

**KANSAS DEPARTMENT ON AGING  
FIELD SERVICES MANUAL**

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## **KANSAS DEPARTMENT FOR AGING AND DISABILITY SERVICES**

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### **Section 8.1 Financial Management – Older Americans Act Funds**

**Effective Date: October 1, 2013**

**Revision: 2013-03**

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#### **8.1.1 Financial Management and Reporting Requirements**

Financial management requirements consist of accurate, current, and complete disclosure of the financial results of each program funded, in whole or in part, by Federal and/or State funds provided by the Kansas Department for Aging and Disability Services (KDADS). Requirements include maintenance of an effective financial management system, budget approvals, establishing fund availability, satisfaction of matching requirements, accounting for program income, determining allowability of costs, methods for making payments to providers of services, and meeting Federal and State audit requirements.

Recipients of programs funded by KDADS are required to meet the applicable Federal and State standards and requirements for financial management systems set forth below:

#### **8.1.2 Regulatory Authorities**

- A. The Older Americans Act of 1965, as amended, and codified at 42 U.S.C. Section 3001, et seq.;
- B. The following regulatory authorities are applicable to units of local governments:
  - 1. Grants to State and Community Programs on Aging - 45 CFR Part 1321
  - 2. Uniform Administrative Requirements for Grants to State and Local Governments - 45 CFR Part 92
  - 3. Cost Principles - 2 CFR Part 225
  - 4. Administrative Requirements - OMB Circular A-102
  - 5. Audit Requirements - OMB Circular A-133
- C. The following regulatory authorities are applicable to non-profit organizations:
  - 1. Grants to State and Community Programs on Aging - 45 CFR Part 1321
  - 2. Uniform Administrative Requirements for Awards and Subawards - 45 CFR Part 74
  - 3. Cost Principles - 2 CFR Part 230
  - 4. Administrative Requirements - 2 CFR Part 215
  - 5. Audit Requirements - OMB Circular A-133

#### **8.1.3 Notification of Grant Awards (NGA)**

The NGA is the legal document issued to the grantee that indicates that an award has been made and that funds may be requested from KDADS.

- A. KDADS will issue a sequentially numbered Notification of Grant Award (aka “NGA” or “Grant”) based on the grantee area plan budget submitted to and approved by KDADS.
- B. The NGA will contain the terms and conditions of the award that are required in addition to the provisions contained in the grantee application.

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**8.1.3 (cont)**

- C. NGA's must be signed by an authorized official of the grantee organization and returned to KDADS in order to become effective. Until KDADS issues and receives a signed NGA for the initial budget period, any costs incurred by the grantee for the project period are incurred at the grantee's own risk. Funds will not be advanced from a grant award without an NGA signed by the secretary and authorized grantee official.
- D. NGA's issued as "Revision" or "Carryover" and following a sequential order will replace the existing grant award, which becomes obsolete on the effective date of the revised NGA. Contents, terms and conditions of the NGA are binding on the recipient unless and until modified by a revised NGA signed by the secretary and authorized grantee official.
- E. In making a subgrant or contract, each grantee or contractor shall use the funds awarded under a KDADS-approved area plan for those services that are consistent with service definitions issued and provided by KDADS and the identified priority service needs for the planning and service area (PSA).
- F. Each grantee or contractor funded in whole or in part by KDADS shall comply with the Federal and State financial requirements applicable to providers of services funded.

**8.1.4 Cash Disbursements for Grant Funding**

- A. Cash may be requested after KDADS receipt of a signed NGA from the grantee. Recipients of a KDADS grant must complete KDADS Cash Request form and submit to KDADS to request grant funds.
- B. Cash requests must be signed by an authorized official of the recipient organization and dated.
- C. Cash requests should be submitted on a monthly basis to fund current expenditures and obligations and to minimize the time elapsing between the transfer of funds from KDADS to the recipient organization and the subsequent payment of obligations incurred as a result of the award. Payment for approved requests received by KDADS on or before the 20th of the month will typically be processed and submitted to the grantor by the first week of the following month.
- D. Grantees will be paid in advance, provided regulatory compliance and the terms and conditions of the grant are maintained. Non-compliance of regulatory requirements or failure to comply with the terms and conditions of the grant award may result in KDADS holding of funds until compliance is attained.
- E. If the grantee has excess cash-on-hand at the end of the fiscal year, which is cash advanced in excess of what is earned, KDADS may require the grantee to return the funds or the money will be considered Cash on Hand for the following grant period.

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**8.1.5 Interest Earned on Federal Advances**

**A. Non-Profit (Non-governmental) Recipients**

1. Recipients must maintain advances of Federal funds in interest bearing accounts unless one of the following conditions apply:
  - a. The recipient receives less than \$120,000 in Federal funds per year;
  - b. The best reasonably available interest bearing account would not be expected to earn interest in excess of \$250 per year on Federal cash balances;
  - c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
2. Interest earned on Federal funds in amounts up to \$250 per year may be retained by the recipient for administrative expenses.
3. Interest earned on Federal funds in excess of \$250 per year must be remitted annually to the Department of Health and Human Services, Payment Management System.

**B. Local Government Recipients**

1. Local governmental recipients may retain interest earned on Federal funds in amounts up to \$100 per year for administrative expenses.
2. Interest earned on Federal funds in excess of \$100 per year must be remitted annually to the Department of Health and Human Services, Payment Management System.

**8.1.6 Financial Management**

Each grantee is solely responsible for obtaining and reporting necessary information from subgrantees, contractors, and subcontractors with whom the grantee has subgrants, contracts, or subcontracts.

**A. Receipts**

1. Funding sources include the following categories:
  - a. Program Income;
  - b. Mill Levy;
  - c. Other Cash;
  - d. Third party In-kind;
  - e. State General Funds;

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**8.1.6.A.1 (cont.)**

- f. Federal Funds (by OAA Program and Nutrition Services Incentive Program (NSIP)); and
  - g. Nutrition Check-off.
2. Match shall be earned and reported as Mill Levy, Other Cash, State General Funds, and/or Third party In-kind.
  3. Receipts must be reported on a cash basis. Total year-to-date receipts must equal the ending balance from the previous month plus the amount reported as received during the current report month.
  4. Match Funds requirements are as follows:
    - a. Expenditures under an approved budget that consists of both Federal and non-Federal shares are deemed to be borne by the recipient in the same proportion as the percentage of Federal/non-Federal participation in the overall budget.
    - b. To be accepted, all matching contributions, including cash and third party in-kind, shall meet all of the following criteria:
      - i. Are verifiable from the grantee's or the subrecipient's records;
      - ii. Are not included as contributions for any other federally-assisted project or program;
      - iii. Are necessary and reasonable for proper and efficient accomplishment of project or program objectives;
      - iv. Are allowable under the applicable cost principles;
      - v. Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for matching; and
      - vi. Are provided for in the approved budget.
    - c. Excess local cash match and/or mill levy match may be substituted for shortages in third party in-kind match.
    - d. Third party in-kind match may not be used to substitute for a shortage in local cash match and/or mill levy match.
  5. Program income must be reported and used for expansion of services in accordance with OAA Section 315(b)(4)(E).
    - a. Service providers are required to provide an opportunity to individuals being served under Title III service programs to make voluntary contributions for services received.

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**8.1.6.A.5 (cont.)**

- b. Voluntary contributions received by service providers from program customers must be reported as “Program Income - Non-Match” in the Federal fiscal year in which they are received.

**B. Grant Expenses**

1. Actual expenses must be charged to the program or grant for costs incurred by a provider of service that directly relate to administering the program. Depreciation expenses, use allowances, lobbying, and fundraising are unallowable costs. Vehicle purchases under OAA Titles III-B, III-D, and III-E are unallowable costs.
2. Expenditures are reported for the month in which they are paid and accumulated year-to-date. The year-to-date balance from the preceding month plus expenditures for the current month must balance to the year-to-date total or a revised report is required. Obligations incurred but not paid are reported separately.
3. The grantee must use the “first-in/first-out” principle for recognizing and recording obligations and expenditures of grant funds.
4. The AAA must expend its total OAA Title III Area Agency Administration award before federal funds for OAA Title III-B Program Development and/or Coordination services can be earned.
  - a. If the AAA does not expend its total Administration award, expenditures for OAA Title III B Program Development and/or Coordination activities should be re-classified as Administrative Costs in an amount sufficient for the AAA to expend 100% of its Administration award.
  - b. Costs re-classified as Administrative Costs must have sufficient match (25%) to meet OAA requirements, and 25% of the local cash match requirement for OAA programs must come from public funds.
5. Any service category or line item expenditure reported that exceeds 20% of the budgeted amount on which the final NGA was based are unallowable for the grant period.
6. Program income, including customer contributions, shall be expended before Federal funds are earned.
7. If unallowable expenditures are reported, the grantee is at risk of losing federal and state funds through the carryover and audit process.

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**8.1.6 (cont.)**

**C. Transfer Policy Between OAA Titles III C(1) and C(2)**

1. The AAA may transfer up to 40% of the Title III-C(1) and C(2) funds allocated for the respective congregate and home delivered meals programs.
2. The AAA must receive prior written approval from the Secretary if there is a need for transferring more than 40% to ensure the state meets federal regulatory compliance of a maximum 40% transfer statewide.

**D. OAA Priority Services**

1. Adequate Proportion expenditure requirements for Title III-B and Title III E must be expended for Access, In-Home, and Legal Services (Title III B) and Respite (Title III E) according to the percentages specified in Section 7.1.2.B.
2. Should the AAA not meet its Adequate Proportion spending requirements during the fiscal year, the unexpended Adequate Proportion for that fiscal year will be added to the subsequent fiscal year's requirement and specified on the AAA's Title III-B and/or Title III E NGA.

**E. Unearned OAA Funds (Carryover Process):**

The carryover process entails a total audit of the AAA's final financial reports and supporting documentation to ensure compliance with all state and federal regulations. Information to be reviewed during the carryover process includes the following:

1. Adequate Proportion requirements are met;
2. The budget on the financial report matches the approved award per the final NGA for the project period;
3. The Federal, state, and nutrition check-off funds drawn are reported as receipts;
4. The NSIP cash and entitlements reported as receipts matches what was disbursed to the AAA and/or the provider during the project period;
5. The provider contract and/or grant reports equals the amounts reported on the AAA financial report;
6. The amounts on the front and back of the financial report match;
7. The match ratio reported is in compliance (equals) the match required to earn federal funds per the approved NGA.
  - a. Third Party In-Kind match reported cannot exceed the percent of Third Party In-Kind match required on the back of the NGA.
  - b. Third Party In-Kind match cannot be substituted for other local cash match; however, other local cash match can be substituted for Third Party In-Kind match;

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**8.1.6.E (cont.)**

8. All Program Income reported as received is also reported expended;
9. All non-match funds reported as received are reported as expended;
10. Total line item and service category expenditures do not exceed 20% of the budgeted line item or service category amounts (See Section 7.1.4);
11. All AAA Administration funds awarded are expended in the project period. If the AAA Administration funds awarded are not expended, the AAA should transfer the amount of the shortage plus adequate match from III-B program development and/or coordination to AAA Administration. (Note: the required percent of match on AAA Administration is higher than what is required for III-B which could result in a shortage in match for III-B); and
12. All other requirements or conditions on the back of the NGA for the grant period are met.

**F. Ending Cash Balances**

1. Federal cash on hand should be limited to the minimum amounts needed and cash requests timed to be in accordance with the actual, immediate cash requirements of the grantee in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the grantee for direct program or project costs and the proportionate share of any allowable indirect costs.
2. KDADS shall use each grantee's monthly financial report to monitor Federal and state cash advanced and to obtain disbursement information for each grant with the grantee.

**8.1.7 OAA Title III Financial Report Requirements**

- A. The AAA is required to submit financial reports to KDADS to comply with Federal and State reporting requirements. The AAA shall be responsible for gathering accurate information necessary to complete the following reports within the specified timeframes:
1. The KDADS Financial Report Forms shall be completed monthly and submitted to KDADS on or before the 20<sup>th</sup> of the month following the reporting period.
  2. The final Financial Report and supporting documentation is due to KDADS on or before December 15<sup>th</sup> following the end of the September 30<sup>th</sup> grant period (KAR 26-2-3). This report will revise the September 30<sup>th</sup> report, thereby providing an accurate accounting for the fiscal year.



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**8.1.7.A (cont.)**

3. If a final revised financial report is not received by December 31st following the end of the federal fiscal year, the most recent financial report submitted for the fiscal year will be considered the final report.
- B. Before submitting the final financial report, the grantee shall liquidate all obligations for all goods and services for the report period. The final report must have no unliquidated obligations and shall reflect the exact balance of unobligated funds.
- C. It is the AAA's responsibility to reconcile subgrantee, contractor, and subcontractor reports that are received by the AAA as supporting documentation for the area agency final financial reports.
- D. The AAA shall submit a consolidated final financial report to KDADS for each program component and shall include a summarized report, certified by the AAA Executive Director, listing the program's receipts and expenditures as reported by each subgrantee, contractor, and subcontractor that supports the AAA's final financial report on the following forms:
1. Administration - KDADS Form 312
  2. Title III-B Supportive Services – KDADS Form 328
  3. Title III-C(1) Congregate Meals – KDADS Form 329
  4. Title III-C(2) Home Delivered Nutrition Services – KDADS Form 330
  5. Title III-D Disease Prevention and Health Promotion Services – KDADS Form 331
  6. Title III-E Caregivers – KDADS Form 332
  7. AAA Direct Service Report - KDADS 338 (optional)
- E. An area agency may submit a revised final financial report only if the report is accompanied by the supporting final financial report for each of the AAA's OAA Title III subgrantees, contractors, and subcontractors and the following conditions are met:
1. The final report was received on or before December 15th following the grant period (KAR 26-2-3);
  2. A revised final report, if required, is received on or before December 31st following the grant period; and
  3. The revised final report is received on or before April 15<sup>th</sup>, and the report is delivered simultaneously with the audit report performed in accordance with KAR 26-2-9 confirming that the revised report is an accurate report.

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**8.1.7 (cont.)**

- F. All financial reports and cash requests shall be submitted in the manner prescribed by KDADS. KDADS may accept the identical information from the grantee in electronic outputs in lieu of prescribed formats, provided the document is legible and reflects the signature of an authorized official.
  
- G. Failure to submit required reports within the time allowed may result in the withholding of advances or other penalties as prescribed in KAR 26-2-6 and FSM Section 8.1.8.
  
- H. A waiver of deadline for submitting a required financial report may be considered by the secretary if all of the following requirements are met:
  - 1. The grantee submits a written request signed by the authorized official to KDADS to be received at least eight business days before the due date for the report for which the waiver is being requested;
  - 2. The written request provides an acceptable reason for the reporting delay and is legitimately beyond the grantee's control;
  - 3. An acceptable remediation for the cause of the delay is provided; and
  - 4. A revised report is received by the revised due date indicated in the request.
  
- I. Within five business days after receipt of the written waiver request, a written notice of denial or approval of the request shall be issued by the secretary. The deadline for submitting a program or financial report shall not be deemed changed merely because the grantee submitted a written waiver request for an extension of the report's due date.

**8.1.8 Enforcement Action**

- A. If a grantee fails to comply with the terms and conditions of an award, regardless whether such terms and/or conditions are stated in statute, regulation, policy, application, or an NGA, KDADS may take appropriate action, including one or more of the following:
  - 1. Withhold payments to the grantee if the grantee fails to submit any document required by KDADS on or before the established due date;
  - 2. Withhold payments to the grantee if expenditures by the grantee fails to comply with applicable Federal or State requirements;
  - 3. Withhold payments to the grantee if the secretary suspends or terminates the grant or contract;

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**8.1.8.A (cont.)**

4. Disallow all or part of the cost of the activity not in compliance, including use of Federal or State funds and any applicable matching credit;
  5. Wholly or partly suspend or terminate the current award;
  6. Withhold further awards for the project or program; and
  7. Utilize any and all other remedies available under applicable law, or as authorized by the secretary.
- B. If KDADS takes an enforcement action, the grantee may appeal the same. (See Section 8.1.9)

**8.1.9 Appeals**

- A. Area agencies may appeal non-Medicaid adverse actions taken by KDADS. (See KAR 26-4-1 et seq.) By way of example, and without limitation, an area agency may appeal the following adverse actions:
1. Termination, in whole or in part, of a grant for failure of the AAA to:
    - a. carry out its approved project in accordance with the applicable law and the terms and conditions of the award; or
    - b. comply with any law, regulation, assurance, term, or condition applicable to the grant;
  2. Determination that an expenditure has been improperly charged to the grant or that the AAA has otherwise failed to discharge its obligation to account for grant funds;
  3. With the exception of federal debarment, withholding or denial of a non-competing continuation award for failure to comply with the terms of a previous award;
  4. Determination that a grant is void (i.e. a decision that an award is invalid because it was not authorized by statute or regulation or because it was fraudulently obtained); or
  5. Any other adverse action taken by KDADS.
- B. If KDADS intends to take an adverse action, written notice of the same will be provided, which notice shall contain the AAA's appeal rights (KAR 26-4-1).

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**8.1.9 (cont.)**

- C. The AAA must submit a written request for review within 33 days after receiving written notice of action, detailing the nature of the disagreement with the adverse determination and providing supporting documents in accordance with the procedures contained in the notification. The written request must be sent to the Office of Administrative Hearings, 1020 S. Kansas Avenue, Topeka, KS 66612 (KSA 75-37,121).
  
- D. KDADS encourages each AAA to try to resolve disputes by using alternative dispute resolution (ADR) techniques, which is often effective in reducing the cost, delay, and contentiousness involved in appeals and other traditional ways of handling disputes. Provided, however, that such ADR shall not toll the time in which the AAA may file an appeal (KAR 26-4-6).
  
- E. If an appeal is filed, it will be governed by the process set forth in KAR 26-4-7 through KAR 26-4-15.

## 8.2 AAA and Other Providers Policy

### 8.2.1 Signature Authority

- A. The department shall not accept any document signed by an organization unless the organization has provided reasonable evidence indicating that the person signing such document on behalf of the organization was authorized to execute the same.
- B. On or before May 1st of each year, an organization shall provide to the department reliable evidence from the organization's governing body indicating who has the authority to sign documents on behalf of the organization.
1. "Reliable evidence" means:
    - A notarized affidavit of the Chairperson of the governing board; or
    - A resolution of the governing body which was adopted at a meeting of that governing body and included in a certified copy of the official minutes of that meeting (certified by the secretary of the governing body); or
    - A resolution of the governing body adopted at a meeting of the governing body, which appears in the form of a certified copy of the resolution only (certified by the secretary of the governing body); or
    - A resolution of the governing body which is adopted through a "consent to action" instead of at a meeting of the governing body, which resolution is included in the "consent minutes" signed by all of the members of the governing body.
  2. Each submitted form of "reliable evidence" of authorization:
    - Shall clearly and affirmatively record the governing body's authorization;
    - Shall clearly identify the person(s) or position(s) designated and authorized to sign. If such reliable evidence only lists the title or position, the governing body must also submit a letter indicating the names of the persons presently in such position(s) and, must update the same should there be a change in such title or position;
    - Shall clearly identify which documents the designated persons are authorized to sign; and
    - Shall include some indication that the authorization remains in full force and effect from a specified date forward.