



## MEMORANDUM

**TO: GRANTEES**

**FROM: MARYLAND HISTORICAL TRUST/  
MARYLAND HERITAGE AREAS AUTHORITY**

**RE: GRANTEE RESPONSIBILITIES FOR FINANCIAL REPORTING**

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It is important to remember that all grants administered under the Maryland Historical Trust (MHT) Grant Fund, and the Maryland Heritage Areas Authority (MHAA) Grant Program exist for mutual benefit in a partnership framework for the public good. Your grant application and our grant award, together with our subsequent Grant Agreement, spell out the partnership aspects. It is the philosophy of shepherding assets for the public benefit within the framework of the grant agreement (including the project budget) which determines most of the responsibilities and regulatory guidelines of good grant management.

Grantees are expected to run cost efficient operations, to make public funds go as far as possible. Also, Grantees should be able to defend before any public scrutiny, by well-documented records, the products, the costs and the policies adopted in the expenditure of the public funds entrusted to them under the grant award.

Following are guidelines to assist you in knowing what sort of records and documentation MHT will expect you to be able to provide to back up your financial reporting to us, as well as some suggestions to help make capturing these costs as the project progresses easier.

Unless written approval is obtained from MHT, Grantees shall use and expend the Grant only in accordance with the Project Budget outlined in Exhibit A – Project Budget attached to the Grant Agreement (the "Project Budget"), and shall not expend more than the amount allocated for any category in the Project Budget without the prior written consent of the Trust. However, Grantees are permitted to make minor transfers in the Project Budget of up to 10% of total awarded MHT/MHAA grant funds from one budget line item to another budget line item without the prior written consent of the Trust.

When requesting a disbursement of funds according to Exhibit A – Disbursement Requests, all recipients of MHT Non-Capital Historic Preservation, Museum Advancement, and MHAA grants shall submit, a narrative Progress Report, and a MHT/MHAA Disbursement Request Form with a detailed list of expenditures to date as they compare to line items established in the project budget. This requirement does not apply to the initial disbursement of start-up funds. As stated in the Grant Agreement, these Progress Reports should compare, from inception to date, actual accomplishments to established goals,

and actual costs incurred to the established budget by cost categories. If necessary, the Grantee should explain why goals are not being met or cost overruns or high unit costs were incurred and what actions have been taken or are contemplated to complete the Project on schedule and within budget. MHT/MHAA Disbursement Request Forms are available at [www.mht.maryland.gov/grants\\_current.html](http://www.mht.maryland.gov/grants_current.html).

Grantee Contribution Requirements: The amount of funds required to be contributed to the Project by the Grantee is detailed in the Project Budget. All costs for MHT/MHAA Grant funds and required Grantee contribution shown in the Project Budget must be accounted for in your financial reporting. The Grantee may contribute additional funds over the minimum amount required by MHT/MHAA. Additional Grantee contributions to the Project do **not need to be accounted for in your financial reporting.** We have enclosed sample timesheets, which you may find useful in recording time contributed/donated to your project by Grantee staff and/or volunteers. You may substitute similar forms or spreadsheets of your own design, so long as they document the same general information.

## **DISBURSEMENT REQUESTS**

Now that your Grant Agreement is in effect, you are free to request disbursement of Grant funds in accordance with Exhibit A – Disbursement Schedule of the Grant Agreement. When the project is completed and you are submitting the final disbursement request, we will need the following items:

1. A completed Disbursement Request Form (available from your Project Monitor or at [www.mht.maryland.gov](http://www.mht.maryland.gov)), summarizing expenditures-to-date of both grant funds and Grantee cash and in-kind match. The form must also be signed by your authorized representative in the section headed "CERTIFICATION."
2. Copies of your paid invoices, supporting the cost breakdown summarized in Item 1 above. For donated services or materials (such as paint, photography, architectural fees, etc.), vouchers or other official documentation, signed by the appropriate person, to verify that the goods or services being claimed were received by the Grantee and have been valued according to reasonable market rate costs previously approved in the Project Budget. In-kind and/or volunteer time contributions must also be documented by a time sheet (see attached forms) signed by the person contributing time and you, as the Grantee's Project Monitor, as well as documentation supporting the value claimed for the time such as copies of payroll stubs or other proof of their salary rate. The value of unpaid volunteer time can be valued at the current rate of volunteer time set by the organization Independent Sector ([www.independentsector.org/programs/research/volunteer\\_time.html](http://www.independentsector.org/programs/research/volunteer_time.html)).
3. Proof of payment for all bills incurred. This normally means copies of canceled checks, both sides. However, you may substitute computer printouts, if the grant is assigned to a dedicated account. This should be accompanied by the purchase orders, receiving reports, requisitions, or internal memoranda from which the posting to the account was made.

When reviewing your disbursement requests, we will ask the following questions, based on the above:

1. Is the cost eligible? Has it been incurred in the proper timeframe? Is it related to the contract work? and, Has it been approved in the Project Budget? (see Exhibit A – Timetable, Scope of Work, and Project Budget of the Grant Agreement.)

2. Is the cost necessary? – If there were no grant funds involved, would the cost have had to be incurred, or incurred at the amount stated?
3. Is the cost reasonable? – Has it been competitively procured, or competitively priced with known costs for the same item or service in the area?

(Reasonable and necessary often go hand in hand, but you always ask if it is necessary before you ask whether it is reasonable.)

4. Is the cost verifiable? – Do original source documents exist for the costs incurred that identify it as a grant charge, approves it as a grant charge and proves it has been paid as a grant charge?

### **A FEW NOTES ON CAPTURING GRANT COSTS**

The safest way to capture costs is to get them documented at the point of origin. This means timesheets should be filled in daily, mileage recorded daily, store receipts saved (especially for items which may later be billed against a Purchase Order or come on a monthly bill), cash register receipts (even if you have to write on them what was purchased), photocopy logs which state who did the copying, how many copies and date (what was copied is helpful if the number of copies is significant.) Encourage your grant personnel to ask for receipts. The Post Office and Libraries will give you receipts if you request them.

A signed point-of-origin receipt solves many problems, which become more difficult the further along you are in the payments process or from when a donation was made. It solves who authorized or created the charge, identifies what was purchased or contributed, dates the charge and establishes the amount.

If you work back from a dedicated account ledger or printout and you didn't keep copies of what you sent through the system for payment or recording, it may be difficult to identify the charge if the ledger gives you summary payments. Depending on the size of the system, it may be difficult to retrieve original documentation. Remember a ledger shows only where a cost was coded for payment, not whether it was eligible to be charged there. Recreating charges takes a lot of time and certifications.

Proof of payment is sometimes a creative endeavor if canceled checks and their endorsements are not readily available. You should view every charge to the grant as if you were claiming it as a deduction on your income tax and the IRS has questioned it. What can you produce to show them you are entitled to that deduction, that you really made that contribution? If it doesn't exist, and you cannot establish it, don't claim it.

Your MHT Project Monitor and MHT's Grants Manager will be more than happy to answer any questions you may have with regard to your financial reporting requirements.