

Cost Documentation Guide Sheet

OJP grantees are required to maintain adequate documentation for compliance. In the event of an audit, having adequate cost documentation is essential in support accounting or cost records. In establishing an effective cost documentation plan, grantees should ask:

- ▶ Who spent?
- ▶ Who authorized?
- ▶ What was purchased?
- ▶ Three years from now, can I show what happened ([2 CFR 200.334](#)—Records Retention)?

Grant Financial Management Requirement

Obtaining and maintaining the proper cost documentation to validate program expenditures is a critical element of grants management. Anytime a grantee has a financial transaction, it must be supported by documentation. For example, there should be a brief description of the expenditure, a report summary outlining the purchase, and an invoice showing proof of purchase. In addition, all accounting records must trace back to the source documentation.

All cost documentation must meet the following criteria:

- ▶ Be allowable, reasonable, and allocable ([2 CFR § 200.403](#)—Allowable Costs);
- ▶ Be within grant limits;
- ▶ Treated consistently; and
- ▶ Should align with generally accepted accounting principles and OMB cost principles.

Important Information to Know

When an organization is audited, the auditors are checking:

- ▶ If the cost documentation supports all amounts reported to the federal agency.
- ▶ If the reported financial activities reconcile to the amounts reported on the audited financial statements.

Any differences between the audited financial statements and the financial activity reported to the awarding federal agency could pose a red flag to the auditor. If that happens, the auditor will require the recipient to explain the differences. Recipients' documentation should be audit ready at all times.

How a Grantee Can Be Audit Ready

The following are useful tips to ensure your organization is well prepared, in the event of an audit.

- ▶ Keep receipts easily accessible and well organized.
- ▶ Ensure separation of duties—all accounts payable documents are reviewed and approved by two separate individuals.
- ▶ Make sure **all** income and expenses are assigned to the correct account.

How This Applies to Your Grant

There are four areas of cost documentation that each grantee should have in their internal controls policy for documenting expenses—authorization, time tracking, spending, and reporting.

Authorization

If purchases are not documented showing proper authorization, they could be deemed insufficient and an unallowable charge to the federal award. Therefore, purchases should be properly authorized in accordance with internal policies and procurement standards.

- ▶ Example: Finance manager (authorizing authority over program) reviews and approves a purchase request from the administrative staff for office supplies.

Time Tracking

All timesheets should be signed electronically—or in some cases hardcopy (certified in ink)—on a weekly or bi-weekly basis. Timesheets should also be time-coded and charged to the correct activity being worked. If an auditor reviews a timecard, they should be able to determine what award was worked on; when the work was done; who worked on the award; and how much time was reported. The employee supervisor must approve the timesheet, which is usually done with a countersignature verifying that the timesheet is accurate.

Spending

All receipts should provide enough detail as to what was purchased. Receipts should show what was purchased, the date of the purchase, and who made the purchase.

- ▶ Example: A credit card receipt only showing the amount of the purchase and not the item that was purchased would be considered a red flag, and that item could be deemed an unallowable expense.

Reporting

The item purchased should have a narrative explaining its purpose, how it relates to the activity, and how it will be supported. Detailed reports should also be reviewed by a grants or accounts manager for accuracy and clarity.

Other Types of Cost Documentation

The following are examples of types of documents that auditors may want to review during an audit of the organization. It is important that these documents are properly maintained.

Payroll Documentation

As stated in [2 CFR 200.430](#), “Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries.” Examples would be:

- ▶ Employees should be identified by name, gross pay, withholdings, and net pay.
- ▶ Timesheets should be filled out daily.
- ▶ Records should be prepared to document the allocation of the gross payroll expenses to the proper accounts/funds/cost centers in the general ledger.

Travel Documentation

The [Federal Travel Regulation \(FTR\)](#) is the regulation contained in 41 CFR 300 through 41 CFR 304. The FTR implements statutory requirements and executive branch policies for travel by federal civilian employees and others authorized to travel at government expense. Summary information and per diem rates for lodging and meals can be found on the U.S. General Services Administration’s website. Examples would be:

- ▶ Documentation showing prior approval for travel that required reimbursement. Domestic travel may not require prior authorization; however, DOJ policy states that foreign travel always require prior authorization.
- ▶ Expense reimbursement requests must itemize expenses and show dates of travel and the reason for travel.
- ▶ All receipts must be submitted with reimbursement claims (i.e., any expenses over \$75).
- ▶ Documentation supporting requests for mileage reimbursements. (A navigation app can provide a summary of point-to-point mileage.)
- ▶ Each grantee should have adequate controls in place to track and reconcile travel advances.

Contract and Vendor Documentation

These documents should be accurate, compliant, allowable, previously approved, and correctly account coded. Additionally, the documents should show the payment amount, correct vendor, and payment address. Prior to payment, invoices must be approved by the authorizing agent of the program, and an

electronic or ink signature is required to officially approve the invoice. Invoices should contain the following:

- ▶ Vendor's name and date of invoice
- ▶ Purchase order number and invoice number
- ▶ Full description, price, and quantity of the item or service
- ▶ Shipping and payment terms
- ▶ Other necessary documentation required by the contract
- ▶ Complete contact information of contract person.

Resources

Government Publishing Office. (n.d.). *Electronic code of federal regulations—2 CFR 200.430*. www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=ad4080112377895c664d0d9409370fe0&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1430

U.S. Department of Justice. (2017). DOJ Grants Financial Guide. <https://www.ojp.gov/DOJFinancialGuide>

OJP TFSC offers resources on a variety of grants financial management topics, which can be found on our website at <https://www.ojp.gov/tfsc/resources>

About the OJP Territories Financial Support Center

The Office of Justice Programs Territories Financial Support Center (OJP TFSC) offers free resources, training, and technical assistance for grantees in the U.S. territories. OJP TFSC services focus on building financial management capacity and can be accessed by emailing OJPTFSC@usdoj.gov via our Virtual Support Center.



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