Housing and Urban Development

Departmental Grant Accrual Policy

8/27/2014

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Departmental Grant Accrual Policy

- 1 Purpose:** The purpose of this document is to establish a policy for estimating accruals for grant programs in the Department of Housing and Urban Development (HUD). HUD has followed guidance in Federal Accounting Standards Advisory Board's (FASAB) *Federal Financial Accounting Technical Release 12 (TR 12), Accrual Estimates for Grant Programs*¹ in the development of the Department's grant accrual policy. All accrual estimates for grant programs are to be calculated in accordance with TR 12. This policy outlines recommended methods for accruing grant expenses.
 - 1.1 HUD's consolidated financial statements are presented on the accrual basis in accordance with generally accepted accounting principles (GAAP) established by FASAB. Under the accrual methodology, HUD recognizes revenues when earned, and expenses when a liability is incurred, without regard to receipt or payment of cash.
 - 1.2 Generally, procedures for HUD's major grant and subsidy programs require recipients to request periodic disbursements concurrent with incurring eligible costs. The Department's disbursement policy permits grantees/recipients to request funds to meet immediate cash needs to reimburse themselves for eligible incurred expenses and eligible expenses expected to be received and paid within three days, or as subsidies payable in accordance with the Cash Management Improvement Act of 1990. The accrual policy will aim to capture and recognize in the financial statements of the current period all expenses related to grants that have been incurred, whether reported or not.
- 2 Scope:** This policy is to be followed by the Office of the Chief Financial Officer (OCFO) staff with responsibilities relating to recording grant accrual estimates, and all Program Office² staff with responsibilities relating to formulating and reporting grant accrual estimates. For this policy, the term "grants" includes both grants and cooperative agreements. Please refer to the Scope Section of TR 12 for additional information regarding exclusions to this policy.
- 3 Background:** The Federal GAAP requirements for grant accruals are included in Statement of Federal Financial Accounting Standards (SFFAS 5): Accounting for Liabilities of the Federal Government,³ effective October 1, 1996, and TR 12, effective October 1, 2011. This policy has been developed to bring HUD into compliance with Federal GAAP requirements. The policy requires HUD to prepare and record a grant accrual estimate on a quarterly basis. To ensure that the grant accrual methodology remains reasonable and appropriate, HUD management will validate the methodology, including any alternative methodologies used (see paragraphs 8.7 through 8.11) each quarter based on receipt of supporting data, and will revise the methodology as

¹ http://www.fasab.gov/pdf/files/handbook_tr_12.pdf.

² Program Office is herein defined as Public and Indian Housing, Office of Housing, Office of Community Planning and Development, Policy Development and Research, Fair Housing and Equal Opportunity, and Office of Healthy Homes and Lead Hazard Control.

³ http://www.fasab.gov/pdf/files/handbook_sffas_5.pdf

necessary. It is critical that the methodology incorporates management's current judgment about the adequacy of the accrual through a disciplined and consistently applied process.

- 4 **Effective Date of This Policy:** August 2014. The policy will be reviewed annually and updated as needed.
- 5 **Responsibilities:** HUD is responsible for estimating accruals for all grant programs except subsidy programs in accordance with TR 12. Program offices are responsible for developing methodologies to estimate grant accruals for their respective programs. Any unique characteristics of HUD's diverse grantees and all key assumptions must be documented in the program offices' methodologies and considered in deriving the amount of accruals associated with their individual programs. OCFO will review and approve grant accrual methodologies developed by the Program Offices to ensure the methodologies:
 - a) Are adequate to prepare reliable and timely accrual estimates.
 - b) Identify key assumptions.
 - c) Ensure adequate documentation is maintained by Program Offices to support the data and assumptions used to develop grant accrual estimates.

OCFO-Accounting, with support from OCFO-Financial Management, will review the assumptions, and test and verify the accrual estimates. Program Offices will monitor their grant accrual methodology to determine if it is producing the most accurate estimate based on available information. OCFO will provide oversight of the grant accrual estimation process by approving program office methodologies and determining if those methodologies are consistently applied.

Below is a summary of responsibilities for the grant accrual estimation process:

Program Office:

- a) Develop grant accrual methodology and accrual amounts on a quarterly basis.
- b) Document the grant accrual methodology on a quarterly basis.
- c) Evaluate grant accrual estimates on a quarterly basis.
- d) Adjust the grant accrual methodology to improve estimates, when necessary.

OCFO Accounting:

- a) Review and approve grant accrual methodologies developed by the Program Offices on a quarterly basis.
- b) Review, approve, and record grant accrual estimates on a quarterly basis.
- c) Consider materiality of program and related accruals on a quarterly basis.

OCFO Financial Management:

- a) Assess, evaluate, and test internal controls of HUD's accrual process on an annual basis.
- b) Perform risk assessments annually.

- 6 **Risk Assessment:** Program Offices will submit their proposed grant accrual methodology to OCFO-Accounting for approval. OCFO-Financial Management will rely on the risk assessment performed during the current year A123 Appendix A review to assess materiality of programs. For

grant programs that are immaterial to the statement of net cost and/or that have a lower risk of misstatement, HUD management might consider validating estimates less frequently.

The following list includes some of the factors that may be considered in determining which grant programs may have a higher risk of material misstatement that might cause financial statement users to make incorrect assessments regarding the efficiency and effectiveness of the program:

- a) Degree of variance between past estimates and the program's actual operating cost (if applicable)
- b) Significant findings reported in past program audits (if applicable)
- c) Age of the program (other factors being equal, mature programs may have less risk than newer programs)
- d) Congressional and other public policy interest in a given program

Under HUD's OMB A123 Appendix A review, the Department will use a combination of grant obligation amount by program, complexity of grant disbursing, and past deficiencies. A random sample will be conducted to select transactions for review of grant accrual estimates.

- 7 Policy:** On a quarterly basis, Program Offices will develop a grant accrual estimate for applicable programs and submit the estimate for each such program, appropriation and the Program Office as a whole to OCFO-Accounting for recording in HUD's general ledger. Each quarter OCFO-Accounting will compile grant accrual estimates calculated by Program Office staff and record the estimated grant accruals. Each quarter Program Office staff will evaluate grant accrual estimates to determine if there is a material difference between the estimated accruals in the prior quarter and actual data. For these evaluation purposes, a material difference or item is defined as an aggregate fluctuation (positive or negative) of ten percent or more. The following procedures outline the grant accrual calculation process. If a material difference is identified, Program Office staff will conduct an analysis to identify the cause of the difference and adjust future accruals as appropriate. Additionally each quarter, Program Office staff will review grant data, including the status of grant close-outs, grants in an excess cash position, etc., to identify any material items that would necessitate additional entries to be recorded.

7.1 Definitions:

- 7.1.1 Grants: 31 U.S.C. Section 6304 defines grants as follows: An executive agency shall use a grant agreement as the legal instrument reflecting a relationship between the United States Government and a State, a local government, or other recipient when (1) the principal purpose of the relationship is to transfer a thing of value to the State or local government or other recipient to carry out a public purpose of support or stimulation authorized by a law of the United States instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government; and (2) substantial involvement is not expected between the executive

agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement.⁴

- 7.1.2 Cooperative agreements: 31 U.S.C. Section 6305 defines cooperative agreements as follows: An executive agency shall use a cooperative agreement as the legal instrument reflecting a relationship between the United States Government and a State, a local government, or other recipient when (1) the principal purpose of the relationship is to transfer a thing of value to the State, local government, or other recipient to carry out a public purpose of support or stimulation authorized by a law of the United States instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government; and (2) substantial involvement is expected between the executive agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement.
- 7.1.3 Materiality: The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.⁵ SFFAS 3, Accounting for Inventory and Related Property,⁶ paragraph 14, states that “the accounting and reporting provisions of...standards should be applied to all items that would influence or change the users’ judgment of the entity’s efficiency and effectiveness and its compliance with laws and regulations in a material manner.” In particular, management of the Program Office (together with OCFO-Accounting and OCFO-Financial Management) should consider the materiality of the grant program relative to the agency’s statement of net cost.⁷
- 7.1.4 Accrual Accounting: Records the effects on a reporting entity of transactions and other events and circumstances in the periods in which those transactions, events, and circumstances occur rather than only in the periods in which cash is received or paid by the entity. Accrual accounting is concerned with an entity’s acquiring of goods and services and using them to produce and distribute other goods and services. It recognizes that the buying, producing, selling, distributing, and other operations of an entity during a period, as well as other events that affect entity performance, often do not coincide with the cash receipts and payments of the period.⁸

⁴ 31 USC Section 6302 excludes the following from the definition of a grant agreement: agreements under which is provided only - (A) direct United States Government cash assistance to an individual; (B) a subsidy; (C) a loan; (D) a loan guarantee; or (E) insurance.

⁵ [Financial Accounting Standards Board’s Statement of Accounting Concepts No. 2, Qualitative Characteristics of Accounting Information](#), p. 6.

⁶ http://www.fasab.gov/pdf/files/handbook_sffas_3.pdf

⁷ TR 12, paragraph 7. Please note for clarity in the workings of the policy, the following phrase was inserted into the TR 12, paragraph 7 citation: “together with OCFO-Accounting and OCFO-Financial Management.”

⁸ [FASAB’s SFFAS 24 Selected Standards for the Consolidated Financial Report of the United States Government](#), p. 18.

7.1.5 FASAB's Statement of Federal Financial Accounting Concepts 5⁹ defines the following five elements of accrual-basis financial statements of the federal government:

7.1.5.1 An *asset* is a resource that embodies economic benefits or services that the federal government controls.

7.1.5.2 A *liability* is a present obligation of the federal government to provide assets or services to another entity at a determinable date, when a specified event occurs, or on demand.

7.1.5.3 *Net position* or its equivalent, net assets, is the arithmetic difference between the total assets and total liabilities recognized in the federal government's or a component entity's balance sheet. Net position may be positive (assets greater than liabilities) or negative (assets less than liabilities).

7.1.5.4 A *revenue* is an inflow of or other increase in assets, a decrease in liabilities, or a combination of both that results in an increase in the government's net position during the reporting period.

7.1.5.5 An *expense* is an outflow of or other decrease in assets, an increase in liabilities, or a combination of both that results in a decrease in the government's net position during the reporting period.

7.1.6 Testing: Assessing and evaluating the internal controls of HUD's accrual basis, and performing risk assessments annually.

While Grantees are generally required to submit quarterly Federal Financial Reports using a Standard Form 425 (SF-425), it is important to note that SF-425s are not always required. Also, HUD "may waive the use of the SF-425 and require an alternative reporting system" for nonprofit grantees, as provided by 24 CFR 84.52(a). Alternative forms of supporting data are perfectly acceptable to be used under this policy as described in the alternative methods (see paragraphs 8.7 through 8.11). HUD may accept the required financial information in an electronic format or computer printouts instead of the prescribed forms for governmental grantees, as provided by 24 CFR 85.21(a)(5). The Program Offices will need to gather data quickly and/or use prior historical data (reported in SF-425s or alternative forms of reporting that were submitted in earlier periods) to develop the accrual. The method must be agreed between the two offices (Program Office staff and OCFO-Accounting), and must clearly document the methodology used and consistently followed.

⁹ http://www.fasab.gov/pdf/files/handbook_sffac_5.pdf

Program Office staff will provide accrual estimates to OCFO-Accounting as stated below:

Table 1 – Due Date of Accrual Estimates	
Reporting Quarter	Info Due to OCFO-Accounting¹⁰
January 1 – March 31	3 rd business day after end of quarter
April 1 – June 30	
July 1 – September 30	
October 1 – December 31	

8 Grant Accrual Estimation Methodology:

8.1 Program Office staff may calculate the grant accrual based on a combination of methodologies that may include, but is not limited to:

- a) Use of SF-425 data compiled by the Program Offices. (SF-425 data from prior periods may be used to develop the accrual.)
- b) Amortization of remaining grant balance over the estimated remaining life, which may be adjusted on a quarterly basis to reflect cyclical spending patterns and grant extension practices;
- c) Specific accrual that is based on outreach/confirmation of estimates from grantees; and
- d) Application of historical spending patterns for similar grant programs.
- e) Use of data from LOCCS or IDIS.

The methodologies developed by the program offices should reflect the characteristics of its grantees and the use of federal resources by its grantees. For example, the classification of grantees such as profit versus non-profit organizations receiving federal funds on a competitive basis may have different characteristics than those grantees whose funds are formula driven. The nature of federal funding may also impact other critical factors in determining the amount of the accruals such as draw down rates and the availability of funding from the Department during the fiscal year. Any uniqueness associated with HUD’s diverse grantees must be documented in the program offices’ methodologies in deriving the amount of accruals associated with their individual programs. Adjustments to the methodologies may be made by Program Office staff in consultation with OCFO-Accounting to improve the quality of the grant accrual estimate, based on grant or grant program characteristics (for example, whether a grant is formula or competitive, is related to a specific type of program such as construction, etc.). Program Office staff will document the methodologies employed for each quarterly grant accrual calculation. In addition to the quarterly grant accrual calculation, Program Office staff will each quarter review grant data to identify any material items that would necessitate additional entries to be recorded.

9 Estimation of Grant Accruals: With reference to the paragraphs cited below in TR 12, each program area will develop processes, name responsible action officials and set forth due dates to

¹⁰ Contacts to be named at the CFO Accounting Center Fort Worth.

complete the following actions in the estimation of grant accruals, and to forward reporting to OCFO-Accounting on a quarterly basis, per Table 1 above. OCFO plans to review program office grant accruals calculated in accordance with HUD's Grant Accrual Policy. This will be incorporated as part of our review of Internal Controls over Financial Reporting performed in accordance with OMB Circular A-123, Appendix A for program areas assessed during this review.

- 9.1 SFFAS 3, paragraph 14, states that "the accounting and reporting provisions of...standards should be applied to all items that would influence or change the users' judgment of the entity's efficiency and effectiveness and its compliance with laws and regulations in a material manner." In particular, management of the Program Offices, together with OCFO-Accounting and OCFO-Financial Management, should consider the materiality of the grant program relative to the agency's statement of net cost.
- 9.2 The following list includes some of the factors that management should consider in determining which grant programs may have a higher risk of material misstatement that might cause financial statement users to make incorrect assessments regarding the efficiency and effectiveness of the program:
 - a) Degree of variance between past estimates and program's actual operating cost
 - b) Significant findings reported in past program audits (if applicable)
 - c) Age of the program (mature programs may have less risk than newer programs)
 - d) Congressional and other public policy interest in a given program
- 9.3 For grant programs that are immaterial to the statement of net cost and/or that have a lower risk of misstatement, Program Offices, together with OCFO-Accounting and OCFO-Financial Management, may consider validating accrual estimates less frequently. Program Offices, together with OCFO-Accounting and OCFO-Financial Management, should apply cost-benefit considerations to the process of estimating accruals for grant programs.
- 9.4 Program Offices must identify the reporting and data to be used in the preparation of reliable accrual estimates.
- 9.5 Program Offices must identify, develop and formulate the calculations, documentation and support to be used to develop grant accrual estimates in accordance with the following guidance in paragraph 11: *"Preparing reliable and timely accrual estimates for grant programs must be a joint effort between the budget, financial, and Program Offices at each agency. These offices should work together to ensure that the procedures and internal control recommendations outlined in this TR are implemented and operating as designed."*
 - 9.5.1 Each Program Office will collect data received from grantees each quarter and:
 - a) Assemble and consolidate data by Appropriation (see Attachment B) listing Treasury Account Symbol
 - b) Complete a Grant Accrual Calculation Worksheet for each Appropriation (See Attachment C – 1st worksheet) and send to OCFO-Accounting by the due date listed in the Table 1 above. (Note: The Grant Accrual Calculation Worksheet is

presented using the SF-425 method. Please revise it appropriately for alternative methods.)

- c) Complete a Grant Accrual Summary Sheet listing the Total Accrual for each Appropriation and the Total Accruals for the Program Office (see Attachment C – 2nd worksheet) and send to OCFO-Accounting by the due date listed in the Table 1 above.
- d) Evaluate cash disbursements by the grantee in excess of HUD funding for the quarter following the close to confirm that cross cutting of fiscal years is not occurring due to the Department’s cash management policies for its grantees.

The following accrual calculations are provided as examples:

9.6 Grant Accrual Calculation: Method 1- Using SF-425 (Federal Financial Report)

9.6.1 Source of Data - The following blocks in the Federal Financial Report (SF-425)

- a) 10 a. Cash Receipts
- b) 10 b. Cash Disbursements
- c) 10 c. Cash on Hand
- d) Identify key assumptions.

(Note: SF-425s submitted in earlier periods may be used as the source of data for the calculation.)

9.6.2 Definition of SF-425 blocks:

- a) 10 a. Cash Receipts - *Enter the cumulative amount of actual cash received from the Federal agency as of the reporting period end date.*
- b) 10 b. Cash Disbursements - *Enter the cumulative amount of Federal fund disbursements (such as cash or checks) as of the reporting period end date. Disbursements are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to sub-recipients and contractors.*
- c) 10 c. Cash On Hand (Line 10a Minus Line 10b) - *Enter the amount of Line 10a minus Line 10b. This amount represents immediate cash needs. If more than three business days of cash are on hand, the Federal agency may require an explanation on Line 12, Remarks, explaining why the drawdown was made prematurely or other reasons for the excess cash.*

9.6.3 Accrual Calculation: 10 a. Cash Receipts minus 10 b. Cash Disbursements = Accrual

9.7 Grant Accrual Calculation: Method 2 - Amortization of remaining grant balance over the estimated remaining life, which may be adjusted on a quarterly basis to reflect cyclical spending patterns and grant extension practices.

For example: The first quarter of a one year grant of \$20,000,000 has closed in the current reporting period. Assumption: Grantee will incur expenses as forecast in the budget. The budget for the award projects expenditures to be incurred as follows:

1 st Quarter	35%
2 nd Quarter	25%
3 rd Quarter	20%
4 th Quarter	20%

Accrual Estimate:

1st Quarter expenditures	
Budgeted at 35%	\$7,000,000
Reported by Grantee to HUD for Q1	\$5,000,000
1 st Quarter Grant Accrual Estimate	\$2,000,000

Note: Method must identify key assumptions.

9.8 Grant Accrual Calculation: Method 3 – (Specific accrual that is based on outreach/confirmation of estimates from grantees.)

For example: Grantee reports expenditures to HUD using an alternate reporting format or document. While different than the SF-425, the alternative reporting format provides data for the reporting period that sets forth:

- a) Amount of cash received from HUD.
- b) Amount of expenses incurred as HUD’s share of the grant expenses.
- c) An estimated grant accrual for the award is equal to 1) minus 2).
- d) Identification of key assumptions.

9.9 Grant Accrual Calculation: Method 4 - Application of historical spending patterns for the grant program or similar grant programs.

For example: A grantee has several grants awarded by HUD. The grantee has strong internal controls and a history of reliable and consistent reporting to HUD over a ten year period. Due to temporary shortages in staffing, the grantee was not able to establish a budget and report expenditures for the current quarter on a new one-year grant of \$10,000,000. Since the grantee historically has expended funds in a fashion consistent with the budget set up for individual grants, the Program Office estimates an accrual using the incurrence of expenditures budgeted for a similar grant as follows:

1st Quarter	25%
2nd Quarter	25%
3rd Quarter	25%
4th Quarter	25%

The 1st quarter of the grant closed in the current period, and LOCCS reported \$2,000,000 drawn on the grant at the close of the quarter. The grant accrual estimate is calculated as follows:

Expenditures – 1st Quarter of GRANT	
1 st Qtr. Budget of similar grant - 25%	\$2,500,000
Drawn by Grantee in LOCCS	\$2,000,000
1st Quarter Grant Accrual Estimate	\$ 500,000

Note: Method must identify key assumptions.

9.10 Grant Accrual Calculation: Method 5 – Using monthly eLOCCS disbursements

Utilize actual disbursements made to the grantees for the 12-months ending on the financial reporting date. The total disbursements are then used to calculate the monthly average disbursements over the 12-months period. The average monthly disbursement becomes the grant accrual:

$$\text{Accrual for Grant Programs} = [\text{Total Disbursements for 12-months}] / 12$$

Identification of Key Assumptions:

1. Equal monthly disbursements. Since utilizing the monthly average disbursements from eLOCCS, it is assumed that the grantees draw down grants in equal installments throughout the year.
2. 30-days processing time. Assuming that on an average, there is a 30 days (or less) processing time for a grantee to incur an eligible expense, request draw down, and actually draw down funds. Therefore, a grantee’s disbursement for a month will generally reflect the expenses incurred in the previous month.

9.11 Data Collection

9.11.1 Report quarterly on a cumulative, fiscal year to date basis.

9.11.2 Describe the method used to consolidate/aggregate the grants data.

- a) If by Statistical Sample
 - i. describe the method of selection (random, systematic, etc.)
 - ii. state the sample size
 - iii. describe stratification if used
- b) If by 100% survey of all grants
 - i. provide a listing of all grants including accrual calculations.

9.12 Program Offices must determine what documentation, data and assumptions will be maintained of the processes used to develop grant accrual estimates in accordance with the following guidance in paragraph 12 of TR 12: “Agencies should document and maintain support for the data and assumptions used to develop grant accrual estimates. The documentation will facilitate the agency’s review of the assumptions, a key internal control, and will also facilitate the auditor’s testing of the estimates. Documentation should be complete and stand on its own, i.e., a knowledgeable independent person could perform the same steps and replicate the same results.”

- 9.13 Program Offices must prepare accrual estimates for existing (mature) grant programs in accordance with guidance in paragraphs 14 and 15 of TR 12.
- 9.14 Program Offices must prepare accrual estimates for new grant programs or changes to existing grant programs in accordance with guidance in paragraphs 16 through 21 of TR 12.
- 9.15 Program Offices must ensure that adequate internal controls are in place with respect to the development of accurate grant accrual estimates in accordance with guidance in paragraphs 22 through 24 of TR 12.
- 9.16 OCFO-Accounting and OCFO-Financial management must monitor internal controls in accordance with guidance in paragraph 25 of TR 12.
- 9.17 Program Offices must validate grant accrual estimates by comparing estimates with subsequent grantee reporting in accordance with guidance in paragraphs 26 through 30 of TR 12.
- 9.18 To obtain reliable data and accurate reporting by grant recipients, establish and carry out necessary training and monitoring of grantees in accordance with guidance in paragraphs 31 through 34 of TR 12.

10 Attachment A: FASAB's Technical Release 12

11 Attachment B: Program Offices Issuing Grants by Treasury Account Symbol

12 Attachment C: Accrual Worksheet

13 Attachment D: SF-425 and instructions

Technical Release 12: Accrual Estimates for Grant Programs

Status

Issued	August 4, 2010
Effective Date	For fiscal periods beginning after September 30, 2010.
Interpretations and Technical Release	None.
Affects	None.
Affected by	None.

Summary

This technical release addresses materiality considerations, risk assessment, and procedures for estimating accruals for grant programs, including acceptable procedures until sufficient relevant and reliable historical data is available for new grant programs or changes to existing programs. This technical release also provides guidance on acceptable sources of documentation for grant accrual estimates; internal controls, including monitoring of internal controls and validation of grant accrual estimates; training of grantees; and monitoring of grantee reporting.

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Introduction

Purpose

1. A series of roundtables in April 2009 indicated that guidance for estimating accruals for grant programs would be helpful for agencies. Specifically, agencies indicated a need for guidance that describes a cost-effective framework for developing reasonable estimates of accrued grant liabilities.

Scope

2. This Technical Release (TR) applies to **grants**¹ that are paid by a federal entity to a non-federal entity. This TR does not apply to contracts or other purchases of goods or services. This TR does not establish new reporting requirements. This TR does not affect reporting in the Budget of the United States or special-purpose reports such as those required by law or regulation to be prepared in accordance with guidance other than generally accepted accounting principles.

Effective Date

3. This technical release is effective for periods beginning after September 30, 2010, with earlier implementation encouraged.

¹ Terms first appearing in **bold** are defined in the glossary.

Background

Overview

4. This TR addresses materiality considerations, risk assessment, and procedures for estimating accruals² for grant programs, including acceptable procedures until sufficient relevant and reliable historical data is available for new grant programs or changes to existing programs. This TR also provides guidance on acceptable sources of documentation for grant accrual estimates; internal controls, including monitoring of internal controls and validation of grant accrual estimates; training of grantees; and monitoring of grantee reporting.

Related Accounting Literature

5. Related accounting standards are listed below. Relevant excerpts are provided in *Appendix C: Relevant Citations of Existing Guidance*.
 - a. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*,
 - b. SFFAS 3, *Accounting for Inventory and Related Property*,
 - c. SFFAS 5, *Accounting for Liabilities of the Federal Government*,
 - d. SFFAS 21, *Reporting Correction of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources*
 - e. Statement of Federal Financial Accounting Concepts (SFFAC) 5, *Definition of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*

² Agencies must recognize and report balances due to or advanced to grantees at the end of the reporting period. Adjustments are needed to provide for eligible expenses that grantees have incurred as of the reporting date but have not yet reported to the agencies. Since these adjustments are based upon estimates, they are referred to as “accrual estimates” in this guidance. In particular:

- Advances: Amounts issued as advances must be adjusted, even if grantees have not yet reported expenses incurred. (See SFFAS 1, *Accounting for Selected Assets and Liabilities*, par. 57-59.)
- Accounts Payable: Where there is no advance or no remaining advance, agencies must estimate amounts payable to grantees. (See SFFAS 5, *Accounting for Liabilities of the Federal Government*, par. 24-25.)

Technical Guidance

Definitions

6. **Grants:** 31 USC Section 6304 defines grants as follows: An executive agency shall use a grant agreement as the legal instrument reflecting a relationship between the United States Government and a State, a local government, or other recipient when (1) the principal purpose of the relationship is to transfer a thing of value to the State or local government or other recipient to carry out a public purpose of support or stimulation authorized by a law of the United States instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government; and (2) substantial involvement is not expected between the executive agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement.³

Materiality Considerations and Risk Assessment

7. SFFAS 3, paragraph 14, states that “the accounting and reporting provisions of...standards should be applied to all items that would influence or change the users’ judgment of the entity’s efficiency and effectiveness and its compliance with laws and regulations in a material manner.”⁴ In particular, management should consider the materiality of the grant program relative to the agency’s statement of net cost.
8. The following list includes some of the factors that management should consider in determining which grant programs may have a higher risk of material misstatement that might cause financial statement users to make incorrect assessments regarding the efficiency and effectiveness of the program:
- a. the degree of variance between past estimates and the program’s actual operating cost (if applicable)

³ 31 USC Section 6302 excludes the following from the definition of a grant agreement: agreements under which is provided only -

- (A) direct United States Government cash assistance to an individual;
- (B) a subsidy;
- (C) a loan;
- (D) a loan guarantee; or
- (E) insurance.

⁴ SFFAS 3, paragraph 14. See Attachment 1 for the full discussion of materiality from SFFAS 3.

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- b. significant findings reported in past program audits (if applicable)
 - c. the age of the program (other factors being equal, mature programs may have less risk than newer programs)
 - d. Congressional and other public policy interest in a given program
9. For grant programs that are immaterial to the statement of net cost and/or that have a lower risk of misstatement, management might consider validating estimates less frequently.
10. Management should apply cost-benefit considerations to the process of estimating accruals for grant programs.

Preparing Accrual Estimates for Grant Programs

11. Preparing reliable and timely accrual estimates for grant programs must be a joint effort between the budget, financial, and program offices at each agency. These offices should work together to ensure that the procedures and internal control recommendations⁵ outlined in this TR are implemented and operating as designed. However, some agencies may not be able to effectively implement all of these procedures, because they have not yet developed the necessary data stores and/or methods for preparing grant accrual estimates. Therefore, until sufficient relevant historical information on grant programs is available, the alternatives outlined in this TR should be utilized for developing grant accrual estimates.
12. Agencies should document and maintain support for the data and assumptions used to develop grant accrual estimates. The documentation will facilitate the agency's review of the assumptions, a key internal control, and will also facilitate the auditor's testing of the estimates. Documentation should be complete and stand on its own, i.e., a knowledgeable independent person could perform the same steps and replicate the same results. If the documentation were from a source that would normally be destroyed, then copies should be maintained in the file for the purpose of reconstructing the estimates.

⁵ Internal control is an integral component of an organization's management that provides reasonable assurance regarding the achievement of reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Internal control consists of the control environment, risk assessment, control activities, information and communications and monitoring. Source: Summarized from *Internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations (COSO), consisting of the American Institute of CPAs (AICPA), the Institute of Management Accountants (IMA), the Institute of Internal Auditors (IIA), Financial Executives International (FEI), and the American Accounting Association (AAA). See http://www.aicpa.org/audcommctr/toolkitsnpo/Internal_Control.htm (accessed 3-12-2010)

13. For both existing grant programs and new or modified grant programs, management's documentation of relevant program design factors may include:
 - a. program definition including legislation
 - b. legislation or regulations changing the terms, maximum grant amount, total program size, or characteristics of the grantee population
 - c. program eligibility requirements
 - d. grant agreements detailing the terms and conditions of the grants

Preparing Accrual Estimates for Existing (Mature) Grant Programs

14. Agencies must accumulate sufficient relevant and reliable data on which to base accrual estimates. Each agency should prepare grant accrual estimates based upon the best available data at the time the estimates are made. Guidance on the types of supporting documentation of procedures that are acceptable for existing (mature) grant programs is found in paragraphs 13 and 15 of this document.
15. For existing programs, management should ensure that adequate documentation is available for accrual estimates relating to existing grant programs. Typical support documentation may include:
 - a. procedures used for calculating the estimate
 - b. documentation for the review and approval process for the estimate
 - c. support for the calculation of the estimate, including the underlying assumptions used
 - d. historical data supporting the assumptions
 - e. relevant documentation of supporting actual cash and/or accrual experience (including the date and source of reports, whether grantees reported on a cash or accrual basis, and how recently the data were updated). The documentation may include:
 - i. historical data and trends, citing sources of information and relevant time frame
 - ii. an analysis that identifies the most critical factors
 - iii. trend analysis developed from reports from the accounting or program management systems

- iv. evidence of experience by other agencies with similar programs
- v. evidence of emergencies or legislated changes, such as changes in program terms, program size, or characteristics of grant recipients
- vi. evidence of other relevant factors that may be identified by grant program managers
- f. explanation of any sampling process used, including, if applicable, treatment of grant programs with different payment patterns, and/or legislation
- g. explanation of the calculation concept used, such as simple linear regression, statistical analysis, or other appropriate method
- h. procedures for error checking, including procedures to validate the completeness and accuracy of the underlying data used in preparing the accrual estimate
- i. procedures for monitoring/validation subsequent to the end of the reporting period

Preparing Accrual Estimates for New Grant Programs or Changes to Existing Grant Programs

16. In the absence of sufficient relevant and reliable historical data on which to base accrual estimates, agencies should prepare estimates based upon the best available data at the time the estimates are made. Paragraphs 13 and 19 of this document provide guidance on acceptable types of supporting documentation.
17. In certain limited instances, informed opinion may be used to support grant accrual estimates in the absence of sufficient relevant and reliable historical data. Informed opinion refers to the judgment of agency staff or others who make estimates based on their programmatic knowledge and/or experience without using a fully satisfactory information store and, in some cases, without using an econometric or other statistical model. Informed opinion may be used only as a last resort when relevant and reliable historical data and/or modeling capabilities are not available. This could occur when a new program has been established or when the Congress has changed an existing program in ways that cannot be represented by historical data. Informed opinion should therefore be used as an interim method only, and the agency should develop an action plan to establish an information store, appropriate models, and supporting documentation.
18. If an expert is used, the expert's qualifications, such as professional or academic certification or length and kind of experience, must be assessed. The basis of the stated opinion must be articulated and documented in sufficient detail to allow review and validation by

independent sources, including independent auditors. For example, a statistician may be best qualified to determine the appropriate model for grant accrual estimates using limited or imperfect data.

19. Management should ensure that adequate documentation is available for grant accrual procedures for new programs or changes to existing programs that do not have historical supporting documentation. In the absence of relevant and reliable historical experience as the support for estimates, the agency should document the basis for accrual estimates. Typical support may include:
 - a. relevant experience from other programs within the reporting agency or programs at other agencies, including documentation of why another agency's experience is relevant, as well as similarities and differences (particularly possible biases) between the other agency's experience and the new programs or changes to existing programs of the agency relying on the experience of the other agency
 - b. extrapolation from subsets of prior program activity, e.g., while prior grants were not specifically targeted to a certain pool of grantees, it may be possible to identify prior activity with grantees with the same or similar characteristics to the targeted pool
 - c. information from program managers regarding grantee activity and spending patterns
20. When expert opinion is used as an interim measure, the agency should document the expert's qualifications, such as professional or academic certification or length of experience, as well as the basis for the stated opinion. In addition, the following documents should be maintained in support of the expert's opinion:
 - i. reports and studies on relevant issues
 - ii. minutes from internal meetings and other relevant communications describing the basis for any assumptions or changes in assumptions
21. An illustrative decision tree diagram of the grant accrual process is displayed in Figure 1 of *Appendix B: Illustrative Decision Tree Diagrams for Developing and Validating Grant Accruals*.

Internal Controls: Developing Grant Accrual Estimates

22. Management should ensure that adequate internal control procedures are in place. Procedures in place should ensure that grant accrual estimates are based on historical transactions in previous years to the extent that relevant and reliable historical data exists.

23. Documented procedures are important to communicate relevant information on the grant accrual estimation to employees and management as well as other interested parties, such as auditors. As an agency experiences employee turnover, these documented procedures can provide vital information for new employees on how to complete reliable, well supported grant accrual estimates. Such documentation may be used to establish consistent procedures for developing grant accrual estimates across grant programs with similar characteristics.
24. Internal control documentation may include:
- a. documentation of the procedures and flow of information used in developing grant accrual estimates, e.g., flow chart with supporting narrative
 - b. a discussion of who is responsible for each step of the estimate as well as the review and approval process followed
 - c. the model(s) used, the rationale for selecting the specific methodologies, and, for programs with sufficient historical data, the degree of calibration within the projected spending model(s)⁶
 - d. the sources of information, the logic flow, and the mechanics of the model(s), including the formulas and other mathematical functions
 - e. detailed subsidiary accounting records by grant program
 - f. an audit trail from individual transactions to the subsidiary ledgers to the general ledger
 - g. an assessment of the impact of changes in law or regulations on the reliability of estimates and should ensure that the grant accrual estimate model reflects these changes
 - h. an assessment of the impact of subsequent events on the entity's grant accrual estimates (Some subsequent events may require adjustments to the financial statements while others may require disclosure in the notes to the financial statements.⁷)

⁶ Calibration is the degree of precision within the model, i.e., the model's ability to accurately predict the trends of expenses incurred for a given grant program. The degree of calibration within the model can be documented by charts or graphs showing projected expenses incurred versus the actual expenses incurred by reporting period. This document would analyze the variance between projected and actual expenses incurred by grantees.

⁷ See requirements in SFFAS 39, *Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards*, August 4, 2010.

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- i. a trend analysis of grant accrual estimates from year to year, and results of investigations of unusual fluctuations that are identified
-

Monitoring Internal Controls

25. Management should monitor controls to determine whether they are operating as intended and that they are modified as appropriate for changes in conditions. Monitoring is a process that assesses the quality of internal controls performance over time. The Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, is issued under the authority of the Federal Managers' Financial Integrity Act (FMFIA) of 1982 and provides guidance to federal managers on improving the accountability, efficiency and effectiveness of federal programs and operations by establishing, assessing, correcting, and reporting on management controls. Circular A-123⁸ provides that:

Instead of considering internal control as an isolated management tool, agencies should integrate their efforts to meet the requirements of the FMFIA with other efforts to improve effectiveness and accountability. Thus, internal control should be an integral part of the entire cycle of planning, budgeting, management, accounting, and auditing. It should support the effectiveness and the integrity of every step of the process and provide continual feedback to management.

Federal managers must carefully consider the appropriate balance between controls and risk in their programs and operations. Too many controls can result in inefficient and ineffective government; agency managers must ensure an appropriate balance between the strength of controls and the relative risk associated with particular programs and operations. The benefits of controls should outweigh the cost. Agencies should consider both qualitative and quantitative factors when analyzing costs against benefits.⁹

Validation of Grant Accrual Estimates

26. As part of agencies' internal control procedures to ensure that grant accrual estimates for the basic financial statements were reasonable, agencies should validate grant accrual estimates by comparing the estimates with subsequent grantee reporting.

⁸ OMB Circulars are not applicable to legislative and judicial branch entities. However, the general principles are appropriate for federal reporting entities in the legislative and judicial branches.

⁹ OMB Circular A-123, December 21, 2004, Section I, page 5.

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27. When subsequently validating the reasonableness of accrual estimates, an agency does not need to obtain data¹⁰ from 100% of grantees in order to validate the reasonableness of grant accrual estimates. For example, agencies may validate estimates based upon:
- a. grantee data that represents a majority of the total grant portfolio, or
 - b. data from a statistically valid sampling of the total grantee portfolio.
28. When developing grant accrual estimates, agencies only have access to data that is available at the time. The nature and reliability of available grant data varies widely and, because of the relationship between the grantor and the grantee, is often only indirectly influenced by management. The validation process includes an understanding that estimates are inherently uncertain, and that management must use judgment in determining:
- a. whether differences between estimated and actual expenses are reasonable
 - b. if different estimation methods could result in more accurate estimates of net cost in the future
29. A difference between an accounting estimate and actual result does not necessarily represent a misstatement of the financial statements. Rather, differences could be an outcome of inherent estimation uncertainty. However, it could result in a misstatement if, as described in SFFAS 21, Reporting Corrections of Errors and Changes in Accounting Principles, the difference arises from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. Differences between estimates and actual should be taken into consideration in developing the subsequent period's estimate.¹¹
30. An illustrative decision tree diagram of the validation process is displayed in Figure 2 of *Appendix B: Illustrative Decision Tree Diagrams for Developing and Validating Grant Accruals*.

¹⁰ Data refers to information provided by grantees regarding their actual expenses or expenditures. Sources of data may include, but are not limited to, grantee reports to agencies and audited amounts from Single Audit Act audits.

¹¹ See SFFAS 21, paragraph 10.

Training and Monitoring of Grantees

31. Since preparation of accrual estimates is dependent upon relevant and reliable data, accurate and timely reporting by grant recipients serves as the basis for historical data used in preparing future estimates and provides reliable actual data to which accrual estimates can be compared. Agencies should consider whether grant recipients need training on completing required financial reports. If needed, training may be delivered via agency sponsored conferences, workshops and/or seminars, customer service centers and help desks, or computer based sources such as webcasts or other training options available through the agency's website.
32. Reports submitted by grantees should be reviewed to ensure their reasonableness. Agencies should have policies and procedures in place to review and verify the grantee expenditures (or expenses) reported.¹²
33. When agencies engage in on-site financial monitoring of grantees, protocols should include comparing grant expenses or expenditures reported with actual expenses or expenditures and to supporting documentation. Techniques for monitoring of grantee reporting of expenditures may also include stratified sampling.
34. Timely follow up of incorrect reporting should be performed to ensure a higher degree of compliance with reporting requirements. For example, inaccurate grant expenditures (or expenses) reported could be conveyed to grantees by an official letter requesting a corrective action plan. During on-site financial reviews, technical assistance could be provided when grant expenditures reported are inaccurate.

¹² At the time of this writing, grant recipients predominantly report expenditures. However, expenses may be reported in some cases and in the future.

Appendix A: Basis for Conclusions

This appendix discusses some factors considered significant by Committee members in reaching the conclusions in this Technical Release. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others.

Project History

- A1. A series of roundtables in April 2009 indicated that guidance for determining whether estimates of advances and payables for grant programs are reasonable would be helpful for agencies. Specifically, agencies indicated a need for guidance supporting cost-effective development of reasonable estimates.
- A2. A Task Force consisting of representatives from federal agencies and independent accounting and consulting firms assisted FASAB staff in identifying areas where guidance would be helpful. Specifically, members indicated a need for guidance regarding:
 - a. appropriate reliance on the best available data in light of the often limited access grantee data
 - b. situations where no historical data is available such as new or modified grant programs
 - c. assessment about materiality and whether it is appropriate to focus on the statement of net cost when making such assessments
 - d. cost-effective means of validating previous estimates
- A3. Proposed draft guidance was submitted to the FASAB's Accounting and Auditing Policy Committee (AAPC) for consideration at the January 2010 AAPC meeting. The AAPC agreed to accept the project.

Summary of Outreach Efforts

- A4. The exposure draft (ED), *Accrual Estimates for Grants*, was issued March 22, 2010, with comments requested by April 22, 2010. Upon release of the exposure draft, notices and press releases were provided to:
 - a. the Federal Register

- b. FASAB News
 - c. the Journal of Accountancy, AGA Today, the CPA Journal, Government Executive, the CPA Letter, and Government Accounting and Auditing Update
 - d. the CFO Council, the Presidents Council on Integrity and Efficiency, and the Financial Statement Audit Network
 - e. committees of professional associations generally commenting on exposure drafts in the past
 - f. members of the Grants Accounting Task Force that helped develop the ED
- A5. To encourage responses, a reminder notice was provided on April 22, 2010 to the FASAB Listserv.

Comments Received

A6. We received 24 responses from the following sources:

	FEDERAL (Internal)	NON-FEDERAL (External)
Users, academics, others	0	3
Auditors	4	2
Preparers and financial managers	15	0
Total	19	5

- A7. The majority of responses concurred with all aspects of the proposed guidance. Revisions were made for the following reasons:
- a. corrections (such as removing references to year-end, since the guidance can be applied to any reporting period)
 - b. revisions to language that was more prescriptive than the AAPC intended (by adding phrases such as “typical support may include” rather than a list that might be interpreted as being a required checklist)
 - c. improvements for clarity and to improve the logical flow of the guidance

Netting of Grant-Related Advances and Accounts Payable

- A8. The ED included the following proposed guidance on netting grant-related advances and accounts payable on the face of the balance sheet with a requirement to report grant-related advances and accounts payable in a note to the financial statements:

Display

[26] When grant accrual estimates are prepared on an aggregate level, agencies may display a net amount on the balance sheet and report estimated disaggregated advances and liabilities in a note. (An illustrative example is displayed in Appendix C, *Illustrative Example of Note on Netting Grant Advances and Accrued Liabilities.*)

- A9. Although a majority of respondents concurred with the proposed guidance, a significant minority found the language confusing. In addition, the language appeared to allow netting in certain circumstances and to prohibit it in other circumstances, which was not the intent of the proposed TR. The AAPC believes that significant revisions to the guidance would be needed to clarify it. Generally, significant revisions are adopted only after providing an opportunity for public comment. Given the time involved in issuing a revised ED for comment, the AAPC decided to delete the proposed guidance on netting from this TR. The AAPC expressed willingness to address the issue of netting in the future if needed.

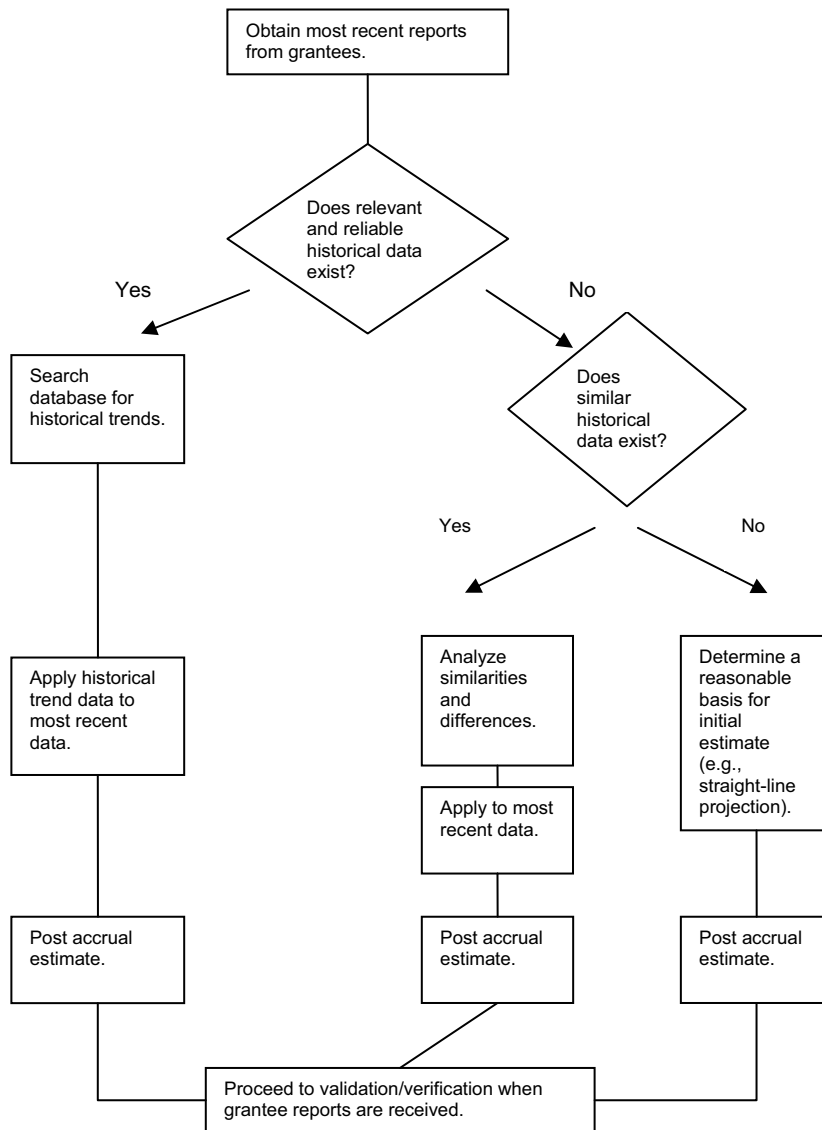
Effective Date

- A10. The ED included a provision that the guidance was effective immediately. Two respondents indicated that the effective date should be postponed to a future fiscal year, with earlier implementation encouraged. Although TRs do not establish new reporting requirements, the AAPC has no objection to postponing the effective date to FY 2011 with earlier implementation encouraged.

Appendix B: Illustrative Decision Tree Diagrams for Developing and Validating Grant Accruals

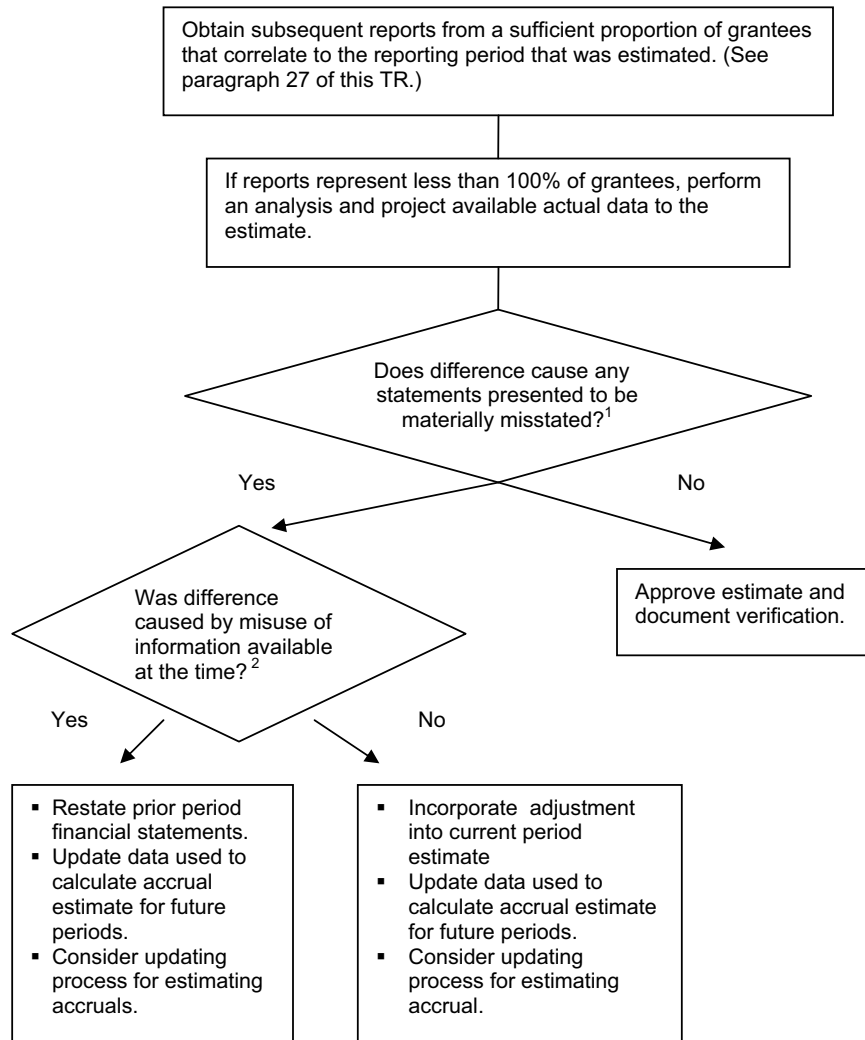
The example decision tree diagram in Figure 1 below illustrates processes that agencies might use in the grant accrual process described in paragraphs 11– 19. This example is illustrative only and is not authoritative guidance.

Figure 1: Illustrative Example of Grant Accrual Process



This example decision tree diagram in Figure 2 below illustrates processes that agencies might use in validating grant accrual estimates in paragraphs 26 - 29. This example is illustrative only and is not authoritative guidance.

Figure 2: Illustrative Example of Validation/Verification Process



¹. See SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources*, paragraph 11.

². See SFFAS 21, paragraph 10.

Appendix C: Relevant Citations of Existing Guidance

Five elements of accrual-based federal financial statements – assets, liabilities, net position, revenues and expenses) are defined in Statement of Federal Financial Accounting Concepts 5, Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements.

An asset is a resource that embodies economic benefits or services that the federal government controls.¹³

A liability is a present obligation of the federal government to provide assets or services to another entity at a determinable date, when a specified event occurs, or on demand.¹⁴

Statement of Federal Financial Accounting Standards (SFFAS) 1, Accounting for Selected Assets and Liabilities, defines advances as cash outlays made by a federal entity to its employees, contractors, grantees, or other to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires. Examples include travel advances disbursed to employees prior to business trips, and cash or other assets disbursed under a contract, grant, or cooperative agreement before services or goods are provided by the contractor or grantee.¹⁵

SFFAS 5, *Accounting for Liabilities of the Federal Government*, states that:

[24.] A nonexchange transaction arises when one party to a transaction receives value without directly giving or promising value in return. There is a one-way flow of resources or promises. For federal nonexchange transactions, a liability should be recognized for any unpaid amounts due as of the reporting date. This includes amounts due from the federal entity to pay for benefits, goods, or services¹⁶ provided under the terms of the program, as of the federal entity's reporting date, whether or not such amounts have been reported to the federal entity (for example, estimated Medicaid payments due to health providers for service that has been rendered and that will be financed by the federal entity but have not yet been reported to the federal entity).

¹³ SFFAC 5, par. 18.

¹⁴ SFFAC 5, par. 39.

¹⁵ SFFAS 1, par. 57.

¹⁶ SFFAS 5, Footnote [12] Goods or services may be provided under the terms of the program in the form of, for example, contractors providing a service for the government on the behalf of the disaster relief beneficiaries.

[25] Many grant and certain entitlement programs are nonexchange transactions. When the federal government creates an entitlement program or gives a grant to state or local governments, the provision of the payments is determined by federal law rather than through an exchange transaction.

SFFAS 5 requires that for grant programs, the liability that should be reported includes the amount of allowable expense that the grantees have incurred as of the end of the period, but have not collected from the agency. Complying with SFFAS 5 requires that the agency estimate the amounts not reported by the grantee but due to the grantee as of the reporting date. When the grantee has submitted subsequent reports providing the grantee's actual costs, the federal agency will be able to assess the grantee reports for accuracy and/or analyze the agency's previous estimate for accuracy.

SFFAS 3, *Accounting for Inventory and Related Property*, "Materiality" section, states that:

[7.] The Board intends that the standards' application be limited to items that are material. "Materiality" has not been strictly defined in the accounting community; rather, it has been a matter of judgment on the part of preparers of financial statements and the auditors who attest to them. The Board proposes relying on the Financial Accounting Standards Board's (FASB) concept as modified by certain concepts expressed in governmental auditing standards. Presented below is the Board's position on the issue of materiality at this time.

[8.] The accounting and reporting provisions of the Board's accounting standards need not be applied to immaterial items. The determination of whether an item is immaterial requires the exercise of considerable judgment, based on consideration of specific facts and circumstances.

[9.] FASB's Statement of Accounting Concepts No. 2, "Qualitative Characteristics of Accounting Information," discusses the concept of materiality. According to this statement, the determination of whether an item is material depends on the degree to which omitting or misstating information about this item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement. This concept includes both qualitative and quantitative considerations. An item that is not considered material from a quantitative standpoint may be considered qualitatively material if it would influence or change the judgment of the financial statement user.

[10.] The Board believes that FASB's definition of materiality is generally appropriate for use in applying the accounting and reporting provisions of the Board's accounting standards. In the federal government environment, however, the definition is extended to apply to all financial information included in the annual financial report and, therefore, is not limited to the principal schedules and related notes.

[11.] In applying the concept of materiality, the needs of the users of the annual financial report should also be considered. In the federal government environment, such needs generally differ from those of users of commercial entity financial statements. For example, federal government financial statement user needs extend to having the ability to assess the efficiency and the effectiveness of the entity's programs. Further, compliance with budget and other finance-related laws, rules, and regulations is also a significant consideration of such users.

[12.] This is expressed well in the Government Auditing Standards (the "Yellow Book"):

"In government audits the materiality level and/or threshold of acceptable risk may be lower than in similar-type audits in the private-sector because of the public accountability of the entity, the various legal and regulatory requirements, and the visibility and sensitivity of government programs, activities, and functions." (Ch. 3, par. 33.)

[13.] While this standard applies to an auditor's evaluation of materiality rather than a preparer's, it does provide insight into the factors affecting materiality in the federal government.

[14.] Therefore, the accounting and reporting provisions of the Board's recommended standards should be applied to all items that would influence or change the users' judgments of the entity's efficiency and the effectiveness and its compliance with laws and regulations in a material manner.

[15.] In order to emphasize that materiality should be considered in applying all accounting standards, the Board has decided to place a notice at the end of each recommended accounting standard. The notice will read as follows:

The provisions of this statement need not be applied to immaterial items.

Appendix D: AAPC Grants Accounting Task Force

Wendy M. Payne, Task Force Chair (AAPC Chair)

Task Force Working Group:

Department of Health and Human Services

DJ Business Solutions

Department of Transportation

Grant Thornton LLP

Kforce Government Solutions

Department. of Justice

Department of Justice

KPMG LLP

KPMG LLP

Clifton Gunderson LLP

Patricia Irving

Denise Joseph

Katherine Lambert

Shal Malhotra

Jim McKay

Marcia Paull

Frank Ramos

Catherine Supernaw

Derek Thomas

Denise Wu

Task Force Member Agencies

Department of Agriculture

U.S. Agency for International Development

Department of Commerce

Corporation for National and Community Service

Corporation for National and Community Service OIG

Defense Finance and Accounting Service

Department of Education

Environmental Protection Agency

Executive Office of the President, Office of Administration

General Services Administration

Government Accountability Office

Department of Health and Human Services

Department of Health and Human Services OIG

Department of Housing and Urban Development OIG

Department of Justice

Department of Justice OIG

Department of Labor OIG

National Aeronautics and Space Administration

National Science Foundation

Office of Management and Budget

Small Business Administration

Department of Transportation
Department of Transportation OIG
Department of the Treasury

Task Force Member Firms

Clifton Gunderson LLP
Deloitte & Touche LLP
DJ Business Solutions
Grant Thornton LLP
Kearney & Company
Kforce Government Solutions
KPMG LLP
PricewaterhouseCoopers

Attachment B

Program Offices Issuing Grants by Treasury Account Symbol

Treasury
Account
Symbol

Public and Indian Housing

Grant Programs Subject to Federal Reporting Standard

Public Housing Capital fund	86-0304
Drug Elimination Grants for Low Income Housing	86-0197
Choice Neighborhood Initiative	86-0349
Revitalization Severely Distressed Public Housing (HOPE VI)	86-0218
Family Self Sufficiency	86-0350
PIH Indian Housing Block Grant Program	86-0313
Native Hawaiian Block Grants	86-0235
Hurricane Katrina Disaster	86-0311

Excluded Programs

Tenant Based Rental Assistance	86-0302
Housing Certificate Fund	86-0319
Public Housing Operating Fund	86-0163
Indian Housing Loan Guarantee Fund Program Account	86-0223
Indian Housing Loan Guarantee Fund Financing Account	86-4104
Native Hawaiian Housing Loan Guarantee Fund Financing Account	86-4244
Hawaiian Housing Loan Guarantees	86-4351
Hawaiian Housing Loan Guarantee Program Fund	86-0233
Indian Federal Guarantee Program	86-0313

Office of Housing

Grant Programs Subject to Federal Reporting Standard

Housing for the Elderly	86-0320
Housing for Persons with Disabilities	86-0237
Housing Counseling Assistance	86-0156
Energy Innovation Fund	86-0401
College Housing Debt Service Fund	86-4058
Nehemiah Housing Opportunity Fund	86-4071
Hope	86-0196

Excluded Programs

Project Based Rental Assistance	86-0303
Emergency Homeowners' Relief Fund	86-0407
Emergency Homeowners' Relief Financing Account	86-4357
Rental Housing Assistance	86-0129
Rent Supplement	86-0148
Payment to Manufactured Housing Fees Trust Fund	86-0234
Green Retrofit Program for Multifamily, Recovery Act	86-0306
Green Retrofit Program for Multifamily Housing Programs	86-4589
Rental Housing Assistance Fund	86-4041
Flexible Subsidy Fund	86-4044
Home Ownership Preservation Equity Fund Program Account	86-0343
Home Ownership Preservation Equity Fund Financing Account	86-4353
FHA Insurance Funds	
Housing for the Elderly or Handicapped Liquidating Account	86-4115
Manufactured Housing Fees Trust Fund	86-8119
Transformation Initiative	86-0402
HGRP Loan Subsidy	86-0348
Gifts and Bequests	86-8093
Interstate Land Sales	86-5270
Manufactured Home Inspections	86-5271

Office of Community Planning and Development**Grant Programs Subject to Federal Reporting Standard**

Housing Opportunities for Persons with AIDS	86-0308
Community Development Fund	86-0162
Brownfields Redevelopment	86-0314
HOME Investment Partnerships Program	86-0205
Self Help and Assisted Homeownership Opportunity Program	86-0176
Neighborhood Stabilization Program	86-0344
HOMELESS Assistance Grants	86-0192
Permanent Supportive Housing	86-0342
Rural Housing and Economic Development	86-0324
Empowerment and Entitlement Communities	86-0315
Urban Development Action Grants	86-0170
Capacity Building- Cd Affordable Housing	86-0222

Excluded Programs

Housing Trust fund	86-5553
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Revolving Fund (Liquidating Program)	86-4015
Community Development Loan Guarantees Program Account	86-0198
Community Development Loan Guarantees Financing Account	86-4096
Community Development Loans	86-4097
Church Loan Guarantee Fund (Financing Account)	86-4106

Policy Development and Research

Grant Programs Subject to Federal Reporting Standard

Research and Technology	86-0108
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Excluded Programs

None

Fair Housing and Equal Opportunity

Grant Programs Subject to Federal Reporting Standard

Fair Housing Activities	86-0144
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Excluded Programs

None

Office of Healthy Homes and Lead Hazard Control

Grant Programs Subject to Federal Reporting Standard

Lead Hazard Reduction	86-0174
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Excluded Programs

None

ATTACHMENT C: Grant Accrual Calculation Worksheet

Complete a schedule for each appropriation.

Program Office	
Date of Report	3-Oct-14
Reporting Period End Date:	
Cumulative YTD Qx FYxx	30-Sep-14
Appropriation	123
Name of Program	XYZ
Type of Grant ⁽¹⁾	Formula

Input cells - highlighted in yellow

Source of data: SF-425s	(A) Cash Receipts	(B) Cash Disbursements	(C) Cash on Hand (A-B)	Accrual
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Current Fiscal Year: Cumulative YTD Activity	\$ 900,000	(1,025,000)	(125,000)	\$ 125,000
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Data to be sourced from: (if not, please set forth the source of data)

(A) Drawn/ Received	Federal Financial Report (SF-425) - 10 a. Cash Receipts
(B) Disbursed	Federal Financial Report (SF-425) - 10 b. Cash Disbursements
(C) = (A-B) On Hand	Federal Financial Report (SF-425) - 10 c. Cash on Hand

(1) Formula, Competitive, Block

ATTACHMENT C: Grant Accrual Summary Sheet

Program Office	
Date of Report	
Reporting Period End Date:	

	Appropriation	Accrual
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Total Accruals \$ -

FEDERAL FINANCIAL REPORT

(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted		2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)				Page of 1 pages	
3. Recipient Organization (Name and complete address including Zip code)							
4a. DUNS Number		4b. EIN	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)		6. Report Type <input type="checkbox"/> Quarterly <input type="checkbox"/> Semi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Final	7. Basis of Accounting <input type="checkbox"/> Cash <input type="checkbox"/> Accrual	
8. Project/Grant Period (Month, Day, Year) From:				9. Reporting Period End Date (Month, Day, Year) To:			
10. Transactions <i>(Use lines a-c for single or combined multiple grant reporting)</i>						Cumulative	
Federal Cash (To report multiple grants separately, also use FFR Attachment):							
a. Cash Receipts							
b. Cash Disbursements							
c. Cash on Hand (line a minus b)							
<i>(Use lines d-o for single grant reporting)</i>							
Federal Expenditures and Unobligated Balance:							
d. Total Federal funds authorized							
e. Federal share of expenditures							
f. Federal share of unliquidated obligations							
g. Total Federal share (sum of lines e and f)							
h. Unobligated balance of Federal funds (line d minus g)							
Recipient Share:							
i. Total recipient share required							
j. Recipient share of expenditures							
k. Remaining recipient share to be provided (line i minus j)							
Program Income:							
l. Total Federal share of program income earned							
m. Program income expended in accordance with the deduction alternative							
n. Program income expended in accordance with the addition alternative							
o. Unexpended program income (line l minus line m or line n)							
11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
g. Totals:							
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:							
13. Certification: By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and intent set forth in the award documents. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)							
a. Typed or Printed Name and Title of Authorized Certifying Official					c. Telephone (Area code, number, and extension)		
					d. Email Address		
b. Signature of Authorized Certifying Official					e. Date Report Submitted (Month, Day, Year)		
					14. Agency use only:		

Standard Form 425 - Revised 10/11/2011

OMB Approval Number: 0348-0061

Expiration Date: 2/28/2015

Paperwork Burden Statement

According to the Paperwork Reduction Act, as amended, no persons are required to respond to a collection of information unless it displays a valid OMB Control Number. The valid OMB control number for this information collection is 0348-0061. Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0061), Washington, DC 20503.

Federal Financial Report Instructions

Report Submissions

- 1) Recipients will be instructed by Federal agencies to submit the *Federal Financial Report (FFR)* to a single location, except when an automated payment management reporting system is utilized. In this case, a second submission location may be required by the agency.
- 2) If recipients need more space to support their *FFRs*, or *FFR Attachments*, they should provide supplemental pages. These additional pages must indicate the following information at the top of each page: Federal grant or other identifying number (if reporting on a single award), recipient organization, Data Universal Numbering System (DUNS) number, Employer Identification Number (EIN), and period covered by the report.

Reporting Requirements

- 1) The submission of interim *FFRs* will be on a quarterly, semi-annual, or annual basis, as directed by the Federal agency. A final *FFR* shall be submitted at the completion of the award agreement. The following reporting period end dates shall be used for interim reports: 3/31, 6/30, 9/30, or 12/31. For final *FFRs*, the reporting period end date shall be the end date of the project or grant period.
- 2) Quarterly and semi-annual interim reports shall be submitted no later than 30 days after the end of each reporting period. Annual reports shall be submitted no later than 90 days after the end of each reporting period. Final reports shall be submitted no later than 90 days after the project or grant period end date.

Note: For single award reporting:

- 1) Federal agencies may require both cash management information on lines 10(a) through 10(c) and financial status information lines 10(d) through 10(o).
- 2) 10(b) and 10(e) may not be the same until the final report.

Line Item Instructions for the Federal Financial Report

FFR Number	Reporting Item	Instructions
Cover Information		
1	Federal Agency and Organizational Element to Which Report is Submitted	Enter the name of the Federal agency and organizational element identified in the award document or as instructed by the agency.
2	Federal Grant or Other Identifying Number Assigned by Federal Agency	For a single award, enter the grant number assigned to the award by the Federal agency. For multiple awards, report this information on the <i>FFR Attachment</i> . <i>Do not complete this box if reporting on multiple awards.</i>
3	Recipient Organization	Enter the name and complete address of the recipient organization including zip code.
4a	DUNS Number	Enter the recipient organization's Data Universal Numbering System (DUNS) number or Central Contract Registry extended DUNS number.
4b	EIN	Enter the recipient organization's Employer Identification Number (EIN).
5	Recipient Account Number or Identifying Number	Enter the account number or any other identifying number assigned by the recipient to the award. This number is for the recipient's use only and is not required by the Federal agency. For multiple awards, report this

FFR Number	Reporting Item	Instructions
		information on the <i>FFR</i> Attachment. <i>Do not complete this box if reporting on multiple awards.</i>
6	Report Type	Mark appropriate box. <i>Do not complete this box if reporting on multiple awards.</i>
7	Basis of Accounting (Cash/Accrual)	Specify whether a cash or accrual basis was used for recording transactions related to the award(s) and for preparing this <i>FFR</i> . Accrual basis of accounting refers to the accounting method in which expenses are recorded when incurred. For cash basis accounting, expenses are recorded when they are paid.
8	Project/Grant Period, From: (Month, Day, Year)	Indicate the period established in the award document during which Federal sponsorship begins and ends. Note: Some agencies award multi-year grants for a project period that is funded in increments or budget periods (typically annual increments). Throughout the project period, agencies often require cumulative reporting for consecutive budget periods. Under these circumstances, enter the beginning and ending dates of the project period not the budget period. <i>Do not complete this line if reporting on multiple awards.</i>
	Project/Grant Period, To: (Month, Day, Year)	See the above instructions for “Project/Grant Period, From: (Month, Day, Year).”
9	Reporting Period End Date: (Month, Day, Year)	Enter the ending date of the reporting period. For quarterly, semi-annual, and annual interim reports, use the following reporting period end dates: 3/31, 6/30, 9/30, or 12/31. For final <i>FFRs</i> , the reporting period end date shall be the end date of the project or grant period.
10	Transactions	Enter cumulative amounts from date of the inception of the award through the end date of the reporting period specified in line 9. Use Lines 10a through 10c, Lines 10d through 10o, or Lines 10a through 10o, as specified by the Federal agency, when reporting on single grants. Use Line 12, Remarks, to provide any information deemed necessary to support or explain <i>FFR</i> data.
Federal Cash (To report multiple grants, also use FFR Attachment)		
10a	Cash Receipts	Enter the cumulative amount of actual cash received from the Federal agency as of the reporting period end date.
10b	Cash Disbursements	Enter the cumulative amount of Federal fund disbursements (such as cash or checks) as of the reporting period end date. Disbursements are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to subrecipients and contractors. For multiple grants, report each grant separately on the <i>FFR</i> Attachment. The sum of the cumulative cash disbursements on the <i>FFR</i> Attachment must equal the amount entered on Line 10b, <i>FFR</i> .
10c	Cash On Hand (Line 10a Minus Line 10b)	Enter the amount of Line 10a minus Line 10b. This amount represents immediate cash needs. If more than three business days of cash are on hand, the Federal agency may require an explanation

FFR Number	Reporting Item	Instructions
		on Line 12, Remarks, explaining why the drawdown was made prematurely or other reasons for the excess cash.
Federal Expenditures and Unobligated Balance: Do not complete this section if reporting on multiple awards.		
10d	Total Federal Funds Authorized	Enter the total Federal funds authorized as of the reporting period end date.
10e	Federal Share of Expenditures	Enter the amount of Federal fund expenditures. For reports prepared on a cash basis, expenditures are the sum of cash disbursements for direct charges for property and services; the amount of indirect expense charged; and the amount of cash advance payments and payments made to subrecipients. For reports prepared on an accrual basis, expenditures are the sum of cash disbursements for direct charges for property and services; the amount of indirect expense incurred; and the net increase or decrease in the amounts owed by the recipient for (1) goods and other property received; (2) services performed by employees, contractors, subrecipients, and other payees; and (3) programs for which no current services or performance are required. Do not include program income expended in accordance with the deduction alternative, rebates, refunds, or other credits. (Program income expended in accordance with the deduction alternative should be reported separately on Line 10o.)
10f	Federal Share of Unliquidated Obligations	<p>Unliquidated obligations on a cash basis are obligations incurred, but not yet paid. On an accrual basis, they are obligations incurred, but for which an expenditure has not yet been recorded. Enter the Federal portion of unliquidated obligations. Those obligations include direct and indirect expenses incurred but not yet paid or charged to the award, including amounts due to subrecipients and contractors. On the final report, this line should be zero unless the awarding agency has provided other instructions.</p> <p><i>Do not include any amount in Line 10f that has been reported in Line 10e. Do not include any amount in Line 10f for a future commitment of funds (such as a long-term contract) for which an obligation or expense has not been incurred.</i></p>
10g	Total Federal Share (Sum of Lines 10e and 10f)	Enter the sum of Lines 10e and 10f.
10h	Unobligated Balance of Federal Funds (Line 10d Minus Line 10g)	Enter the amount of Line 10d minus Line 10g.
Recipient Share: Do not complete this section if reporting on multiple awards.		
10i	Total Recipient Share Required	Enter the total required recipient share for reporting period specified in line 9. The required recipient share should include all matching and cost sharing provided by recipients and third-party providers to meet the level required by the Federal agency. This amount should not include cost sharing and match amounts in excess of the amount required by the Federal agency (for example, cost overruns for which the recipient incurs additional expenses and, therefore, contributes a greater level of cost

FFR Number	Reporting Item	Instructions
		sharing or match than the level required by the Federal agency).
10j	Recipient Share of Expenditures	Enter the recipient share of actual cash disbursements or outlays (less any rebates, refunds, or other credits) including payments to subrecipients and contractors. This amount may include the value of allowable third party in-kind contributions and recipient share of program income used to finance the non-Federal share of the project or program. Note: On the final report this line should be equal to or greater than the amount of Line 10i.
10k	Remaining Recipient Share to be Provided (Line 10i Minus Line 10j)	Enter the amount of Line 10i minus Line 10j. If recipient share in Line 10j is greater than the required match amount in Line 10i, enter zero.
Program Income: Do not complete this section if reporting on multiple awards.		
10l	Total Federal Program Income Earned	Enter the amount of Federal program income earned. Do not report any program income here that is being allocated as part of the recipient's cost sharing amount included in Line 10j.
10m	Program Income Expended in Accordance With the Deduction Alternative	Enter the amount of program income that was used to reduce the Federal share of the total project costs.
10n	Program Income Expended in Accordance With the Addition Alternative	Enter the amount of program income that was added to funds committed to the total project costs and expended to further eligible project or program activities.
10o	Unexpended Program Income (Line 10l Minus Line 10m or Line 10n)	Enter the amount of Line 10l minus Line 10m or Line 10n. This amount equals the program income that has been earned but not expended, as of the reporting period end date.
11	Indirect Expense: Complete this information only if required by the awarding agency. Enter cumulative amounts from date of the inception of the award through the end date of the reporting period specified in line 9.	
11a	Type of Rate(s)	State whether indirect cost rate(s) is Provisional, Predetermined, Final, or Fixed.
11b	Rate	Enter the indirect cost rate(s) in effect during the reporting period.
11c	Period From; Period To	Enter the beginning and ending effective dates for the rate(s).
11d	Base	Enter the amount of the base against which the rate(s) was applied.
11e	Amount Charged	Enter the amount of indirect costs charged during the time period specified. (Multiply 11b. x 11d.)
11f	Federal Share	Enter the Federal share of the amount in 11e.
11g	Totals	Enter the totals for columns 11d, 11e, and 11f.
Remarks, Certification, and Agency Use Only		
12	Remarks	Enter any explanations or additional information required by the Federal sponsoring agency including excess cash as stated in line 10c.
13a	Typed or Printed Name and Title of Authorized Certifying Official	Enter the name and title of the authorized certifying official.
13b	Signature of Authorized Certifying Official	The authorized certifying official must sign here.
13c	Telephone (Area Code, Number and Extension)	Enter the telephone number (including area code and extension) of the individual listed in Line 13a.
13d	E-mail Address	Enter the e-mail address of the individual listed in Line 13a.

FFR Number	Reporting Item	Instructions
13e	Date Report Submitted (Month, Day, Year)	Enter the date the <i>FFR</i> is submitted to the Federal agency using the month, day, year format.
14	Agency Use Only	This section is reserved for Federal agency use.