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## Learner Manual – Module 6 Financial System Requirements

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# TRIBAL, U.S. TERRITORIES AND INSULAR AREAS ADMINISTRATIVE AND FINANCIAL GUIDANCE MANUAL FOR ASSISTANCE AGREEMENTS

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*“A Nation is a stable, historically developed community of people  
who share territory, economic life, distinctive culture, and language.”*

*Office of Environmental Justice, U.S. EPA*

U.S. Environmental Protection Agency  
*Updated August 2013*



This manual was originally developed by the U.S. Environmental Protection Agency for Tribal Nations, but content also pertains to U.S. Territories and Insular Areas. Exception: U.S. Territories and Insular Areas are treated as states under Part 31 (and also under Part 35, Subpart A for PPGs, unlike Tribes that are covered under Subpart B).

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Module 6: Financial System Requirements



**Establish an accounting process** using:

- Chart of accounts
- Document reference numbering
- General journal entries
- General ledger entries

**Track award finances** using:

- Posting reference numbers
- Debit columns
- Credit columns
- Balance columns

Submit financial status reports to EPA. Include a summary of activities. Send reports semi-annually.



- Maintain separate accounts for each federally issued assistance agreement.
- Keep accurate books and records.
  - Failure to maintain accurate financial records will impact the recipient's ability to receive future federal funding.
- Every department needs to be trained.
  - Each staff member needs to understand his or her role and responsibility in the process.
- Each project must be tracked independently.

**Financial System Requirements**

**Why do we need a financial system?**

EPA regulations require recipients (i.e., Tribal Nations) to maintain separate accounts for each federally issued assistance agreement to avoid confusion about how the funds are spent or how much is received per project. A financial management system enables a Tribal Nation to keep accurate books and records. Failure to maintain accurate financial records will impact the recipient's ability to receive future federal funding.

Because financial management systems require different departments to enter data into the system, every department needs to be trained. Each staff member needs to understand his or her role and responsibility in the process. The financial management system is a central depository for tracking federal funding. It is important to remember that each project must be tracked independently, so that there is no mixing of funds from different federal programs.

Module 6 will cover the essentials of an effective financial management system that a grant recipient will need to successfully administer a grant.

- Financial System Requirements
- Financial Policies and Procedures
- Accounting Processes
- Finance Tracking
- Financial Reporting

**Financial policies and procedures must be in writing.** Develop procedures. Learn the rules and regulations. Review and update procedures often.

**Apply policies and procedures consistently across programs and projects.**

## Ensure Compliance

- Compliance with EPA regulations is reviewed by auditors.
- EPA auditors use the *EPA Administrative and Financial Onsite Review Questionnaire*.
- Recipients should be able to implement each of the processes listed on the questionnaire, or explain why they are not necessary.

### What does an effective financial management system need?

EPA auditors review a Tribal Nation's accounting and financial management system to ensure that the system is in compliance with EPA regulations. The *EPA Administrative and Financial Onsite Review Questionnaire* lists goals and objectives that an auditor uses to monitor a recipient's compliance.

This guidance is for *tribal governments* that are eligible for any grant awards. Your Tribal Nation must have a set of written financial and accounting policies. Your Tribal Nation should be able to implement each of the processes listed or explain why they are not necessary for your organization.

The *EPA Administrative and Financial Onsite Review Questionnaire* is provided in **Module 10** and the **Appendix**.

## Financial Policies and Procedures

Financial policies and procedures are necessary for effective management of the following systems:

- Accounting
- Personnel
  - Timekeeping
  - Payroll
- Travel
- Matching
  - Cost Sharing
  - In-Kind Contributions
  - Program Income
- Procurement
  - Contracts
  - Subagreements
  - Purchasing
- Disadvantaged Business Enterprises
- Property Management
- Internal Controls

## Write Policies and Procedures for:



## Procurement / Contracts / Subagreements



## Property Management





## An effective financial management system must account for:

- A. Award funds drawn down and dispersed
- B. Award project expenses and income
- C. Environmental compliance
- D. Subcontracts and subawards
- E. All of the above



## Know the Terminology



### What basic financial terminology do we need to understand?

Before getting into the seven financial management standards, it would be helpful to understand a few basic terms.

Many useful terms are provided in:

- The **Appendix**
- EPA's online glossary at <http://www.epa.gov/ogd/recipient/glossary.htm>

If you would like additional examples or explanations, ask your Grants Specialist. Your Grants Specialist will be happy to provide individual assistance.

### Learner Notes

#### Learner Notes

The "goals and objectives" for an efficient and effective financial management system are outlined in the *EPA Administrative and Financial Onsite Review Questionnaire*.

- The EPA Administrative and Financial Onsite Review Questionnaire is provided in the **Appendix** and in **Module 10** of this **Manual**.
- The **Appendix** also contains the Code of Federal Regulations, 40 CFR Part 31, which includes 31.20(b), an administrative checklist for reviewing administrative and financial systems.
  - Use it to make sure you have the necessary systems in place and operational before you need them.

Please take a few minutes to locate and examine the *EPA Administrative and Financial Onsite Review Questionnaire*.

### Learner Notes

#### Learner Notes

It is time for another vocabulary exercise. Take a minute to complete **Activity 6.a** (online at [www.petetribal.org](http://www.petetribal.org)).

## Module 6: Financial System Requirements

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Fund accounts record financial resources and obligations in object class categories established in the:

- Assistance agreement award
- EPA document of limitations
- EPA regional office policies
- Federal restrictions for grant management
- All of the above



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Who is responsible for implementing internal controls to safeguard resources ensuring accuracy, reliability, and compliance?

- EPA headquarters
- EPA regional officials
- The Tribal Nation / Recipient
- The award project manager
- All of the above



### What are the essential components of a financial management system?

A financial management system ensures proper reporting and control at all levels of the Tribal Nation's government. A system must be in place and operating for the Tribal Nation to be in compliance with federal regulations.

The essential components of a financial management system include:

- Accounting Policies and Procedures
- Internal Controls

- Inventory and Equipment Management
  - Budget Controls
  - Real and Personal Property Assignment
  - Cost Accounting (direct, indirect, reasonable, allowable, and allocable)
  - Source Documentation
- These components are described in Modules 6, 7, and 8.

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### Confidential Business Information

Tribal Nations request the confidential business exception, like any other recipient, but EPA will determine whether or not information will be considered "confidential business information" (CBI).

### What are the EPA rules for confidentiality?

Tribal Nations are unique entities, differing substantially from state, local, and federal governments. However, EPA documents are public documents regardless of the entity that they are awarded to. **There are no special EPA rules for confidentiality for Tribal Nations; rules are the same for all recipients.** Tribal Nations request the confidential business exception, like any other recipient, but EPA will determine whether or not information will be considered "confidential business information" (CBI).

For example, after September 11, 2001 security issues increased in importance. EPA funded an initiative to map all water sources, their tributaries and flow patterns. The data gathered was determined to be "confidential business information". The grant recipient for this project was authorized to keep project records private, not sharing vital documents with the public.

## Federal Regulations

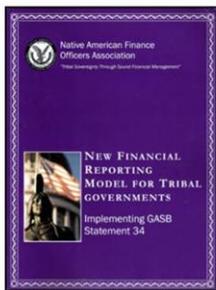
- Accepting an award agreement means the recipient agrees to comply with:
  - Title 40 CFR Part 31 – Administrative Requirements
  - OMB Circular A-87 – Cost Principles codified in Title 2 CFR Part 225
  - OMB Circular A – 133 (When the recipient spends \$500,000 or more in federal funds)
- All documents are available to the public upon request.

### Which financial rules are we agreeing to follow when we get an award?

When the Tribal Nation accepts a federal assistance award they agree to follow the accounting and financial standards established in the federal regulations 40 CFR Part 31 (Administrative Requirements) and the OMB Circular A-87 (Cost Principles).

EPA, the Inspector General, the Comptroller of the United States, or any other duly authorized representative has the right to timely and unrestricted access to any books, documents, papers, or other records of the Tribal Nation that are pertinent to the awards. They have the right to conduct audits, examinations, and take excerpts, transcripts, and copies of such documents. This right also includes timely and reasonable access to Tribal personnel for the purposes of interviews and discussions related to such documents.

## Additional Guidance



Native American Finance Officers Association guidelines the *New Financial Reporting Model for Tribal Governments – Implementing Government Accounting Standards Board (GASB) Statement 34*

In addition to the guidance contained in this *Manual*, Tribal Nations can go to the Native American Finance Officers Association website at <http://www.nafoa.org/> to find guidelines from their publication *New Financial Reporting Model for Tribal Governments—Implementing Government*

*Accounting Standards Board (GASB) Statement 34.* The Government Accounting Standards Board Statement is available at <http://www.gasb.org/>.

In 2002 the Aleutian/Pribilof Islands Association developed a manual of management and administrative policies and procedures. You may find it helpful as a guide when writing your own policies and procedures. This manual is provided in the **Appendix**.

Which of the following is necessary for financial accounting information to be protected by EPA as “confidential business information”?

- Generally Accepted Accounting Principles (GAAP)
- Public disclosure of information policies
- Approval of request for confidential business information protection
- Financial reporting and tracking
- All of the above



## Accrual Accounting Method

The accrual method of accounting is recommended by EPA.

- Income is counted when the underlying grant eligible expenditures are made.
- Expenses are counted when the goods or services are received or incurred.



## Accounting Processes

### Which accounting system is recommended?

There are two types of accounting methods: cash and accrual. The recipient needs to choose either the cash or accrual accounting method and use it throughout the award period. It is important to understand the basics of these two principal methods of keeping track of income and expenses. These methods differ only in the timing of transactions, including sales and purchases, when they are credited or debited to your accounts.

The **accrual method or accrual basis accounting** is the more commonly used method of accounting. Under the accrual method, transactions are counted when the order is made, the item is delivered, or the services occur, regardless of when the money

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for them (receivables) is actually received or paid. In other words, income is counted when the sale occurs, and expenses are counted when the goods or services are received. You don't have to wait until you see the money, or actually pay money out of your checking account, to record a transaction.

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### Cash Accounting Method

The cash method of accounting is accepted when used consistently throughout the award period.

- Income is not counted until cash (or a check) is actually received.
- Expenses are not counted until they are actually paid.



Under the **cash method or cash basis accounting**, income is not counted until cash (or a check) is actually received, and expenses are not counted until they are actually paid.

The method you use is your decision although accrual is generally the accepted system for nonprofit organizations. EPA highly recommends the accrual basis of accounting.

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### Which accounting method does EPA recommend?

- A. Accrual basis
- B. Assets and liabilities
- C. Cash basis
- D. Fund basis
- E. None of the above



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### Computerized Accounting System

A computerized accounting system is **not** required by EPA, but it does make record keeping easier.



### Do we need to use an automated or computerized accounting system?

The federal assistance agreement requirements do NOT specify the type of accounting system a Tribal Nation must have, but the requirements do specify what the accounting system must be able to do.

As Tribal Nations receive more federal awards, they may decide to convert to a computerized fund accounting system, if they have not already done so. Various accounting systems are used for tracking federal funds.

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### Which of the following is **not** a necessary requirement for your Tribal Nation's accounting system?

- A. Compliance with federal regulations
- B. Computerized record keeping
- C. Personnel dedicated to managing award funds and reports
- D. Separate, accurate, current, and complete records
- E. Documented accounting policies and procedures



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### Accounting Procedures

Accounting procedures are part of a financial system that consists of:

- Policies,
- Procedures, and
- Documents

Supporting the:

- Collecting
- Recording,
- Disbursing, and
- Reporting

Of all the award recipient's financial activity.

### What are the required accounting procedures?

Accounting procedures are the processes a Tribal Nation uses to record all of its financial transactions. Accounting procedures are part of a financial system that consists of policies, procedures, and documents supporting the recording, disbursing, and reporting of the Tribal Nation's financial activity, so that the Tribal Nation's leadership (elected administration), department heads, and the federal government have good information about the financial status of a project.

Sample Policy and Procedure Categories

Financial Management Policies and Procedures			
Section	1.00	Introduction/Purpose	Page 1
Section	2.00	Contracted Certified Public Accountant (CPA)	Page 1
Section	3.00	Consultants	Page 2
Section	4.00	Cash Receipts and Deposits	Page 2
Section	5.00	Computerized Check Register	Page 3
Section	6.00	Check Writing and Supporting Documentation	Page 3
Section	7.00	Purchasing	Page 4
		Documentation of Expenditures	Page 6
Section	8.00	Inventory/Property Management	Page 7
Section	9.00	Payroll Preparation	Page 8
Section	10.00	Budgeting Process Program Reporting	Page 9
Section	11.00	Financial Reports	Page 10
Section	12.00	Reporting Requirements	Page 11
Section	13.00	Audits	Page 12
Section	14.00	Indirect Costs	Page 13

Each award recipient is unique. For example, **your Tribal Nation may or may not need to address these sample categories in your written policies and procedures.**

A financial accounting system consists of policies, procedures, and documents that support the \_\_\_\_\_ of a Tribal Nation's financial activity.

- A. collecting
- B. recording
- C. disbursing
- D. reporting
- E. All of the above



Finance Tracking

- A flexible accounting system
  - manual or automated
  - Allows for establishing a unique account tracking code for each individual grant
  - Follows the Generally Accepted Accounting Principles (GAAP)

...more in Module 7...

Finance Tracking

**How should we keep track of award finances?**

Tribal Nations must be able to address the financial/accounting reporting and tracking requirements described in 40 CFR Part 31 and OMB Circular A-87 as well as Tribal Council requirements and Tribal laws or ordinances. These documents describe the types of things that are needed for a technically correct financial accounting system.



Flexible accounting system

**What is a flexible accounting system?**

A flexible accounting system (manual or automated) allows for establishing a unique account tracking code for each individual grant to record all its financial transactions including revenue, expenses, assets, accounts payable, accounts receivable, cost pools to support indirect cost rates, project costs, and so on.

Tribal Nations should have these basic items in their flexible accounting system and follow Generally Accepted Accounting Principles (GAAP).

- Chart of accounts
- Document reference numbering system
- General journal
- General ledger
- Dates of expenditures
- Posting reference numbers
- Debit columns
- Credit columns
- Balance columns

See Module 7, Internal Controls for an explanation of Generally Accepted Accounting Principles (GAAP) or visit <http://www.fasab.gov/accepted.html>.

Which of the following are **not** necessary components in a Tribal Nation's accounting system?

- A. Debit, credit, and balance columns
- B. Time stamps and personnel initials
- C. Dates and posting reference numbers
- D. General journal, ledger, and chart of accounts
- E. Flexible accounting and document reference numbering systems



What is the greatest value of a flexible accounting system?

- A. It automatically fixes our errors.
- B. It lets us account for more than one source of funding.
- C. It lets us manually make changes.
- D. It monitors accounts receivable and payable.
- E. None of the above



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### Chart of Accounts

- The chart of accounts is the “backbone” of an accounting system and lists all of the accounts in the general ledger.
- Each transaction is coded to an account.

**Chart of Accounts (Example)**  
December 31, 2011

025-1300	Bank checking/savings
025-1800	Accounts Receivable
025-2100	Accounts Payable
025-2200	Salary Payable
025-2300	Salary Benefits payable
025-2350	Deferred Revenue
025-4000	Income
025-5000	Salary
025-5900	Salary Benefits
025-6000	Contract Labor
025-6100	Printing
025-6320	Supplies
025-6500	Equipment Rental
025-6650	Group Meetings
025-6700	Travel
025-6800	Indirect

### Chart of accounts

#### What is the chart of accounts?

The chart of accounts lists all of the accounts in the general ledger of the Tribal Nation. Each account is identified with an account number and it is used to record and classify financial data including revenue and expenses. The chart of accounts could include EPA projects or “funds,” rent, utilities, and other essential expenses.

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### Document Reference Numbering System

- Recorded in the General Journal
- Identifies transactions
- Needs to be used consistently

Cash Disbursements Journal for FY 20011/2012

DRN	Date	Description	Amount
010021	12/08/2011	Excavation	\$29,600.00
010022	12/16/2011	Gate installation	\$537.84
010023	12/17/2011	Clarifier	\$548.35

### Document reference numbering system

#### What does a document reference numbering system do?

A document reference numbering system is designed by a Tribal Nation to identify the transactions that are entered into the general journal. The Tribal Nation needs to use this system consistently for like transactions.

If the document reference number is the Check Number, then every time a check is written, the Check Number is used, rather than a file number or other identifier.

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Chart of Accounts  
Module 6

### What does a document reference numbering system do?

- Code project ledgers
- Enter items into the general journal
- Identify transactions
- Inventories equipment
- All of the above are possible.

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Chart of Accounts  
Module 6

### General Journal



- Also known as the Book of Original Entry
- Is the accounting record of transactions
- Is recorded in chronological order

Note: With accounting software packages, other journals such as payroll, cash receipts, cash disbursements, procurement, accounts payable and accounts receivable are often used instead of the general journal.

### General Journal

#### What should be recorded in the general journal?

The general journal, also called the Book of Original Entry, is the first place the Tribal Nation records anything affecting their financial well-being. The general journal is the accounting record where transactions are initially recorded in chronological order.

The general journal is a daily log of transactions. It needs to include the following:

- Date the item is being recorded
- Account number and name of the transaction that it affects
- Debit column—the amount that is debited to the account (subtracted from the balance)
- Credit column—the amount that is credited to the account (added to the balance)
- Transaction description—an explanation of why the transaction was recorded into the Tribal Nation’s accounting records
- Document reference number—the Tribal Nation’s reference code for the kind of transaction being recorded.

For example, when payments are made the reference number can be the Check Number. If a receipt of ordered supplies is recorded, then the vendor's invoice number or a voucher number may be used.

## General Ledger

- Compilation of all accounts that show detailed transactions by account.
- Accounts are listed in account number order in the ledger.
- Journal transactions are posted in the General Ledger by Account number.
- Shows account:
  - Beginning balances
  - Detail of changes
  - Ending balances



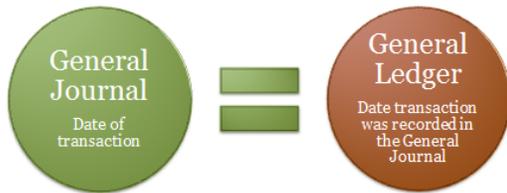
### General Ledger

#### What goes in the general ledger?

A general ledger contains all asset, liability, and equity accounts for the Tribal Nation. It lists the beginning balance, the detail of changes, and the ending balance in each account. The entire group of accounts maintained by a Tribal Nation is referred to collectively as the ledger.

## Dating Accounting Records

The journal records original date and the ledger records data by account.



#### Which date do we put in the ledger?

The date entered into the general ledger must be the same date that appears in the general journal. The date in the general journal is the date the information is originally recorded in the general journal.

## Posting Reference Number

- Each posting to the General Ledger is given a Posting Reference Number (PRN)
- The PRN identifies the page of general journal or any other journal (such as payroll) on which the transaction is recorded.

Different systems may have use different identifiers such as "journal," or "entries."

#### What is a posting reference number?

The posting reference number refers to the page of the general journal that the transactions come from. General journal pages are usually numbered sequentially for the entire year.

## General Ledger Column Entries

- Debit  $-$  Deduct amount paid or expenses
- Credit  $+$  Add deposits, refunds, and income
- Balance  $=$  Debits and credits must balance equally

#### What goes in the debit column?

The debit column must contain the deducted or paid amount that was recorded in the general journal.

#### What goes in the credit column?

The credit column must contain the amount added (i.e., deposit, refund, etc.) that was recorded in the general Journal.

#### What goes in the balance column?

The balance column reports the result of adding and subtracting from the account. Debit and credit columns must balance equally.

## Module 6: Financial System Requirements

Table 1: Sample General Journal

December 31, 2011								
<u>Trans#</u>	<u>Type</u>	<u>Date</u>	<u>DRN#</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
1	check	12/06/11	ck 92	AA Airlines	J. Doe airline ticket	025-6700 – Travel	700.00	
1	check	12/06/11	ck 92	AA Airlines	J. Doe airline ticket	025-1300 – Bank		700.00
2	check	12/07/11	ck93	Ox Rentals	rent for Dec-08	025-6500 – Equip. Rent	1,200.00	
2	check	12/07/11	ck93	Ox Rentals	rent for Dec-08	025-1300 – Bank		1,200.00
3	check	12/11/11	ck94	Rest Hotel	J. Doe hotel exp.	025-6700 – Travel	800.00	
3	check	12/11/11	ck94	Rest Hotel	J. Doe hotel exp.	025-1300 – Bank		800.00
4	wire	12/12/11	w#25	Tribal Bank	Payroll ending 12/12/08	025-5000 – Salary	9,000.00	
4	wire	12/12/11	w#25	Tribal Bank	Payroll ending 12/12/08	025-5900 – Salary Ben.	1,530.00	
4	wire	12/12/11	w#25	Tribal Bank	Payroll ending 12/12/08	025-1300 – Bank		10,530.00
5	check	12/12/11	ck 95	ABC Supply	parts for EPA project	025-6320 – Supply	2,800.00	
5	check	12/12/11	ck 95	ABC Supply	parts for EPA project	025-1300 – Bank		2,800.00
6	check	12/13/11	ck 96	XYZ Hall	Start-up EPA meeting	025-6650 – Group meet.	400.00	
6	check	12/13/11	ck 96	XYZ Hall	Start-up EPA meeting	025-1300-Bank		400.00
7	check	12/15/11	ck 97	Computer Supp.	Computer supplies	025-6320 – Supplies	1,500.00	
7	check	12/15/11	ck 97	Computer Supp.	Computer supplies	025-1300 – Bank		1,500.00
8	check	12/16/11	ck 98	J. Doe	travel per diem	025-6700 – travel	600.00	
8	check	12/16/11	ck 98	J. Doe	travel per diem	025-1300 – Bank		600.00
9	check	12/20/11	ck 99	USA construct.	12/01/08-12/17/08	025-6000 – Contract	2,000.00	
9	check	12/20/11	ck 99	USA construct.	12/01/08-12/17/08	025-1300 – Bank		2,000.00
10	check	12/20/11	ck 100	Office Supply co.	Office supplies	025-6320 – Supplies	500.00	
10	check	12/20/11	ck 100	Office Supply co.	Office supplies	025-1300 – Bank		500.00
11	wire	12/26/11	w#26	Tribal Bank	Payroll ending 12/26/08	025-5000 – Salary	8,500.00	
11	wire	12/26/11	w#26	Tribal Bank	Payroll ending 12/26/08	025-5900 – Salary Ben.	1,440.00	
11	wire	12/26/11	w#26	Tribal Bank	Payroll ending 12/26/08	025-1300 – Bank		9,940.00
12	JE	12/30/11	je 1	EPA	Dec-08 accrual	025-4000 – Income		40,000.00
12	JE	12/30/11	je 1	EPA	Dec-08 accrual	025-1800 – A/R	40,000.00	
13	JE	12/30/11	je 2	Tribal Bank	Payroll accrual 12/31/08	025-5000-Salary	3,000.00	
13	JE	12/30/11	je 2	Tribal Bank	Payroll accrual 12/31/08	025-5900-Salary Ben.	530.00	
13	JE	12/30/11	je 2	Tribal Bank	Payroll accrual 12/31/08	025-2200-Salary Payable		3,000.00
13	JE	12/30/11	je 2	Tribal Bank	Payroll accrual 12/31/08	025-2300-Sal.Ben.Payable	530.00	
14	JE	12/31/11	je 3	USA construct.	12/18/08-12/31/08	025-6000 – Contract	3,000.00	
14	JE	12/31/11	je 3	USA construct.	12/18/08-12/31/08	025-1300 – A/P		3,000.00
15	JE	12/31/11	je 4	Tribe indirect	Dec-08 indirect	025-6800 – Indirect	2,500.00	
15	JE	12/31/11	je 4	Tribe indirect	Dec-08 indirect	025-2100-A/P		2,500.00
<b>TOTAL</b>							<b>80,000.00</b>	<b>80,000.00</b>

Page 1



## Financial Reporting

### What must be reported?

Accurate, current, and complete disclosure of the financial results of financially-assisted activities must be made in accordance with the financial reporting requirements of the assistance agreement award. The provisions of 40 CFR 31.41 discuss financial reporting requirements in greater detail.

40 CFR Part 31 is provided in the **Appendix**.

### Which financial reports are prepared and when?

Two financial reports are **produced by a Tribal Nation** from the general ledger accounts on a monthly basis a (1) balance sheet and (2) financial statement.

A balance sheet lists:

- All the assets
- Things of value
- Liabilities (payments due to third parties)
- Fund balance or fund equity

### Learner Notes

#### Learner Notes

**Activity 6.b** (online at [www.petetribal.org](http://www.petetribal.org)) provides you with the opportunity to practice entering information into a General Ledger.

6.4

## Sample Balance Sheet

BALANCE SHEET SUMMARY	
December 31, 2011	
<b>ASSETS</b>	
Current Assets	
Bank Checking/Savings	50,000.00
Accounts Receivable	40,000.00
<b>Total Current Assets</b>	<b>90,000.00</b>
<b>TOTAL ASSETS</b>	<b>90,000.00</b>
<b>LIABILITIES &amp; EQUITY</b>	
Current Liabilities	
Accounts Payable	3,500.00
Salary Payable	3,000.00
Salary Benefits Payable	600.00
Deferred Revenue	1,000.00
<b>Total Current Liabilities</b>	<b>8,100.00</b>
Equity	81,900.00
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>90,000.00</b>

A statement of revenues, expenditures, and changes in fund balance breaks down the funds into various revenue streams (e.g., assistance agreements). Each grant has its own budget with different line-item or cost categories. These cost categories are established in the chart of accounts. The statement of revenues, expenditures, and changes shows how much money has been spent from each cost category and how much of the budgeted balance remains.

## Why do we need both a general journal and a general ledger?

- Cross checking requires the bookkeeper to look at transactions in different ways.
- It helps accountants check mathematical accuracy.
- The journal records data on multiple accounts.
- The ledger tracks data by separate accounts.
- All of the above



## Common Financial Reports

- Balance Sheet
- Income Statement/Profit & Loss
- Budget vs. Actual Expenditures

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Sample Income Statement

INCOME STATEMENT/PROFIT & LOSS	
December 31, 2011	
Ordinary Income/Expense	
Income	
Income	40,000.00
<b>Total Income</b>	<b>40,000.00</b>
Expense	
Personnel	20,500.00
Fringe Benefits	3,500.00
Travel	5,000.00
Equipment	4,800.00
Supplies	1,200.00
Contractual	400.00
Construction	800.00
Other	1,300.00
Indirect	2,500.00
<b>Total Expense</b>	<b>40,000.00</b>
<b>Net Income</b>	<b>00.00</b>

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Budget vs. Actual

BUDGET vs. ACTUAL			
December 31, 2011			
	Budget	Actual	Remaining
Income			
Income	45,000.00	40,000.00	5,000.00
<b>Total Income</b>	<b>45,000.00</b>	<b>40,000.00</b>	<b>5,000.00</b>
Expense			
Personnel	22,000.00	20,500.00	1,500.00
Fringe Benefits	3,700.00	3,500.00	200.00
Travel	7,000.00	5,000.00	2,000.00
Equipment	5,000.00	4,800.00	200.00
Supplies	1,200.00	1,200.00	0.00
Contractual	600.00	400.00	200.00
Construction	900.00	800.00	100.00
Other	1,900.00	1,300.00	600.00
Indirect	2,700.00	2,500.00	200.00
<b>Total Expense</b>	<b>45,000.00</b>	<b>40,000.00</b>	<b>5,000.00</b>
<b>Net Income</b>	<b>00.00</b>	<b>00.00</b>	<b>00.00</b>

Sample Comparison of Budget and Actual Expenses

A financial statement of revenues, expenditures, and changes in fund balance shows:

- Break-downs in the funds into various revenue streams
- The budget
- What has been put against the project funds in specific cost categories
- Balances remaining in funds

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Yearly Financial Reporting

Report	Due	Send To
Federal Financial Report (FFR) SF 425	Check the "terms and conditions" of the award	Las Vegas Finance Center (LVFC)

*This form is used to close out a grant or cooperative agreement and may also be needed if the terms and conditions of the award require interim or annual financial status reports.*

**When is the report sent to EPA?**

As of October 1, 2009, the Federal Financial Report (FFR) Standard Form (SF) 425 replaced:

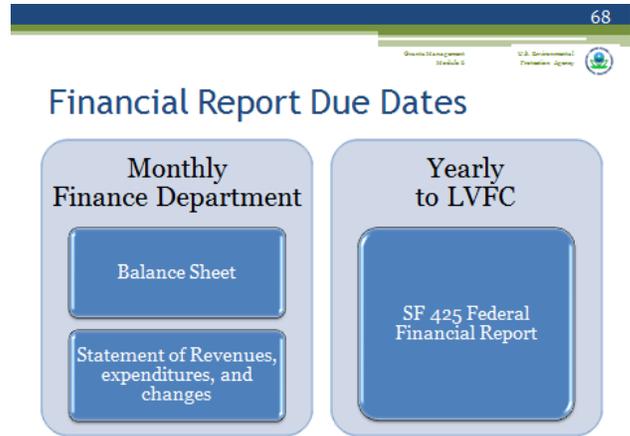
- Standard Forms 269 and 269A Financial Status Report (FSR)
- Standard Forms 272 and 272A Federal Cash Transactions Report

as the only financial status report accepted by the Las Vegas Finance Center (LVFC).

SF 425 is used to close out a grant or cooperative agreement and may also be needed if the terms and conditions of the award require interim or annual financial status reports. Grant recipients are no longer required to submit Federal Cash Transaction information formerly reported on the SF 272.

Tribal Nations must submit a *final* Federal Financial Report (FFR) SF 425 no later than 90 days after the end of the budget/project period. Some regions require *interim financial status reports*; read the "administrative terms and conditions" of your award very carefully for your specific reporting requirements. If your assistance agreement requires submission of an interim or annual financial status report, please submit the SF 425 FFR following the schedule stipulated in the terms and conditions of the agreement.

**Please be advised. The Federal Financial Report (FFR) Standard Form (SF) 425 replaced Standard Forms 269, 269A and 272, 272A on October 1, 2009.**



Copies of the Federal Financial Report (FFR) Standard Form (SF) 425 are available in **Activity 6c** (online at [www.petetribal.org](http://www.petetribal.org)) and the **Appendix**.

Reflection

**Reflection**

- What do the “administrative terms and conditions” in your award say about financial management systems?
- How often does your award require financial status reporting?

Monthly reports are kept in the recipient's files. Yearly reports are sent to the Las Vegas Finance Center.



What does a financial statement show?

- A. Chart of accounts
- B. Debit, credit, and balance columns
- C. General journal and ledger entries
- D. Summary of financial activities by project
- E. None of the above



## Module 6: Financial System Requirements

Table 2: Sample General Ledger for a Single Account

<b>General Ledger Detail by Account</b>							
<b>As of December 31, 2011</b>							
Type	Date	PRN	Name	Memo	Debits	Credits	Balance**
<b>025-4000 Income</b>							
JE*	12/30/11	Je* 1	EPA	Dec-08 accrual		<u>40,000.00</u>	
<b>Total 025-4000 Income</b>						<u>40,000.00</u>	<b>-40,000.00</b>
<b>025-5000 Salary</b>							
wire	12/12/11 T	wire 25	Tribe Salaries	pay ending 12/12/08	9,000.00		
wire	12/26/11	wire 26	Tribe Salaries	pay ending 12/26/08	8,500.00		
JE	12/30/11	je 2	Tribe Salaries	pay accrual 12/31/08	<u>3,000.00</u>		
<b>Total 025-5000 Salary</b>						<b>20,500.00</b>	<b>20,500.00</b>
<b>025-5900 Salary Benefits</b>							
wire	12/12/11	wire 25	Tribe Salaries	pay ending 12/12/08	1,530.00		
wire	12/26/11	wire 26	Tribe Salaries	pay ending 12/26/08	1,440.00		
JE	12/30/11	je 2	Tribe Salaries	pay accrual 12/31/08	<u>530.00</u>		
<b>Total 025-5900 Salary Benefits</b>						<b>3,500.00</b>	<b>3,500.00</b>
<b>025-6000 Contract Labor</b>							
check	12/20/11	ck 99	USA Construction	12/01/08-12/17/08	2,000.00		
JE	12/30/11	je 3	USA Construction	12/18/08-12/31/08	<u>3,000.00</u>		
<b>Total 025-6000 Contract Labor</b>						<b>5,000.00</b>	<b>5,000.00</b>
<b>025-6320 Supplies</b>							
check	12/12/11	ck 95	ABC Supply Co.	parts for project	2,800.00		
check	12/15/11	ck 97	Computer Supply Co.	computer supplies	1,500.00		
check	12/20/11	ck 98	Office Supp. Co.	office supplies	<u>500.00</u>		
<b>Total 025-6320 Supplies</b>						<b>4,800.00</b>	<b>4,800.00</b>
<b>025-6500 Equipment Rental</b>							
check	12/07/11	ck 93	Ox Rentals	rent for Dec-08	<u>1,200.00</u>		
<b>Total 025-6500 Equipment Rental</b>						<b>1,200.00</b>	<b>1,200.00</b>
<b>025-6650 Group Meetings</b>							
check	12/13/11	ck 96	XYZ Hall	start-up EPA Meeting	<u>400.00</u>		
<b>Total 025-6500 Group Meetings</b>						<b>400.00</b>	<b>400.00</b>
<b>025-6700 Travel</b>							
check	12/06/11	ck 92	AA Airlines	J. Doe airline ticket	700.00		700.00
check	12/11/11	ck 94	Rest Hotel	J. Doe hotel exp.	800.00		
check	12/16/11	ck 97	J. Doe	travel per diem	<u>600.00</u>		
<b>Total 025-6700 Travel</b>						<b>2,100.00</b>	<b>2,100.00</b>
<b>025-6800 Indirect</b>							
JE	12/31/11	je 4	Tribe Indirect	indirect on EPA project	<u>2,500.00</u>		
<b>Total 025-6800 Indirect</b>						<b>2,500.00</b>	<b>2,500.00</b>
<b>Totals for 025</b>					<b><u>40,000.00</u></b>	<b><u>40,000.00</u></b>	<b><u>00.00</u></b>

Page 1

\*JE/je means the transaction was entered manually on the general journal.

\*\*Balances represent expenses by category. General journals for grants should balance evenly. There should be the same amount of income/credits as there are expenses/debits.



### How does financial reporting help our Tribal Nation?

Timely and accurate financial reporting is an important project management tool for both the Tribal Nation and EPA. It enables the Tribal Nation and EPA to ensure that the project is on track and alerts the Tribal Nation and EPA if a project has developed issues that need to be resolved. Not supplying the proper and timely financial status reports could jeopardize additional and/or future funding.

Financial reporting is a great internal control. A project's administrative and financial personnel should meet on a regular basis, such as once each month. Getting everyone together provides them with an appreciation for the scope of the project, reporting progress and discovering problems.

At the administrative and financial personnel meeting discuss the status of the project, for example:

- Where are we now? What is the timeline and how are we doing?
- What, if any changes have been made since the last meeting?
- Are there any needs at this time? If so, how can we best meet those needs?
- What is due before the next meeting?

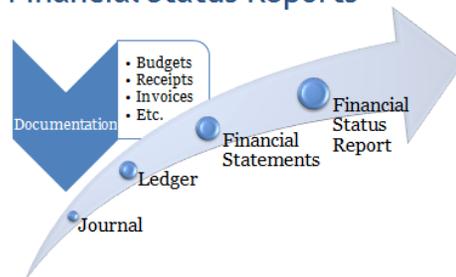


What happens if the Tribal Nation is unable to file financial reports as required?

- A. Award funds become unavailable or are withheld.
- B. Draw-down of funds requires additional documentation.
- C. The Tribal Nation may experience budget problems.
- D. It becomes more difficult to win assistance awards in the future.
- E. All of the above are possible.



### Financial Status Reports



CHECK YOUR "TERMS AND CONDITIONS" FOR DETAILS.

### Financial Status Reports

#### What are the requirements?

Accounting records must support the costs claimed on each financial status report. Different EPA programs may have different financial reporting requirements. See the "administrative terms and conditions" in the award for more details.

#### How do we prepare financial reports?

Once the transaction has been put in the general journal, it is posted to the general ledger by account. The accounting system generates a summary of total balance of all accounts in the general ledger and is used to prepare and provide "financial statements" that report the Tribal Nation's financial activities by project.

**The accounting system needs to produce a Federal Financial Report (FFR), which is used to reconcile requests for advances or reimbursements from EPA.** This report is also used for budget control within the Tribal Nation and departments responsible for performing tasks in the project work plans.

## 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 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
<b>Cover Information</b>		
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 information on the <i>FFR Attachment</i> . <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.

*Module 6: Financial System Requirements*

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 box 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	<b>Transactions</b> 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.	
<b>Federal Cash (To report multiple grants, also use <i>FFR</i> Attachment)</b>		
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 on Line 12, Remarks, explaining why the drawdown was made prematurely or other reasons for the excess cash.
<b>Federal Expenditures and Unobligated Balance:</b> 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; the value of third-party in-kind contributions applied; 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; the value of in-kind contributions applied; 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.)

*Module 6: Financial System Requirements*

10f	Federal Share of Unliquidated Obligations	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.  <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>
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.
<b>Recipient Share:</b> 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 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.
<b>Program Income:</b> 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	<b>Indirect Expense:</b> Complete this information only if required by the awarding agency and in accordance with agency instructions.	
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.

## Module 6: Financial System Requirements

<b>Remarks, Certification, and Agency Use Only</b>		
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.
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.

### Line Item Instructions for the Federal Financial Report Attachment

(To be completed if reporting on cash management activity for multiple grants.)

There is **not** a separate attachment form.

Attach one *FFR* for each award providing the information described below for each additional award.

<b>Box Number</b>	<b>Reporting Item</b>	<b>Instructions</b>
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. (This information should be identical to that entered in Box 1, <i>FFR</i> .)
2	Recipient Organization	Enter the name and complete address of the recipient organization including zip code. (Same information as entered in Box 3, <i>FFR</i> .)
3a	DUNS Number	Enter the recipient organization's Data Universal Numbering System (DUNS) number or Central Contract Registry extended DUNS number. (Same information as entered in Box 4a, <i>FFR</i> .)
3b	EIN	Enter the recipient organization's Employer Identification Number (EIN). (Same information as entered in Box 4b, <i>FFR</i> .)
4	Reporting Period End Date: (Month Day, Year)	Enter the ending date of the reporting period of this report. (Same information as entered in Box 9, <i>FFR</i> .)
5	Federal Grant Number	Enter the grant number assigned to each award by the Federal agency.
	Recipient Account 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.
	Cumulative Federal Cash Disbursement	Enter the cumulative amount of the Federal share of cash disbursed for each award. Cash disbursements are the sum of actual cash disbursements for direct charges for goods and series, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to subrecipients and contractors.
	Total	Enter the total for the Cumulative Cash Disbursement. This column should equal the amount reported on Line 10b, <i>FFR</i> .

Module 6: Financial System Requirements

FEDERAL FINANCIAL REPORT

(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted  <b>United States Environmental Protection Agency</b>		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 of 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 From: (Month, Day, Year)		To: (Month, Day, Year)			9. Reporting Period End Date (Month, Day, Year)		
10. Transactions				Cumulative			
<i>(Use lines a-c for single or multiple grant reporting)</i>							
<b>Federal Cash (To report multiple grants, also use FFR Attachment):</b>							
a. Cash Receipts							
b. Cash Disbursements							
c. Cash on Hand (line a minus b)							
<i>(Use lines d-o for single grant reporting)</i>							
<b>Federal Expenditures and Unobligated Balance:</b>							
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)							
<b>Recipient Share:</b>							
i. Total recipient share required							
j. Recipient share of expenditures							
k. Remaining recipient share to be provided (line l minus j)							
<b>Program Income:</b>							
l. Total Federal 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 that it is true, complete, and accurate to the best of my knowledge. 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: Federal Share Calculation		
Standard Form 425 OMB Approval Number: 0348-0061 Expiration Date: 10/31/2011							
<b>Paperwork Burden Statement</b> 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 (0348-0060), Washington, DC 20503.							

Table 3: Federal Financial Report, SF425

Learner Notes

**Learner Notes**

Practice completing a Federal Financial Report, Standard Form 425 in **Activity 6.c** (found online at [www.petetribal.org](http://www.petetribal.org)).



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Green Management Module 6 U.S. Environmental Protection Agency

Federal Financial Reports (FFRs) should include which of the following information?

- A. Assets and liabilities
- B. Costs and remaining funds
- C. EPA advancements and reimbursements
- D. Revenues and expenditures
- E. All of the above



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Green Management Module 6 U.S. Environmental Protection Agency

### Track All Costs



### **How do we know if our financial reports are sufficient?**

By establishing the document requirements of a complete accounting system, Tribal Nations are able to track all costs.

A complete accounting system allows a Tribal Nation to receive reimbursement for allowable, reasonable, and allocable costs, as stated in the OMB Circular A-87.

Examples of financial reports are provided in the **Appendix**.

## Attachment to Module 6

### Answers to Quizdom Actionpoint Questions

Slide	Question (bold font indicates correct answer)	Explanation
11	<p>An effective financial management system must account for:</p> <ul style="list-style-type: none"> <li>A. Award funds drawn down and dispersed</li> <li>B. Award project expenses and income</li> <li>C. Environmental compliance</li> <li>D. Subcontracts and subawards</li> <li>E. <b>All of the above</b></li> </ul>	<p>The financial management system keeps records on every aspect of the project with monetary value.</p>
15	<p>Fund accounts record financial resources and obligations in object class categories established in the:</p> <ul style="list-style-type: none"> <li>A. <b>Assistance agreement award</b></li> <li>B. EPA document of limitations</li> <li>C. EPA regional office policies</li> <li>D. Federal restrictions for grant management</li> <li>E. All of the above</li> </ul>	<p>Fund categories must align with special regulations, restrictions, or limitations, such as those indicated in the assistance agreement award.</p>
18	<p>Who is responsible for implementing internal controls to safeguard resources ensuring accuracy, reliability, and compliance?</p> <ul style="list-style-type: none"> <li>A. EPA headquarters</li> <li>B. EPA regional officials</li> <li>C. <b>The Tribal Nation / Recipient</b></li> <li>D. The award project manager</li> <li>E. All of the above</li> </ul>	<p>The Tribal Nation or grant recipient is responsible for safeguarding the resources granted in EPA assistance agreement awards.</p>
25	<p>Which of the following is necessary for financial accounting information to be protected by EPA as “confidential business information”?</p> <ul style="list-style-type: none"> <li>A. Generally Accepted Accounting Principles (GAAP)</li> <li>B. Public disclosure of information policies</li> <li>C. <b>Approval of request for confidential business information protection</b></li> <li>D. Financial reporting and tracking</li> <li>E. All of the above</li> </ul>	<p>The financial activities of a Tribal Nation are private and confidential. When a financial agreement is signed with another governmental entity, such as EPA, the other entity must be given permission and access to financial information pertaining to that agreement only. However, a Tribal Nation may request that the information be protected as “confidential business information” by EPA.</p>

*Module 6: Financial System Requirements*

Slide	Question (bold font indicates correct answer)	Explanation
30	<p>Which accounting method does EPA recommend?</p> <ul style="list-style-type: none"> <li>A. <b>Accrual basis</b></li> <li>B. Assets and liabilities</li> <li>C. Cash basis</li> <li>D. Fund basis</li> <li>E. None of the above</li> </ul>	The accrual basis of accounting is recommended by EPA.
34	<p>Which of the following is <b>not</b> a necessary requirement for you Tribal Nation's accounting system?</p> <ul style="list-style-type: none"> <li>A. Compliance with federal regulations</li> <li>B. <b>Computerized record keeping</b></li> <li>C. Personnel dedicated to managing award funds and reports</li> <li>D. Separate, accurate, current, and complete records</li> <li>E. Documented accounting policies and procedures</li> </ul>	Though computerized accounting systems can make your job easier, they are not required.
39	<p>A financial accounting system consists of policies, procedures, and documents that support the _____ of a Tribal Nation's financial activity.</p> <ul style="list-style-type: none"> <li>A. collecting</li> <li>B. recording</li> <li>C. disbursing</li> <li>D. reporting</li> <li>E. <b>All of the above</b></li> </ul>	Reporting the financial status of a project requires recording all financial transactions, including how funds are disbursed.
43	<p>What is the greatest value of a <i>flexible</i> accounting system?</p> <ul style="list-style-type: none"> <li>A. It automatically fixes our errors.</li> <li>B. <b>It lets us account for more than one source of funding.</b></li> <li>C. It lets us manually make changes.</li> <li>D. It monitors accounts receivable and payable.</li> <li>E. None of the above</li> </ul>	A flexible accounting system allows the grant recipient to track multiple funding sources and expense accounts.

## Module 6: Financial System Requirements

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46	<p>Which of the following are <b>not</b> necessary components in a Tribal Nation's accounting system?</p> <ul style="list-style-type: none"> <li>A. Debit, credit, and balance columns</li> <li>B. <b>Time stamps and personnel initials</b></li> <li>C. Dates and posting reference numbers</li> <li>D. General journal, ledger, and chart of accounts</li> <li>E. Flexible accounting and document reference numbering systems</li> </ul>	<p>The grant recipient need not time stamp each entry or authorize specific personnel to initial items after approval. However, recipient may choose to use these methods for internal control of the financial management system.</p>
51	<p>What does a document reference numbering system do?</p> <ul style="list-style-type: none"> <li>A. Code project ledgers</li> <li>B. Enter items into the general journal</li> <li>C. <b>Identify transactions</b></li> <li>D. Inventories equipment</li> <li>E. All of the above are possible.</li> </ul>	<p>A document reference numbering system assigns a unique number to each transaction. Document reference numbers make it easier to track financial activity (e.g., supplies and equipment, contractors and subawards).</p>
60	<p>Why do we need both a general journal and a general ledger?</p> <ul style="list-style-type: none"> <li>A. Cross checking requires the bookkeeper to look at transactions in different ways.</li> <li>B. It helps accountants check mathematical accuracy.</li> <li>C. The journal records data on multiple accounts.</li> <li>D. The ledger tracks data by separate accounts.</li> <li>E. <b>All of the above</b></li> </ul>	<p>Data is recorded in the general journal as transactions occur and for all active accounts. Data from the general journal is transferred to the general ledger, and categorized by the account to which it is applied. This makes reporting easier.</p>
69	<p>What does a financial statement show?</p> <ul style="list-style-type: none"> <li>A. Chart of accounts</li> <li>B. Debit, credit, and balance columns</li> <li>C. General journal and ledger entries</li> <li>D. <b>Summary of financial activities by project</b></li> <li>E. None of the above</li> </ul>	<p>A financial statement is a report that summarizes a Tribal Nation's financial activity by project. The financial statement <b>is based on</b> but <b>does not include</b> the chart of accounts, debit, credit, and balance columns, general journal and ledger entries.</p>

*Module 6: Financial System Requirements*

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73	<p>What happens if the Tribal Nation is unable to file financial reports as required?</p> <ul style="list-style-type: none"> <li>A. Award funds become unavailable or are withheld.</li> <li>B. Draw-down of funds requires additional documentation.</li> <li>C. The Tribal Nation may experience budget problems.</li> <li>D. It becomes more difficult to win assistance awards in the future.</li> <li>E. <b>All of the above are possible.</b></li> </ul>	<p>Without timely and accurate financial reports, neither the Tribal Nation nor EPA is able to monitor how award funds are being used.</p>
77	<p>Federal Financial Reports (FFRs) should include which of the following information?</p> <ul style="list-style-type: none"> <li>A. Assets and liabilities</li> <li>B. Costs and remaining funds</li> <li>C. EPA advancements and reimbursements</li> <li>D. Revenues and expenditures</li> <li>E. <b>All of the above</b></li> </ul>	<p>Federal Financial Reports (FFRs) are comprehensive reports of all financial activity during a specific time frame.</p>