Food & Nutrition Service	FNS INSTRUCTION U.S. DEPARTMENT OF AGRICULTURE 3101 PARK CENTER DRIVE ALEXANDRIA, VA 22302-1500	NUMBER 716-4 Rev. 1

ACTION BY: Regional Offices
Indian Tribal Organizations and State Agencies

Administrative Budget Negotiation Guidance for the Food Distribution Program on Indian Reservations and the Food Distribution Program for Indian Households in Oklahoma

I. ABBREVIATIONS

CFR – Code of Federal Regulations
COLA – Cost of Living Adjustment
CPA – Certified Public Accountant
FNS – Food and Nutrition Service
FDPIHO - Food Distribution Program for Indian Households in Oklahoma
FDP – Food Distribution Program
FDPIR - Food Distribution Program on Indian Reservations
FY – Fiscal Year
ICR – Indirect Cost Rates
ITO – Indian Tribal Organization
NAFDPIR – National Association of Food Distribution Programs on Indian Reservations
OMB – Office of Management and Budget
RO –Regional Office
SA- State Agency
SF – Standard Form
USDA – United States Department of Agriculture

II. PURPOSE

ITOs and State agencies must submit annual budget information to FNS for approval prior to the contribution of Federal funds for the administration of FDPIR and FDPIHO. This Instruction establishes uniform policy for ROs to follow in negotiating annual administrative budgets with the ITOs and SAs that administer FDPIR and FDPIHO. FDPIR and FDPIHO are collectively referred to as FDP in this Instruction.

DISTRIBUTION:	MANUAL MAINTENANCE INSTRUCTIONS:	RESPONSIBLE FOR PREPARATION AND MAINTENANCE:	
F2, F4 I	Remove FNS Instruction 716-4 from Manual. Insert this Instruction	FDD-200	4-28-2008

III. AUTHORITY

This Instruction is based on the following regulatory and administrative authorities:

7 CFR Part 253
7 CFR Part 254
7 CFR Part 277
7 CFR Part 3016
FNS Instruction 700-1, Delegation of Authority Relating to the Food Distribution Program on Indian Reservations
2 CFR Part 225, OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

IV. RELEVANT FORMS

SF-269, Financial Status Report (long form)
SF-269A, Financial Status Report (short form)
SF-424, Application for Federal Assistance

V. BUDGET APPROVAL PROCESS

The Instruction is designed to provide all stakeholders with a clear understanding of the annual FDP budget approval process, and ensure that budget negotiations between the ROs and the ITOs/SAs are conducted consistently. Below are the basic steps of the FDP budget approval process.

A. Regional ITO/SA Administrative Funding Allocations

1. Projected Regional Allocations. The FNS National Office will develop projections of the ITO/SA administrative funding allocations to be provided to each RO in the upcoming FY. These projections will be developed by applying an approved funding methodology to the President's budget request for FDP administrative funding. The National Office will advise the ROs of the projected allocation amounts on or before May 25 of each year. The National Office will also provide the ROs with the percentage increase applied in the President's budget request for the upcoming appropriation, which will be used in the RO's review of the budget submissions (see section V-D3, below).

2. Final Regional Allocations. Upon passage of the appropriation, the National Office will advise the ROs of their final ITO/SA administrative funding allocation amounts. If the appropriation differs from the President's budget request, the National Office will recalculate the regional allocations and advise the ROs accordingly.

B. Budget Information for the ITOs/SAs. General budget information, including budget forms, the requested budget format, new policies and procedures, will be forwarded by the ROs to the ITOs/SAs on or before June 1 of each year, as appropriate.

C. Budget Submissions from ITOs and SAs. ITOs and SAs will prepare and forward the SF-424 application, or other form approved by the RO, with a proposed line-item budget, to the appropriate RO no later than July 1 of each year (see section 2210 of FNS Handbook 501). The budget submission must reflect all necessary and reasonable expenses for the administration of the program. Significant budget increases or decreases from the previous FY must be properly justified by the ITOs/SAs. The budget submission must also include compelling justification if the proposed ITO/SA match is less than 25 percent of the total budget amount (see section VII-D, below).

D. Budget Review and Negotiation Process. The budget review and negotiation process will be conducted in accordance with the following guidelines (see section 2220 of FNS Handbook 501):

1. Determination that Costs are Allowable. The RO must evaluate the budget submission to determine whether the proposed costs are allowable (see section VI, below). Proposed costs are allowable if they meet the principles set forth in 2 CFR Part 225, OMB Circular A-87, which include a determination that the proposed costs are necessary and reasonable for the proper and efficient administration of the program. Therefore, the RO's evaluation must consider the ITO's/SA's plan of operation and other relevant factors to determine whether the proposed costs are allowable. Upon request, the ITO/SA will provide any additional information to the RO to facilitate completion of the evaluation of the budget submission.

2. RO Action on Proposed Budget Proposals Reflecting No Change or Reductions. If the sum of the proposed costs in a budget submission is equal to or less than the ITO's/SA's approved funding amount from the previous FY, the RO must explore the budget submission with the ITO/SA. Every effort should be made to prevent inappropriate diminishment of necessary and reasonable services to program participants.

3. RO Action on Proposed Budget Increases. For each budget submission that reflects total projected costs that exceed the approved funding amount from the previous FY, the RO will determine the proposed percentage increase in administrative costs from the approved funding amount in the previous FY, and compare it to the percentage increase in costs applied in the President's budget request for the upcoming appropriation (to be provided by the National Office per section V-A1, above). The percentage increase in costs applied in the President's budget request is generally based on the "State and local consumption expenditures and gross investment" indicator, which is a line item in the "Table 1.6.4 Price Indexes of Gross Domestic Purchases" developed by the United States Department of Commerce Bureau of Economic

Analysis. This line item measures the prices paid for goods and services purchased by State and local governments, therefore, it reflects inflation on the prices paid by State and local governments for such items as fuel, utilities, and fixed assets (i.e., land, buildings, and equipment).

For most programs, the proposed percentage increase in administrative costs from the previous FY should not exceed the percentage increase in costs applied in the President's budget request. However, some programs may project budgetary needs that exceed the percentage increase in costs applied in the President's budget request based on plans for program expansion (e.g., the addition of new tailgate sites), higher than average inflationary increases for fuel or utilities, capital expenditure needs (e.g., the purchase of a refrigerated truck), or other factors. Therefore, to ensure that the operational needs of the programs are met, the RO may approve proposed percentage increases in costs that exceed the percentage increase in costs applied in the President's budget request to the extent that the budget submission demonstrates to the satisfaction of the RO that the proposed increases are allowable (see section VI, below) and funds are available within the RO's allocation (see section V-A, above). Note: Some projected cost increases may necessitate corresponding changes to the ITO's/SA's plan of operation.

4. Questionable Cost Items. The RO will advise the ITO/SA of cost items that do not appear to be allowable. The RO will offer each ITO/SA the opportunity to provide justification in an effort to reach agreement on the questionable cost items. The ROs must maintain documentation on the questionable items negotiated with the ITOs/SAs.

E. Budget Approval

1. When the Appropriation is Passed Prior to October 1. If the appropriation is passed prior to October 1, the RO will provide each ITO/SA with written notification as soon as possible regarding the amount of Federal funds to be made available for the FY based on the negotiations conducted between each ITO/SA and the RO. The written notification also must advise the ITO/SA of the disallowance of any itemized costs and the approved matching rate.

2. Under a Continuing Resolution. If the appropriation is not passed prior to October 1, the RO will provide each ITO/SA with written notification as soon as possible of its tentative Federal funding amount for the FY based on the negotiations conducted between each ITO/SA and the RO. The sum of the tentative funding amounts for all ITOs/SAs within the region shall not exceed the projected allocation of funds to be received by the RO as provided by the National Office in accordance with section V.A., above.

The written notification does not commit FNS to a distribution of funds, but will provide the ITO/SA with a tentative funding amount that can be used for planning continued operations of the program beyond the Continuing Resolution Period. The written notification must clearly state that the tentative funding amount is subject to the availability of appropriated funds. It must also specify the tentative disallowance of any itemized costs and advise the ITO/SA of the tentatively approved matching rate. Since circumstances within each ITO/SA may change during the continuing resolution period, the written notification must advise the ITOs/SAs that their tentative funding amount and matching rate may be subject to change at the discretion of the RO. See section V-G, below, regarding the allocation of funds to ITOs and SAs under a continuing resolution.

3. When the Appropriation (following a Continuing Resolution) is Less Than the President's Budget Request. If the appropriation is less than the amount requested in the President's budget, the final administrative funding allocation received by a RO may be less than the projected allocation (see section V-A, above). Under these circumstances the RO must adjust the ITO's/SA's tentative funding amounts, as appropriate, to ensure that the sum of the ITO's/SA's approved funding amounts does not exceed the RO's final allocation amount. In making these adjustments, the ROs must consider the individual needs of each ITO/SA. The RO must provide each ITO/SA with written notification as soon as possible regarding the amount of Federal funds to be made available for the FY. The written notification also must advise the ITO/SA of the disallowance of any itemized costs and the approved matching rate.

4. When the Appropriation (following a Continuing Resolution) is More Than the President's Budget Request. If the appropriation is more than the amount requested in the President's budget, the final administrative funding allocation received by a RO may be more than the projected allocation (see section V-A, above). The ROs must offer the ITOs/SAs the opportunity to submit revised budgets. The revised budgets shall be evaluated in accordance with section V-D, above. The RO must provide each ITO/SA with written notification as soon as possible regarding the amount of Federal funds to be made available for the FY. The written notification also must advise the ITO/SA of the disallowance of any itemized costs and the approved matching rate.

F. Allocation of Funds to the ROs

1. When the Appropriation is Enacted. As indicated in section V-A2, above, the National Office will determine the amount of funds to be allocated to each RO based on an approved funding methodology. Funds will be allocated to the ROs as soon as possible after appropriated funds have been apportioned to FNS.

2. Under a Continuing Resolution. If the appropriation is not enacted prior to October 1 and USDA is operating under a continuing resolution beginning October 1, FDP administrative funds will be allocated to the ROs as such funds are apportioned to FNS by OMB. Final regional allocation amounts cannot be determined until the appropriation is enacted.

G. Allocation of Funds to the ITOs/SAs

1. When the Appropriation is Enacted. Each RO will allocate its available funds in accordance with the written funding approval notification provided to each ITO/SA (see section V-E, above).

2. Under a Continuing Resolution. Each RO will allocate its apportioned funds to the ITOs/SA based on each ITO's/SA's percentage share of the total regional allocation in the previous FY.

VI. ALLOWABLE COSTS

Proposed costs are allowable if they meet the principles set forth in 2 CFR Part 225, OMB Circular A-87 (http://www.whitehouse.gov/omb/circulars/a087/a87_2004.html). Costs that are allowable under Attachment B of OMB Circular A-87 must be reviewed by the RO with regard to whether they are necessary and reasonable for the proper and efficient administration of the program and otherwise satisfy the criteria in Attachment A of OMB Circular A-87. Additional guidance on allowable costs is provided in Exhibit H of FNS Handbook 501, the Food Distribution Program on Indian Reservations, 7 CFR Part 277 (Exhibit Y of FNS Handbook 501), and 7 CFR Part 3016 (Exhibit Z of FNS Handbook 501). The following clarification is provided on specific costs.

A. Salary Increases

1. COLA. A COLA may be granted to FDP employees of the ITO/SA if all of the following criteria are met:

a. Funds are available;

b. The COLA is justified in that the cost of living has increased;

c. The employee compensation level(s) resulting from the COLA is reasonable for the services rendered; and

d. The COLA is granted in accordance with tribal/state policy or a resolution from the tribal council and applies to all tribal/state employees.

2. Performance Salary Increases. Within the limitation of available funds, salary increases due to employee performance may be approved by the RO only when:

a. The ITO or SA has a human resources policy in place that sets forth requirements for granting performance salary increases, and applies the same requirements uniformly to all employees; and

b. Official documentation from the ITO/SA human resources office is submitted to the RO to justify the increase and the amount.

B. National and Regional Organizations

1. NAFDPIR Conferences. Related expenses for representative(s) from each ITO/SA to attend the annual NAFDPIR conference are allowable. The ROs shall approve/disallow an ITO's/SA's proposal for more than one representative to attend the conference based on the ITO's/SA's individual circumstances. For example, approval may be granted if it is necessary and reasonable for additional representatives to attend the NAFDPIR conference because of the specific training being offered (e.g., warehouse training, certification training, etc.).

2. NAFDPIR Planning Meetings. Related expenses for NAFDPIR board members to attend one planning meeting per year are allowable.

3. Regional Meetings. Related expenses for representative(s) from each ITO/SA to attend one regional FDP meeting per year are allowable. The ROs shall approve/disallow an ITO's/SA's proposal for more than one representative to attend the regional meeting based on the ITO's/SA's individual circumstances. For example, approval may be granted if it is necessary and reasonable for additional representatives to attend the meeting because of the specific training being offered (e.g., warehouse training, certification training, etc.).

4. Dues. NAFDPIR membership dues are allowable. Dues or fees to support regional FDP organizations are also allowable.

C. Indirect Cost Rates. Delays may occur in the review of ICR proposals by the various cognizant agencies and a current ICR may not be approved at the time of FDPIR budget negotiations. In other instances, the effective period of a current ICR may expire prior to the end of the Federal FY and it is not known whether the cognizant agency will approve the ICR proposal under review in time to avoid a lapse.

1. Alternative Methods of Determining an ICR

a. An Interim ICR. In instances when the cognizant agency has not acted to approve or modify an ICR proposal, but the ITO/SA can demonstrate that it submitted an ICR proposal to the cognizant agency in a timely manner and the cognizant agency's failure to act was due to no fault of the ITO/SA, an interim ICR may be applied in the ITO's/SA's annual FDPIR administrative budget. The ITO/SA may use the interim ICR to calculate its indirect costs until the ICR is approved or modified by the cognizant agency. However, the interim ICR may not exceed the ICR most recently approved by the cognizant agency. In cases where there is no previously approved ICR, but the conditions in the first sentence of this paragraph are satisfied, an ITO/SA may nevertheless include an interim ICR in its annual FDP budget submission.

b. A Default ICR. If an ITO/SA has not submitted an ICR proposal to the cognizant agency **or** the cognizant agency has not acted to approve or modify an ICR proposal, the ITO/SA may apply a default ICR equal to 10 percent of its direct labor costs (excluding overtime, shift or holiday premiums, and fringe benefits) in its annual FDPIR administrative budget.

2. Determining the Base to which the ICR is Applied. The base to which the indirect cost rate is applied may vary among ITOs/SAs. For many ITOs/SAs, the ICR will apply to all direct costs except capital expenditures and pass-through funds (e.g., subcontracts, subgrants, etc.). However, in some cases the ICR may only apply to salaries and fringe benefits. Therefore, the RO must determine the costs to which the ICR is applied to ensure that indirect costs are correctly reflected in the budget submission.

3. Determining an Applicable ICR for the Budget Submission Period. The budget submission must reflect an applicable ICR for each quarter of the FY. As addressed above, the ICR may be a rate approved by the cognizant agency for all or some of the quarters, an interim ICR for those quarters of the FY not covered by the current ICR, or a default ICR.

Example #1: An ITO has an ICR of 13.75 percent effective from July 1, 2007 to June 30, 2008. The ITO's FY 2008 FDP budget submission must reflect that the ITO will apply an ICR of 13.75 percent to costs reported on the SF-269 for the period of October 1, 2007 through June 30, 2008. The FY 2008 budget submission must also specify the ICR to be used for the period of July 1 to September 30, 2008 since it is not known at the time of the FY 2008 budget submission whether the cognizant agency will approve the ITO's ICR proposal prior to the expiration of the ICR on June 30, 2008. The proposed ICR includes a rate of 14.05 percent. Since the interim ICR can not exceed the ICR most recently approved by the cognizant agency, the ITO opts to use an interim ICR of 13.75 percent for the period of July 1 to September 30, 2008 in its FY 2008 budget submission.

As appropriate, the ITO would adjust FY 2008 costs reported on the SF-269 to reflect the approved ICR effective July 1 to September 30, 2008.

Example #2: An ITO does not have an ICR in effect at the time of FDP budget negotiations. The ITO demonstrates to the RO that it submitted an ICR proposal to the cognizant agency in a timely manner and the cognizant agency's failure to act was due to no fault of the ITO. The ITO's FY 2008 FDP budget is approved with an interim ICR of 13.75 percent, which is the rate most recently approved by the cognizant agency. The ICR is finalized on July 1, 2008 effective October 1, 2007 through September 30, 2008. The approved ICR is 13.93 percent. As appropriate, the ITO would adjust FY 2008 costs reported on the SF-269 to reflect the approved ICR effective October 1, 2007 through September 30, 2008.

4. <u>When a Retroactively Approved ICR is Less Than the Applied Interim ICR.</u> If an ITO/SA applied an interim ICR in claiming costs on the SF-269 and the reported indirect costs exceeded the ICR ultimately approved by the cognizant agency, FNS may recover funds by offsetting (i.e., reducing) the amount of administrative funds available in the current FY and/or following FY, as appropriate.

Pursuant to FNS Instruction 420-1.V., FNS may forgive such debts partially or in their entirety. In determining whether to forgive such debts, FNS will consider whether the interim ICR was reasonable. To be reasonable, an interim ICR must not exceed the ICR most recently approved by the cognizant agency, if a previously approved ICR existed, and must be based on criteria that allow realistic predictions about the indirect costs that are likely to be incurred during a given FY. Such criteria include, but are not limited to:

a. Actual indirect costs incurred by the organization in preceding FYs;

b. Short- and long-term inflationary trends;

c. The size and nature of, and any changes to:

   1. The organization's workforce or workspace,

   2. The number of agencies sharing payment of indirect costs, and

   3. Types of services provided by the organization.

VII. ITO/SA MATCHING REQUIREMENT

Within the limitations of funds available for the administration of FDP, FNS shall make available to each ITO/SA 75 percent of the total approved administrative costs based on the ITO's/SA's budget submission. Each ITO/SA must provide 25 percent of the total approved budgeted administrative costs unless compelling justification for a lower percentage is provided by the ITO/SA and approved by the RO (see section VII-D, below).

ITOs/SAs may choose to contribute more than 25 percent of the total approved budgeted administrative costs. The written notice of the ITO's/SA's approved funding amount must clearly state that it is the choice of the ITO/SA to exceed the required match. The following suggested language may be incorporated into the written notice: "In accordance with

7 CFR 253.11(a), FNS has offered to make Federal funds available to (insert name of ITO/State agency) equal to 75 percent of the total approved budgeted costs for the administration of FDPIR. However, (insert name of ITO/State agency) has chosen of its own accord to contribute more non-federal resources than the required 25 percent of the total approved budgeted administrative costs. The approved funding amount reflects each party's respective share of the total approved budgeted administrative costs as proposed by (insert name of ITO/State agency) and accepted by FNS. These shares are (insert percentage amount) percent for FNS and (insert percentage amount) percent for (insert name of ITO/State agency)."

A. Allowable Contributions. The criteria for accepting matching contributions are set forth in 7 CFR 277.4(d) (Exhibit Y of the FNS Handbook 501) and 7 CFR 3016.24 (Exhibit Z of the FNS Handbook 501). The ROs must determine on a case-by-case basis whether these criteria have been met.

1. Cash Contributions. ITOs/SAs may satisfy the matching requirement by paying allowable administrative expenses, such as salaries and fringe benefits, from tribal revenues and/or from third party cash contributions.

2. Third Party In-kind Contributions. Third party in-kind contributions may include the fair rental value of building space and/or equipment privately owned by a third party and made available for FDP functions and services, and the value of services provided by volunteers. Guidance on the valuation of these contributions can be found at 7 CFR 3016.24(c) and (d).

3. Other Non-cash Contributions. This may include the depreciation or use allowance on building space and/or equipment owned by the tribe and used for FDP functions and services. Guidance on depreciation and use allowance can be found at 2 CFR Part 225, OMB Circular A-87, Attachment B.

4. Documentation of Non-cash Contributions. All non-cash contributions counted toward the matching requirement must be documented by the ITO/SA. Documentation must identify how the value of the service or product was derived, show that the matching contributions met the criteria of 7 CFR 277.4(d), and in the case of services, demonstrate that the service was actually provided. For example, time logs must be used to document hours of service by volunteers. This documentation will help ensure that the matching contributions represent real value, and are authorized or not prohibited under State, local or tribal laws or regulations.

B. Unallowable Contributions

1. Non-federal Funds Used for Unallowable Expenses. Expenses paid from non-federal funds that are not allowable (e.g., not necessary or reasonable for the administration of the program or otherwise do not meet the criteria in Attachment A of OMB Circular A-87) cannot be counted as a part of the matching requirement.

2. Funds Received from Other Federal Sources. Funds received from other Federal sources cannot be used to meet the matching requirement unless specifically allowed by legislation (see section 2102 of FNS Handbook 501).

C. Application. The matching requirement shall be applied to the sum total of Federal funds provided for the FY (as reported on SF-269 and SF-269A), and not individually to each category of administrative dollars (i.e., general program administration, nutrition education, capital expenditures).

If an ITO/SA receives additional administrative funds after its annual budget submission is approved (e.g., via a reallocation of funds not expected to be obligated by another ITO/SA), the RO will apply the match requirement to the ITO's/SA's cumulative funding level, including the additional funds provided. However, earmarked nutrition education funds that are reallocated during the FY do not require a match. The ITO/SA must submit a budget amendment whenever additional funds are received after budget approval.

D. Compelling Justification for Reduced Match Rate. An ITO/SA that is unable to meet the required match rate of 25 percent must submit compelling justification for a lower percentage to the RO (see section 2103 of FNS Handbook 501). The authority to approve Federal funding in excess of 75 percent is delegated to each Regional Administrator (see FNS Instruction 700-1).

Compelling justification may include such factors as the need for a larger Federal contribution for start-up costs during the first year of operation of a program or a need to ensure that a lack of tribal resources does not cause diminishment of necessary and reasonable program services.

The ITO's/SA's compelling justification submission must include the following:

1. Summary Statement. The summary statement must include more than an assertion that no other funds are available to the ITO/SA to operate the program. The ITO/SA must explain why the proposed budget amount is necessary for the effective operation of the program and why the Federal share of funding should be more than 75 percent. The summary statement should include the reasons why the 25 percent match cannot be met by the ITO/SA and how the accompanying financial documents support this position. The summary statement must be prepared by and/or cleared through tribal or state financial management staff.

2. Supporting Financial Documents. The supporting financial documents should represent the financial status of the ITO/SA within the last two years, so that the RO can accurately assess the current financial situation of the ITO/SA. Acceptable supporting financial documentation includes, but is not limited to, the following:

a. A set of audited financial statements that includes all tribal/state enterprises;

b. If the ITO/SA has an audit requirement under OMB Circular A-133 and 7 CFR Part 3052, the most recent audit reporting package submitted under 7 CFR 3052.320;

c. A financial statement from the entity responsible for negotiating the ICR on behalf of the ITO/SA.

E. Renegotiation of the Approved Matching Rate

1. The matching rate can only be renegotiated after approval of the budget submission if:

a. A documented, material change in the ITO's/SA's financial circumstances makes it impossible for the ITO/SA to meet the initially negotiated match; or

b. Additional Federal funds become available through a reallocation or from a RO reserve fund.

The renegotiation of an ITOs'/SA's matching rate must be conducted at the time the above events occur. It must not wait until closeout.

2. When additional Federal funds become available to an ITO/SA after the initial approval of its budget submission, the following procedures must be followed:

a. ITOs/SAs with an Approved Match Below 25 Percent. If an ITO/SA initially negotiated a match that is below 25 percent, its negotiated match theoretically constitutes the maximum amount it can provide. Therefore, the availability of additional Federal funding does not require the ITO/SA to furnish additional matching resources. Instead, the RO must adjust the matching percentage downward so that the adjusted matching *percentage* is consistent with the originally established and unchanged, matching *amount*. For example, an ITO has an approved total budget amount of $100,000 with the Federal share at $80,000 (80 percent) and the ITO's share at $20,000 (20 percent). During the FY, the ITO is offered an additional $10,000 in reallocated general administrative funds from the RO. The ITO's contribution of $20,000 does not change. The revised Federal contribution is $90,000 (81.8 percent) and the ITO's contribution is $20,000 (18.2 percent).

b. ITOs/SAs with an Approved Match at 25 Percent. If an ITO/SA initially negotiated a match that is at 25 percent, the possibility exists that it can match additional Federal funds if they are offered. In this case, the ITO/SA must either provide additional allowable contributions to achieve a match rate of 25 percent, or establish its inability to do so to the satisfaction of the RO. If the RO accepts the ITO's/SA's compelling justification for a reduced match rate, a matching rate below 25 percent may be approved.

c. ITOs/SAs with an Approved Match above 25 Percent. If the ITO/SA chose to exceed the required 25 percent match at the time of initial approval of its budget submission and additional Federal funds are subsequently offered, additional matching by the ITO/SA may not be required. If the acceptance of additional Federal funds would result in an adjusted matching rate at or above 25 percent, additional matching by the ITO/SA would be voluntary. If the acceptance of additional Federal funds would result in an adjusted matching rate below 25 percent, the ITO/SA must either provide additional allowable contributions to achieve a match rate of 25 percent, or establish its inability to do so to the satisfaction of the RO. If the RO accepts the ITO's/SA's compelling justification for a reduced match rate, a matching rate below 25 percent may be approved.

F. Financial Reporting. Use of FDP general program administration funds will be reported quarterly on SF-269. Use of earmarked funds for nutrition education, vehicle/ equipment purchase, and/or facility improvements will be reported annually on SF-269A for each category of funds. However, all applicable ITO/SA matching contributions shall be reported quarterly on SF-269. SF-269 will be used by the ROs to determine the ITO's/SA's compliance with the matching requirement.

G. Failure to Meet the Match Requirement. The matching requirement is an important element of program performance that must be monitored during the FY and is subject to a determination of final compliance at closeout. At closeout, the RO will compare the reported match against total Federal funding obligated by the ITO/SA to determine whether the established match has been met. If an ITO or SA fails to meet its approved match, the RO will recover the necessary amount of Federal funds to bring the ITO/SA into compliance with its matching requirement. The required match cannot be adjusted at closeout solely to prevent the need for the ITO/SA to return Federal funds (see section VII-E, above, on renegotiating the approved matching rate).

VIII. BUDGET MODIFICATIONS

ITOs/SAs may redirect funds during the FY between direct cost line items in their approved budgets to meet unanticipated needs as follows:

A. When Transfers are Equal to or Less Than Ten Percent of Total Budget. The ITO/SA is not required to advise or request approval from the RO when the cumulative transfers of funds among direct cost categories is equal to or less than ten percent of the total approved budget (regardless of the Federal share of the approved budget).

B. When Transfers Exceed Ten Percent of Total Budget and Federal Contribution is Equal to or Less Than $100,000. If the Federal share of the approved budget is equal to or less than $100,000, the ITO/SA must advise the RO when the cumulative transfers of funds among direct cost categories exceeds or is expected to exceed ten percent of the total approved budget. This is for monitoring purposes only; RO approval is not required.

C. When Transfers Exceed Ten Percent of Total Budget and Federal Contribution is More Than $100,000. If the Federal share of the approved budget exceeds $100,000, the ITO/SA must obtain prior approval from the RO when the cumulative transfers of funds among direct cost categories exceeds or is expected to exceed ten percent of the total approved budget.

Eric J. Steiner

Eric Steiner
Associate Administrator
Special Nutrition Programs