

U.S. Department of Housing and Urban Development  
Community Planning and Development

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Special Attention of: Transmittal Handbook No.: 1300.19

CPD Staff  
CDBG Grantees

Issued: June 30, 1983

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1. This Transmits

Handbook 1300.19, Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations, OMB Circular A-110.

2. Purpose:

The Office of Management and Budget (OMB) has established principles and standards for agencies and subrecipients administering grants and agreements with institutions of higher education, hospitals and other non-profit organizations, in its Circular A-110 (July 1976). This Handbook is a brief introduction and reprint of the Circular.

3. Filing Instructions:

Insert Handbook 1300.19 dated June 30, 1983.

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Handbook 1300.19

U.S. Department of Housing and Urban Development  
Office of Community Planning and Development

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Program Participants  
and Departmental Staff

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June, 1983

Grants and Agreements  
with Institutions of  
Higher Education,  
Hospitals and Other  
Nonprofit Organizations

(A Reprint of Office of  
Management and Budget  
Circular A-110) (Revised)

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FOREWORD

Circular A-110 applies to Federal agencies that administer grants to institutions of higher education, hospitals and other quasi-public and non-profit organizations. Its provisions also apply to subrecipients performing substantive work under grants or contracts that are passed through or awarded by the primary recipient. (If the subrecipient is a State, local government, or Indian Tribal government, the subrecipient is required to follow the provisions of Circular A-102). The agencies, for years preceding this Circular, had imposed varying and conflicting requirements on the above grantees. The purpose of A-110 is to streamline and make those requirements uniform.

Headquarters personnel may direct their questions on the material in the Handbook to the Office of Procurement and Contracts. Field personnel may direct their questions to the respective Regional Contracting Officer.

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- 1-1. MAJOR SUBSTANTIVE AREAS COVERED BY THE CIRCULAR. Each of the following subparagraphs corresponds to an Attachment to the Circular.
- a. Cash depositories. Institutions may use their regular banking procedures without a requirement for a separate bank account. The only exception would be where the letter of credit method is used and checks are presented at the bank for drawdowns (checks paid method). Use of minority banks is encouraged.
  - b. Bonding and insurance. The recipient's normal requirements for bonding and bid guarantees for construction are sufficient on similar contracts. On contracts or subcontracts exceeding \$100,000, recipients must secure a 5 percent bid guarantee, a 100 percent performance bond and 100 percent payment bond.
  - c. Retention and custodial requirements for records. Grantees may follow their own practices as long as they provide for retention for 3 years, and access for audit and public examination. If any litigation, claim or audit is started, the records shall be retained beyond 3 years. The retention period starts when the annual or final expenditure report has been submitted or, for nonexpendable property, from the date of final disposition.
  - d. Program income. States are not held accountable for interest earned on grant funds. All other recipients must return such interest to the Federal Government. Other income attributable to the grant should be used either 1) to increase the scope of the project, or 2) be deducted from the total project cost for the purpose of determining the amount in which the Federal Government will share, or 3) used to finance the non-Federal share of the project.
  - e. Cost sharing and matching. Standards are established for determining the matching contribution. It applies to grantees and subgrantees alike. It may consist of charges which are project costs as set forth in the applicable cost principles, including

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cash and "in-kind" contributions. In-kind contributions must be necessary and reasonable, clearly identifiable from the grantee's records, properly valued and not claimed in any other Federal program. Specific guidelines are set forth for calculating the value of in-kind services provided by volunteers and contributions of materials, equipment, buildings, land and space.

- f. Standards for financial management systems. Standards are prescribed for financial management systems used for grant supported activities. Federal agencies will not impose requirements other than for current, accurate, and complete disclosure of financial results; adequate identification of source and application of funds; effective control and accountability for funds and property; comparison of actual and budgeted amounts; minimizing time elapsing between receipt and expenditure of funds, and financial and compliance audits, not less than 2 years.
- g. Financial reporting requirements. This attachment to the Circular defines a series of financial terms such as unliquidated balances, outlays, etc. It describes four forms that replace a great number formerly used by the agencies.
  - 1. Financial status report - To report status of funds for all nonconstruction programs. (SF 269)
  - 2. Federal cash transactions - To monitor cash flow when funds are advanced to grantees by letters of credit or Treasury checks. (SF 272)
  - 3. Request for advance or reimbursement - For all non-construction programs when advance letter of credit or predetermined advance payments are not used. (SF 270)
  - 4. Outlay report and request for reimbursement - For reimbursement on all construction programs. (SF 271)
- h. Monitoring and reporting program performance. Recipients are held responsible for monitoring programs to assure that time schedules are met and that performance goals are being achieved. Periodic reports of progress, documented with quantitative data when

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possible, will be required. If goals are not being met, or costs are exceeding budget, these conditions must be noted and explained.

Between reporting dates, grantees must report any unusual conditions or event that will affect budget estimates or achievement of goals within the time period.

- i. Payment requirements. Procedures are described for minimizing the time cash is held by the grantee. A letter of credit will be used for all grants, except construction grants for which it is optional, when there is a continuing relationship of at least 12 months, when the payment for a year will exceed \$120,000, and the recipient's financial management system meets Federal standards.

Funds will be advanced to the grantee when the annual amount is less than \$120,000. The reimbursement method will be used when the financial management system of the grantees is not adequate.

- j. Revision of financial plans. Procedures are prescribed for Federal agencies to follow when grantees need to deviate from their original financial plans.

For nonconstruction grants, prior Federal approval for budget revision must be obtained only when:

1. There is a change in the scope or objective, or a need for additional Federal funding.
2. At the option of the Federal agency, the cumulative amount of transfers among program, functions, or activities exceeds 5 percent of the total budget for awards in which the Federal share exceeds \$100,000.

When Federal funds are expected to exceed needs by more than 5 percent of \$5,000, the Federal agency must be notified.

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- k. Closeout procedure. This attachment defines the few terms relevant to the closeout of a grant agreement.

The attachment also requires all relevant Federal agencies to establish closeout procedures. It requires the sponsoring agency to make prompt payments of remaining allowable costs under the grant and to get all closeout reports from the grantee within 90 days. The agency may have to make adjustments up or down reflective of the final reports.

The grantee must refund immediately any balance of unencumbered funds.

1. Suspension and termination. Grants may be terminated for cause or by mutual agreement.

This attachment defines the few terms relevant to the suspension or termination of a grant. Further, it requires agencies to define procedures for a non-standard grant closeout. This would systematic settlement, whether terminated for cause or convenience.

- m. Standard application form. This attachment publishes the standard form to be used in applying for assistance. It is the SF 424, the same-as that used in Circular A-102. However, agencies may require use of the SF-424 only when applying for grants under programs covered by Part I of the office of Management or to report to States on actions taken on applications reviewed by them.
- n. Property management. This attachment sets standards governing the use and disposition of federally financed property. The grantees' property management procedures must provide for accurate records, bi-annual inventories, adequate maintenance and control and proper procedures for disposition of the property.

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Real property must be used only for authorized purposes and returned to the Federal Government when no longer needed. The grantee may take title to the property by paying the Federal agency for the fair share of its remaining value.

- o. Procurement standards. In general, recipients may use their own procedures in the procurement of goods

and services, including contributions using Federal funds.

Recipients must maintain a code of standards of conduct and must provide for open and free competition.

- 1-2. PARTIAL EXCLUSIONS. Certain following areas may not apply to all CPD programs; subparagraphs 1-1 d, e, g, h, i, j, k, l and m. Some subparagraphs may only apply to HUD as the grantor agency.
- 1-3. MINIMAL REQUIREMENTS. Minimal requirements are established for the solicitation of goods and services including the use of small and minority owned businesses and the type of procuring instrument used. Some minimal requirements are established for procurement records and files, including cross cutting provisions in contracts, e.g., adherence to the Davis-Bacon Act, Clean Air Act of 1970, Federal Water Pollution Control Act, Executive Order 11246 "Equal Employment Opportunity," etc.
- 1-4. USE WITH HUD PROGRAMS. The A-110 Circular is incorporated into this Handbook as Attachment A. Use of the Circular is specifically requested by the Community Planning and Development Monitoring Handbook 6509.2 REV-3, issued as part of accountability monitoring. Accountability monitoring is part of HUD's efforts to combat fraud, waste and mismanagement concerning administration of its community development and housing programs. The OMB Circular A-110 should be used in a positive manner to improve management of Federal program dollars.

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1-5. EXCEPTIONIONS.

- a. The A-110 Circular does not apply to grants, contracts or other agreements between the Federal Government and units of State or local governments covered by OMB Circular No. A-102.
- b. The Office of Management and Budget may grant exceptions. However, in the interest of maximum uniformity, exceptions will be permitted only in unusual circumstances.

Attachment A: OMB Circular A-110 Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-profit Organizations.





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FEDERAL CASH TRANSACTIONS REPORT

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