

**HANDBOOK**  
**FOR**  
**KENTUCKY HUMANITIES**  
**GRANT RECIPIENTS**

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ANY QUESTIONS CONCERNING FINANCIAL ADMINISTRATION OF A KENTUCKY HUMANITIES GRANT SHOULD BE ADDRESSED TO THE KH FISCAL OFFICER at 206 E. MAXWELL STREET, LEXINGTON, KY 40508-2613.

PLEASE MAKE NOTE OF YOUR GRANT AWARD NUMBER (ON THE GRANT AWARD LETTER) SO THAT YOU WILL HAVE IT READY IF ASKED FOR THE NUMBER BY KH STAFF.

## **I. PURPOSE OF THE HANDBOOK**

Since most of the funds used in making KH grant awards are federal, KH and its grant recipients must follow federal record keeping and auditing requirements. We have tried to streamline those requirements. However, the information, reporting, and record keeping requirements outlined here are dictated by the Government Accounting Office (G.A.O.) following the rules of 2CFR200 – Uniform Administrative Requirement, Cost Principles, and audit requirements for federal awards and must be followed. Thus, the first purpose of this manual is to make sure that grant recipients know what responsibilities the federal government requires.

A second purpose of this manual is to help project directors and bookkeepers know what procedures to follow in five basic areas.

1. Officially accepting the KH grant award.
2. Obtaining the cash that KH has awarded.
3. Setting up and maintaining the financial records.
4. Making a final financial report to KH (closing out the grant).
5. Keeping records after the grant is done.

## **II. ACCEPTING YOUR KH GRANT AWARD**

- A. For every project approved by the Board, KH issues a grant award letter. The letter includes:
1. Grant Number and Title
  2. Grant Amount
  3. Matching Amount (cash and in-kind) the sponsors or donors will provide in support of the project.
  4. Any conditions that must be met before grant funds can be released.
  5. Dates during which the money may be spent.
  6. Report due dates.
  7. Federal equal opportunity and access requirements.
  8. Special instructions for "challenge" grant award accounting.
- B. Upon receipt of your award:
1. Check to see if changes were made in your request. Substantial changes will require a revised budget. Call the office if you have any questions or need any clarifications of any conditions.
  2. Have the letter signed by: the project director, and the individual with the authority to commit the fiscal agent to the grant agreement.
  3. Complete the information on project dates and activities.
  4. The bookkeeper will need to submit a cash request form to receive the first cash payment. Cash request forms will not be processed until the award letter has been signed and returned to KH. No payments can be made without a cash request form.
  5. Have the bookkeeper set up the accounts for the grant.

## **III. MAKING A CASH REQUEST TO KH**

- A. The bookkeeper should fill in the cash request form (copies are enclosed in the bookkeeper's packet). Allow at least two weeks for us to process your request.
- B. Note several restrictions on cash requests:
1. It is the policy of Kentucky Humanities to retain the final 10% of your award until your final financial and project director's reports are submitted and the KH banner has been returned if one was sent to your project. Media project grant recipients are also required to submit copies of the tape or film produced as outlined in their award letter.
  2. In exceptional circumstances, the 10% reimbursement rule can be waived. The bookkeeper should send the request in writing to the KH office for advance approval.
  3. For grants open more than 3 months, funds are expended in 90-day increments; your award letter specifies the timing of these payments. Call the KH Fiscal Officer if you anticipate problems with the

arrangements in the letter.

#### IV. **SETTING UP A GRANT ACCOUNTING SYSTEM**

The bookkeeper's primary responsibility is to install and maintain a clear set of auditable accounts and records for all grant money, cash match, and in-kind contributions to the project. These records must be retained for three years following the submission of your final financial report. As with the steps outlined above, have the bookkeeper call the KH fiscal officer if these instructions are not clear.

Allowable costs shall be determined in accordance with one of the following sets of cost principles:

1. 2CFR200 – Uniform Administrative Requirement, Cost Principles
- A. Accounting for grant expenditures: The bookkeeper is responsible for this work.
1. Open a separate checking account OR keep a separate ledger OR account number for the KH grant funds. All income received and expenditures from KH grant funds must be identifiable in the event you are audited; separate accounting is therefore essential.
  2. The account or ledger records must provide descriptive and fiscal information for each check issued (check recipient, date, amount, check number, purpose of check) and identify expenditures according to the cost categories of the approved project budget.
  3. Keep all canceled checks, expense vouchers, invoices, sales slips, etc., for auditing purposes.
  4. Don't overspend! Kentucky Humanities cannot give you money to cover extra expenses. Rarely, supplements are given, but must be approved in advance (see changes, page 4).
  5. If you wish, keep a running balance of expenditures.
  6. **IMPORTANT NOTE:** Grant (or match, see p. 4) expenditures can be made only during the KH grant period. Do not write checks before the period starts, for expenses incurred before the period starts, for expenses incurred after the period ends. Extensions on grant periods are usually easy to get. Call the KH office and request this if needed.
  7. Several federal restrictions on grant expenditures from the KH exist. Please be scrupulous in following them.
    - a. No grant funds can be spent on alcoholic beverages.
    - b. No grant funds can be used to purchase durable goods.
    - c. No KH grant funds may be used for "indirect costs."
    - d. No KH grant funds may be used for lobbying, or advertising and public relations unrelated to the grant.
- B. Accounting for cash or in-kind matching contributions: Your grant award is made on the basis of your matching these funds with cash or in-kind contributions. You will provide an account of these matching funds on your final financial report. During the grant period, you will need to keep records of all volunteer hours or other sources of in-kind match and/or income generating activities such as ticket sales, or canceled checks qualifying as cash match. Either the project director or the bookkeeper may keep these records. Remember that matching contributions can be counted only if they are made during the period when your KH grant is open. The match cannot come from federal funds; they must be from a non-federal source.
1. Keep an itemized record of all contributions: a description of the service, facility, equipment, (etc.) contributed; the person or institutions making the contribution; the rates used to calculate its dollar value; the total dollar value of each contribution. Please see Appendix B for guidelines in determining in-kind and third-party donations to project, "Charges to a Grant for Equipment and Facilities Owned by a Grantee."
  2. Some institutions require the use of separate forms to verify specific contributions. If your institution uses such forms, be sure to obtain copies for your use. Note, however, that the KH financial report form is the only form that we require you to submit to us. If you generate other verification materials, keep them for your own auditing records.
- C. Interest earned on grant funds  
Grantees may keep \$250 of the interest earned per fiscal year on all advances of these federal grant funds.

Bank charges related to maintaining interest-bearing accounts may be paid from the interest earned on the account. Interest in excess of the bank charges and the \$250 a year that is retained by the grantee shall be remitted annually to the Department of Health and Human Services.

D. Handling changes in your grant budget.

1. If an unanticipated cash expense arises during your grant period that you cannot cover from the fiscal agent's resources, contact the KH office. You may be able to make a request for a supplement to the grant. We cannot, however, reimburse you for expenses above the awarded grant unless you request prior approval.
2. If you find that you need to revise your budget categories, you may alter your use of grant funds within the following guidelines:
  - a. Whenever a budget revision is needed because of changes in the nature or scope of the project, you should obtain prior written approval from KH.
  - b. Non-salary budget changes that do not affect the nature or scope of the project can be made without KH approval.

In order to protect you against incurring costs that may not be allowable, please contact the KH staff prior to making changes in budget expenditures.

E. Handling changes in your matching budget.

1. You can expect your matching budget to be different from your original expectations.
2. More often than not, you will end up with more match than you anticipated. Record any increases in match received as you are notified of them. Record any match received from sources (people, institutions) that were not listed in your original matching budget.
3. At times, matching contributions from individuals or institutions will turn out to be less than anticipated. That's no problem, as long as the total meets or exceeds grant expenses. Simply record the final amount reported on your financial report.
4. If reductions in anticipated match threaten to lower your total match received to a dollar value less than the total grant expenses, please contact KH. We can often help you think of matching contributions that may have escaped your attention.
5. You do not need to report the increases or decreases in the matching to KH until you submit your interim and/or final financial report.

V. **PREPARING FINANCIAL REPORT, AND OTHER MATTERS**

- A. **Interim Financial Reports:** If you have been required to submit an interim financial report on your grant, the award letter will say so. If you must do so, follow the instructions below for preparing the final financial report.
- B. **Final Financial Report**
1. Your final financial report will be due no later than 90 days after the end of your grant period. Please remember that your final 10% will not be released until we get your report.
  2. Copies of the financial report form are included with this pamphlet. Please fill in all the information requested. Call the KH office manager if you are not sure about any of the items on the forms.
- C. **Auditing:** The United States Office of Management and Budget requires us to occasionally audit our grant recipients. We do this on a random basis and add the audit costs, if any, to the grant total. It's a bit of a nuisance, but if the expense and matching records are clear and complete, an audit should not create much extra work for you. If your grant is chosen for an audit, you will be notified at the end of your grant period and receive instructions for having the audit completed. Organizations that have annual audits by an outside agent can use that audit report in place of a specialized audit. In the case of mini grants a copy of all bills and checks written and the match information can also take the place of a formal audit.
- Note that, if we ask for an audit, you choose the firm or accountant (CPA status is required), and the bill is paid from grant funds, up to the amount stated by KH. The final 10% of grant funds will be withheld until the audit report is received by KH.
- D. **SPECIAL NOTE:** Any organization which expends \$750,000 or more in Federal Funds in a fiscal year is required to have a single audit conducted. NEH expenditures between \$500,000 and \$750,000 require a program audit. Please notify KH immediately if you expect to be in this category for further guidance.
- E. **Retaining Records:** The federal government requires that your financial records and supporting documentation be kept for a minimum of 3 years after the submission of your final financial report.

Records that relate to audits, appeals, litigation, or the settlement of claims arising out of the performance of the project shall be retained until such audits, appeals, litigation, or claims are resolved. Unless court action or audit proceedings have been initiated, the grantee may substitute microfilm copies of original records.

The chairman of NEH, KH, its staff and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any pertinent books, documents, papers, and records of the grantee to make audits, examinations, excerpts, and transcripts.

ANY QUESTIONS REGARDING THE FINANCIAL ADMINISTRATION OF A KH GRANT SHOULD BE ADDRESSED TO THE KH FISCAL OFFICER, 206 E. MAXWELL STREET, LEXINGTON, KY 40508-3406. PHONE: 859-257-5932.

## **SUSPENSION AND TERMINATION**

Circumstances may arise in which either KH or the grantee wishes to terminate grant activities in whole or in part. If both parties agree that the continuation of all or a part of a grantee's activities would not produce results commensurate with the further expenditure of funds, the specific activity or the entire grant may be terminated by mutual agreement.

A grantee may also terminate its KH grant in whole or in part by notifying KH in writing of the reasons for such termination, the effective date and in the case of partial termination, the portion of the grant activities to be terminated. However, if, in the case of partial termination, KH determines that the remaining portion of the award will not accomplish the purposes for which the award was made, it may terminate the award in its entirety.

When KH determines that the grantee has failed to comply with the terms and conditions of a grant agreement, KH may suspend or terminate the grant for cause. Normally, this action will be taken only after the grantee has been notified of the deficiency and given sufficient time to correct it, but this does not preclude immediate suspension or termination when such action is required to protect the interests of the federal government (i.e., debarment, civil rights, as certified). No costs incurred during the suspension period will be allowed.

The Executive Committee of Kentucky Humanities will review any grants that have failed to comply with the grant agreement and have not corrected the deficiency within 30 days of written notification by staff of KH. The Executive Committee will act on behalf of the Board of Directors, but may refer the issue to the full Board. The Executive Committee will issue a notice of termination.

Within 30 days after having received a notice of termination, the grantee shall furnish KH with a summary of progress achieved under the grant, an itemized accounting of charges incurred against grant funds and cost sharing prior to the effective date of the termination, and a separate accounting and justification for any costs that may have been incurred after this date. A request for review of the termination may also be submitted, but it must be made in writing within 30 days of receipt of notification of termination and submitted to Kentucky Humanities, 206 E. Maxwell St., Lexington, KY 40508-2613.

Requests for review must contain a full statement of the grantee's position and the pertinent facts and reasons that support such position. The Director of KH will promptly acknowledge the request for review and ask the Chair of the KH Board to appoint a review committee of three members. Members of the review committee will not be drawn from KH, its Board of Directors, or persons who have been involved with the grant in any way, but will consist of persons who are scholars and members of the community familiar with the requirements of federal grants. The committee will have full access to all relevant background materials. The committee may also request the submission of additional information from the grantee or the KH staff, and at its discretion, may meet with representatives of both groups to discuss the pertinent issues. All review activities will be fully documented by the committee. Based on its review, the committee will present its written recommendation to the Chair of KH, who will advise the KH Board and the grantee of the final decision.

## **CHARGES TO A GRANT FOR EQUIPMENT AND FACILITIES OWNED BY A GRANTEE**

A grant is a form of financial assistance that is provided to a grantee so that it can undertake its own project. Since grantees do not perform services for the Endowment but work for their own projects, the federal cost principles that govern grant expenditures require that charges to a project for work performed by a grantee must be based on the actual costs of the activities. It would therefore, be inappropriate for an organization to calculate charges to a grant for the use of its own equipment and facilities on the basis of commercial rates for renting or leasing such items or on the basis of a rate schedule that includes profit.

When an applicant owns equipment or facilities, the applicant must indicate this in the budget and explain how the charges to the grant were calculated. For equipment and facilities that are not fully depreciated, actual costs would be determined on the basis of the acquisition costs, divided by the useful life, times the period of use on the project. For equipment and facilities that have been fully depreciated, charges to operate the asset, including the cost of maintenance, insurance, and other related expenses, are allowable.

Whenever charges are made to a project for the use of equipment or facilities that belong to an organization that has a less-than-arms-length relationship with the applicant, the procedures outlined above have to be followed. A less-than-arms-length relationship exists when one party is able to control or substantially influence the actions of another party. Such relationships include but are not limited to those (1) between divisions of an organization; (2) between organizations under common control through common officers, directors, or members; or (3) between organizations when the director, trustee, officer, or a key employee of one organization or members of that person's family hold controlling interest in the other organization.

## **COPYRIGHT, PATENTS, AND RIGHTS TO DATA**

- a. The grantee may copyright any work that is subject to copyright and was developed, or for which ownership was

purchased, under the grant. The National Endowment for the Humanities reserves a royalty-free, nonexclusive, and irrevocable right to reproduce, publish or otherwise use these materials for Federal purposes and to authorize others to do so (see 2CFR 200.315 Intangible property).

“Federal purposes” include the use of grant products in activities or programs undertaken by the Federal Government, in response to a governmental request, or as otherwise required by Federal law. However, the Federal Government’s use of copyrighted materials is not intended to interfere with or disadvantage the grantee or assignee in the sale and distribution of the grant product. Copies will be provided to NEH upon request at the cost of reproduction and shipping, and no royalties or other fees will be charges.

- b. Grantees that are awarded fund for experimental, developmental, or research work are subject to the regulations governing patents and inventions, including government-wide regulations issued by the Department of Commerce at 37 CFR part 401, “Rights to Inventions made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements.”
- c. NEH has the right to:
  - (1) obtain, reproduce, publish or otherwise use the data first produced under a grants; and
  - (2) authorize others to receive, reproduce, publish, or otherwise use such data for Federal purposes.
- d. In addition, in response to a Freedom of Information Act (FOIA) request for research data relating to published research findings produced under a grant that were used by the Federal Government in developing an agency action that has the force and effect of law, NEH shall request, and the grantee shall provide, within a reasonable time, the research data so that they can be made available to the public through the procedures established under FOIA. If NEH obtains the research data solely in response to a FOIA request, NEH may charge the requester a reasonable fee equaling the full incremental cost of obtaining the research data. This fee should reflect costs incurred by the agency, the grantee, and applicable sub recipients. This fee is in addition to any fees the agency may assess under the FOIA (5 U.S.C. 552(a)(4)(A)). For additional information and definition of terms, please see 2 CFR 200.315 (e).
- e. Title to intangible property acquired under a grant or sub award vests upon acquisition in the grantee. The grantee shall use that property for the originally authorized purpose and shall not encumber the property without NEH approval. NEH reserves the right to determine the disposition of the intangible property when it is no longer needed for the originally authorized purpose.

## **DATA COLLECTION**

Data collection activities performed under a grant are the responsibility of the grantee, and NEH support of grant activities does not constitute approval of the survey design, questionnaire content, or data collection procedures. The grantee shall not represent to respondents that such data are being collected for, or in association with, NEH or any other government agency without the specific written approval of the data collection plan or device by NEH. However, this requirement is not intended to preclude mention of NEH support of grant activities in response to an inquiry or acknowledgement of such support in any publication of this data.

The federal government has the right to obtain, reproduce, publish or otherwise use the data first produced under a grant and authorize others to do so for government purposes.

## **DISSEMINATION OF GRANT RESULTS**

Grantees are expected to publish or otherwise make publicly available the results of work conducted under a grant. All publications and distribution agreements shall include provisions giving the government a royalty-free, nonexclusive and irrevocable right to reproduce, publish or otherwise use the material for government purposes and requiring the acknowledgement of NEH support. The publication should also include the disclaimer that follows.

## **ACKNOWLEDGEMENT OF SUPPORT AND DISCLAIMER**

All materials publicizing or resulting from grant activities shall contain an acknowledgement of NEH support. The acknowledgement shall also include the following statement: “Any views, findings, conclusions or recommendations expressed in this (publication) (program) (exhibition) (website) do not necessarily represent those of the National Endowment for the Humanities.”

## **RESEARCH MISCONDUCT**

NEH will take appropriate action against individuals or organizations upon determination that misconduct has occurred in proposing, performing, reviewing research or reporting results from research activities funded by NEH in accordance with the *NEH Research Misconduct Policy*. NEH may also take interim action during an investigation.

Research misconduct is defined as fabrication, falsification, or plagiarism in proposing, performing, or reviewing research, or in reporting research results.

The grantee institution bears primary responsibility for prevention and detection of research misconduct and for the inquiry, investigation, and adjudication of research misconduct alleged to have occurred in association with its own institution.

The NEH Inspector General in most cases will refer an allegation of research misconduct made directly to NEH to the appropriate grantee institution and will rely on the grantee to make the initial response. Circumstances in which NEH may elect not to defer to the grantee institution include, but are not limited to, the following: the agency determines the grantee institution is not prepared to handle the allegation in a manner consistent with this policy; agency involvement is needed to protect the public interest; or the allegation involves an entity of sufficiently small size that it cannot reasonably conduct the investigation itself. At any time, however, NEH may proceed with its own inquiry or investigation. If the allegation of research misconduct is first made to the grantee institution, the grantee institution will notify NEH if the allegation meets the definition of research misconduct given above, and if the grantee institution's inquiry into the allegation determines there is sufficient evidence to proceed to an investigation.

At any time during an inquiry or investigation, the grantee will immediately notify NEH if NEH resources or interests are threatened; if public health or safety is at risk; if research activities should be suspended; if there is reasonable indication of possible violations of civil or criminal law; if Federal action is required to protect the interests of those involved in the investigation; if the grantee believes the inquiry or investigation may be made public prematurely so that appropriate steps can be taken to safeguard evidence and protect the rights of those involved; or if the research community or public should be informed.

NEH will make a finding of misconduct or take action on such a finding only after careful inquiry and investigation by a grantee institution, by another Federal agency or by NEH. In the event of a finding of research misconduct, NEH will determine what administrative actions are appropriate.

Administrative actions available include, but are not limited to, appropriate steps to correct the research record; letters of reprimand; the imposition of special certification or assurance requirements to ensure compliance with applicable regulations or terms of an award; suspension or termination of an active award; or suspension and debarment in accordance with applicable NEH and government-wide rules on suspension and debarment. In the event of suspension or debarment, the information is made publicly available through the *List of Parties Excluded from Federal Procurement and Nonprocurement Programs* maintained by the U.S. General Services Administration. If the NEH Inspector General believes that criminal or civil fraud violations may have occurred, the Inspector General shall promptly inform the Department of Justice.

## **FEDERAL GUIDANCE**

### Buy American Act

Consistent with Executive Order 13788 Buy American and Hire American, the Buy American Act, 41 U.S.C. 10a-c and Public Law 105-277, grantees who purchase equipment and products with grant funds should purchase only American-made equipment and products.

### Welfare-to-Work Initiative

To supplement the welfare-to-work initiative, grantees are encouraged, whenever possible, to hire welfare recipients and to provide additional needed training and/or mentoring.

### Seat Belt Usage

Executive Order 13043 of April 16, 1997 requires each Federal agency to encourage contractors, subcontractors and grantees to adopt and enforce on-the-job seat belt policies and programs for their employees when operating company-owned, rented or personally owned vehicles.