

**2011**  
**FARMERS MARKET PROMOTION PROGRAM**  
**INTERNAL CONTROLS CHECKLIST for AWARDED ORGANIZATIONS (AO)**

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**FINANCIAL REQUIREMENTS**

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- The AO must expend and account for FMPP grant funds in accordance with laws and procedures for expending and accounting for its own funds and meet the requirements of FAR 31.2, and 7 CFR parts 3016 and 3019.
- AO grant records shall provide for complete, accurate, and current disclosure of financial results for the AO and any subgrants made.
- The source and application of funds shall be readily identified by the continuous maintenance of updated records. Records, as such, shall contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, outlays, and income. When the AO is a governmental entity, the records shall also contain liabilities.
- Effective control over and accountability for all FMPP grant (or subgrant) funds, real and personal property assets shall be maintained. AO and subgrantees shall adequately safeguard all such property and shall ensure that it is used solely for authorized purposes. In cases where projects are not 100 percent Federally funded, AO and subgrantees must have effective internal controls to assure that expenditures financed with Federal funds are properly chargeable to the grant supported project.
- The actual and budgeted amounts for each grant or subgrant shall be compared by USDA/AMS. Financial information shall be related to performance and unit cost data. Estimates based on available documentation may be accepted for unit cost data.
- Established procedures shall be used for determining the reasonableness, allowability, and allocability of costs in accordance with the cost principles prescribed by the FMPP Grant General Terms and Conditions and the provisions of this grant award.
- Accounting records must be supported by source documentation. These documentations include, but are not limited to, cancelled checks, paid bills, payrolls, contract, and subgrant award documents.
- **The information provided herein is an overview of the documentation required in the acceptance of a Federal grant; see FAR 31.2 and 7 CFR parts 3015, 3016, 3018, and 3019 for more detailed information. This information includes some, but not all, requirements and regulations.**

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Yes / No

1. Written accounting procedures set out in accounting manual?  
**Guidance:** *An updated accounting manual is required.*
2. Records that provide for current, accurate and complete disclosure of financial results?  
**Guidance:** *Records are in place that determines grant accounting transactions that are concurrent with FMPP funded activities.*
3. Records adequate to identify the source and use of funds?  
**Guidance:** *Records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.*

4. Records track expenditures against the budget in the approved FMPP budget plan?  
**Guidance:** Reports or the general ledger must determine whether such comparisons are made; the frequency of these reports must be adequate to track expenses being made and paid for with FMPP grant funds.

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## SOURCE DOCUMENTATION

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Accounting records shall be supported by source documentation. These documentations include, but are not limited to, cancelled checks, paid bills, payrolls, contract, and subgrant award documents. Example: For procurement of a piece of special purpose equipment, the documentation trail begins with the proposal budget and the approved FMPP budget and project plan. The documentation for selecting the particular piece of equipment purchased might consist of: copies of pricing proposals from vendors; an analysis of which proposed equipment model is best suited to project needs; and an analysis of proposed delivery schedules and their impact on the project schedule. The documentation trail does not end with the procurement decision. The AO files should also reflect the actual purchase – a cancelled check, credit card charge, or some other proof of payment, with a receipt showing exactly what was purchased and when. Their accounting ledger should show the payment and what it was for, with a clear link to the project for which it was purchased.

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Yes / No

6. Accounting records are supported by source documentation (all funds received and expended should be documented with receipts)?

**Guidance:** The expenditures, supporting documentation, and the general ledger must be easily traceable to the approved FMPP budget and work plan.

7. If salaries and wages were charged to the grant, is there adequate documentation to support these charges? When an employee worked solely on the grant, is a certification signed by the employee or supervisor on file semi-annually to attest to this? When an employee worked part time on the grant, are activity reports kept on file? The reports must:

- Reflect after-the-fact distribution;
- Account for the total activity of the employee;
- Be prepared at least monthly; and
- Be signed by the employee

**Guidance:** All time sheets must be documented, written policy statements, or directives covering authorized staff that split their time between the FMPP and other programs. An activity report should state if staff worked part-time on FMPP grant activities.

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## PAYMENTS

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Under the FMPP, payments of grant funds must be requested by the AO using Form SF-270, "Request for Advance or Reimbursement" on a quarterly basis. Quarterly cash advances shall be limited to the minimum amounts needed to meet current disbursement needs and shall be scheduled so the funds are available closely as is administratively feasible to the actual disbursements by the organization for program costs (usually 30 days). Cash advances made by the organization to secondary recipient organizations shall conform substantially to the same standards of timing and amount that applies to cash advances by the Federal Agency to the awarded organization.

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Yes / No

8. Is the AO disbursing funds within 30 days of receipt of advance or reimbursement from the FMPP?

*Guidance: All financial records will be used to determine if grantee is disbursing grant funds within 30 days of receipt.*

Yes / No

9. If the AO is making payments to secondary recipients (subgrantees), are the subgrantees disbursing funds within 30 days of receipt of an advance or reimbursement from the grantee?

*Guidance: All financial and/or monitoring records must prove that a subgrantee is disbursing grant funds within 30 days of receipt.*

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### EARNED INTEREST

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If grant funds are in an interest bearing account, AO are required to submit any interest earned over a \$100 in a year. If the cumulative amount of interest earned does not exceed \$100 during a year, the AO may keep those funds for administrative costs. Under the FMPP, AO are required to submit a Federal Financial report (SF-425) every three months to show the amount of interest earned for each quarter.

*If the AO and subgrantee are earning interest on grant funds, address the following:*

Yes / No

10. If interest was earned on grant funds, was all interest remitted to AMS except for \$100 per year that can be applied to administrative expenses?

*Guidance: All financial records and reports must clearly state if interest was earned on grant funds. These records must match the Federal Financial grant reports submitted every four months.*

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### PROGRAM INCOME

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Program income means gross income received by the AO or subgrantee directly generated by a grant supported activity, such as registration fees charged for a conference supported by grant funds.

*If the AO or subgrantee earned program income on any grant project, address the following:*

Yes / No

11. Was program income used appropriately? Uses include:

- 1) Expanding the project or program;
- 2) Continuing the project or program after the grant or subgrant support ends;
- 3) Supporting other projects or programs that further the broad objectives of the grant program; or
- 4) Obtaining other assets needed for the project or program or for other activities that further the grant program's objectives.

*Guidance: If program income was earned under the grant, performance reports must indicate how program income has been utilized.*

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## PRIOR APPROVALS

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Prior written approval from the Federal Agency for the following changes is required:

- 1) Cumulative transfers among direct cost categories or separately budgeted projects or activities which exceed or are expected to exceed ten percent of the project's total approved budget;
- 2) Any revision of the scope or objectives of the project (regardless of whether there is an associated budget revision requiring prior approval);
- 3) Extension of grant agreement; and
- 4) Changes in the organization's key persons.

Yes / No

12. Required prior approvals requested and obtained before making budgetary and programmatic revisions?

*Guidance: AO must request approval of budget or program changes, state in the request the justification and nature of those changes, and written approvals from FMPP staff must be kept in the grant files/records.*

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## UNALLOWABLE COSTS

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All costs must be associated with approved FMPP project activities and budget. The guidance on unallowable costs under the FMPP can be found in the FMPP Grant General Terms and Conditions at [www.ams.usda.gov/FMPP](http://www.ams.usda.gov/FMPP). All grant funds must be obligated by the expiration date of the grant agreement and expended 90 days after the expiration date.

Yes / No

13. Does the AO have procedures in place for determining allowability and allocability of costs?

*Guidance: All records must indicate no grant funds were used for expenditures for unallowable costs such as alcoholic beverages, general costs of government lobbying, or political activities.*

Yes / No

14. If grant funds were used for construction or other unallowable costs under FMPP, does the AO have documentation in place showing that other non-FMPP funding was used to pay for them?

*Guidance: All documentation must ensure the cost of all ineligible activities under FMPP if any, were not charged to the FMPP grant.*

Yes / No

15. If a grant ended, were all grant funds obligated by the expiration date of the grant agreement and expended within 90 days after grant completion?

**Guidance:** *All documentation must ensure that funds were not obligated after the grant agreement expiration date or expended more than 90 days after the grant expiration date.*

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## INDIRECT COSTS

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Under the FMPP, administrative/indirect costs shall not exceed ten percent of the total grant allocation. A cost may not be allocated as an indirect cost if it is incurred for the same purpose as a direct cost.

***If indirect costs were provided in the grant, address the following:***

Yes / No

16. Does the AO have a system for monitoring indirect costs? Do subgrantees have such a system as well?

**Guidance:** *If indirect costs were charged to the grant, the awardee must have a system in place, and if appropriate, provide written record to differentiate between indirect and direct costs charged to the FMPP grant.*

17. Are the indirect costs charged to the grant within planned levels as indicated in the approved FMPP budget?

**Guidance:** *If indirect costs were charged to the grant, indirect costs should not exceed ten percent of the approved FMPP total grant allocation.*

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## PROCUREMENT

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- The AO will follow the same policies and procedures it uses for procurement from its non-Federal funds and meet the standards specified in 7 CFR parts 3016 and 3019, and FAR 31.2.
- Maintain a system for contract administration that ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- Maintain written standards of conduct that prohibit its officers, employees, agents, or others engaged in awarding and administering contracts supported by Federal funds from using their positions for any purpose that is, or gives the appearance of being, motivated by a desire for private financial gain for themselves or others with whom they have close ties.
- All procurement transactions will be conducted in a manner to provide, to the maximum extent practical, open and free competition.
- Proposed procurements are to be reviewed to avoid the purchase of unnecessary or duplicative items. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical, practical procurement.
- Make positive efforts to assure that small businesses, minority owned firms, and women's business enterprises are used when possible.

- The type of procurement instrument used, e.g., fixed price contracts, cost reimbursable contracts, incentive contracts, purchase orders, will be determined by grantee, but must be appropriate for the particular procurement and for promoting the best interest of the program involved and "cost plus a percentage of cost" methods shall not be used.
- Contracts will be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration should be given to such matters as contractor integrity, the record of past performance, financial and technical resources or access to other necessary resources.
- Some form of price or cost analysis should be made in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability.
- Maintain records sufficient to detail the significant history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for contract price.

If property or services were procured under the grant, address the following:

Yes / No

18. Are written procurement policies and procedures in place that provide:
- a. A required lease vs. purchase analysis?
  - b. Requests for bids that contain clear specifications and do not contain features that unduly restrict competition?
  - c. Positive efforts to use small and minority owned businesses?
  - d. That files are maintained for all purchases?
  - e. That contractors comply with terms, conditions, and specifications of the contract and assure adequate and timely follow up of all purchases?
- Guidance:** Request a copy of policies and procedures and:
- a. Interview responsible person and review documentation;
  - b. Review bid requests;
  - c. Check mechanism for soliciting against listed Small Business Administration (SBA) and OMB recommended sources, or locally developed sources;
  - d. Check for rationale for the method of procurement, selection of contractor type, contractor selection or rejection, and basis for the contract price. For example, in reviewing a grantee's files, it may be discovered that certain high-cost purchases have been made without obtaining multiple bids or without conducting lease vs. purchase analyses.
  - e. Review evidence of monitoring activities of responsible staff.
19. Maintenance of a code for standards of conduct requiring that employees or officers shall not solicit nor accept gratuities, favors, or anything of monetary value from contractors or potential contractors.
- Guidance:** Each AO must have and post an employee standard of conduct. Policies and procedures with written specifications must be in place for procurement and purchases.
20. Procurements conducted with maximum open and free competition?

**Guidance:** Purchase records for bid advertising, number of bids on file, and justification for sole source selection (if any) must be on file/record.

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## CONSULTANTS

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Charges for consulting payments must be supported in the records of the grantee or cost-type contractor by an invoice from the consultant and a copy of the written report (if a report is appropriate) or other documented evidence of the work performed from the consultant.

If any of the following information is not shown on the invoice and/or report from the consultant, the information must be shown in a memorandum or other document prepared by the recipient or contractor for its files, or noted in handwriting on the consultant's invoice by the recipient or contractor. The memorandum, other document, or hand written notation must be signed by an official of the recipient or contractor and show:

- (1) The name of the consultant/contractor;
  - (2) The nature of the services provided ;
  - (3) The relevance of the services to the project or program, if not apparent from the nature of the services; and
  - (4) Whichever of the following is applicable:
    - (i) (If the fee was based on a rate per day or hours worked) the rate and the dates and/or hours worked;
    - (ii) (If the fee was based on a rate per unit of service provided) the rate, the number of units of service provided, and the beginning and ending dates of the overall period of service; or
    - (iii) (If the fee was determined on some other basis) the basis for determining the fee and the beginning and ending dates of the period in which services were provided.
  - (5) The hours/time utilized to complete project, program, or services.
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If consultant payments were made under the grant, address the following:

Yes / No

21. Does the AO have a signed contract with each consultant?

**Guidance:** Review cooperative and contractual documents. A cooperative or contractual document is on file that clearly identifies the activities supported by the sub-grant, a budget, the assurances/requirements that accompany federal funds, and payment provisions.

Yes / No

22. Were charges for consulting payments supported by documentation?

**Guidance:** Records and other proper documentation must be maintained to determine consultant participation and payments.

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## PROPERTY

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An AO will use, manage, and dispose of equipment acquired under a grant in accordance with laws and procedures. Equipment means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds \$5000. AO and subgrantees shall:

- Maintain property records that include a description of the equipment, a serial number or other identification number, identification of the grant under which the AO or subgrantee acquired the equipment, the acquisition date, and unit acquisition cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property;
  - Conduct a physical inventory of the property and reconcile the results with the property records at least once every two years;
  - Develop a control system to ensure adequate safeguards for loss, damage, or theft; and
  - Develop adequate maintenance procedures to keep property in good condition.
  - When the equipment is no longer needed by the AO or subgrantee and the per unit fair market value is less than \$5,000, the AO or subgrantee may retain, sell, or dispose of the equipment with no further obligation to AMS. If, on the other hand, the per unit fair market value is \$5,000 or more, then the AO or subgrantee must submit a written request to the Federal Agency for disposition instructions.
- ✓ Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of AMS. Special purpose equipment means equipment which is used only for research, scientific, or other technical activities. The special purpose equipment must be reviewed and approved in the FMPP budget.

***If property or equipment was purchased or rented under the FMPP grant, address the following:***

Yes / No

23. Property management procedures available?  
***Guidance:*** Records must state the party responsible for property management and a description of the system for maintaining property records.
24. Are property records for each item on file and contain the following:
- a. A property description?
  - b. Source of property?
  - c. Manufacturer's serial number or other identification number?
  - d. Acquisition date and cost?
  - e. Percentage of federal funds used in acquiring the property?
  - f. Locations use and condition of property?
  - g. Ultimate disposition of data?
- Guidance:*** A file must be kept of property records and the current inventory to determine if the information required for items a) through g) is maintained.
24. Physical inventory taken every two years and results reconciled with property records?  
***Guidance:*** A current physical inventory must be maintained with supporting documentation of all purchased equipment.



25. Control system in effect to ensure adequate safeguards to prevent loss, damage, or theft of property?  
**Guidance:** *Written procedures for using and safeguarding property (insurance coverage, security of facilities, tagging equipment for identification) and loaning equipment must be provided and coincide with actually procedures practiced.*

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## TRAVEL

AO will not be provided grant funds for international travel. AO and subgrantees shall comply with the following:

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Yes / No

26. If local travel was charged to the grant, does the AO have formal travel policies and procedures for approving travel authorizations and travel vouchers?  
**Guidance:** *If local travel was charged to the grant, travel policies and procedures must be in place, and a travel file must be recorded. If no travel regulations are not in place, Federal Travel Regulations (41 CFR Chapters 300 through 304) shall be followed.*

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## PROGRAM

AO are responsible for managing the day-to-day operations of grant and subgrant supported activities. AO must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. AO monitoring must cover each program, function or activity.

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Yes / No

27. Actual project goals, objectives, activities, and services reflect those in the approved FMPP work plan?  
**Guidance:** *The current goals description, objectives, activities, and services must be on record/file to explain any changes from the proposal. Documentation for project activities must be recorded and maintain in the grant file. All project activities must be documented and correspond to the most recent performance report.*
28. All staff has adequate understanding of the project's purpose and their role on the project?  
**Guidance:** *Staff must fully understand their responsibilities and their daily work activities. Staff activities must be documented appropriately, and be included in the performance reports.*
29. Has the AO and sub-grantee made sufficient progress to meet the objectives of the grant?  
**Guidance:** *Staff and performance reports should document specific progress made in achieving each objective listed in the approved FMPP work plan. If progress has been slow, staff should document and be able to explain the reason for this in each performance report.*

30. Is performance of the AO or sub-grantee monitored and corrected?  
**Guidance:** Program files should contain information about: a) how the AO/sub-grantee tracks its own performance; b) how the AO tracks the performance of sub-grantees or contractors; c) how oversight coordination, and technical assistance is provided to whom; and d) how required corrective actions are implemented and tracked.

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## AWARDED ORGANIZATION/SUB-GRANTEE ARRANGEMENTS

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- AO and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal Assistance program under Executive Order 12549, “Debarment and Suspension”;
- Ensure that every subgrant includes any clauses required by Federal statute and executive orders and their implementing regulations;
- Ensure that subgrantees are aware of requirements imposed upon them by Federal statute and regulation;
- Ensure that a provision for compliance with “Retention and access requirements for records” is placed in every cost reimbursement subgrant;
- Ensure that any grant funds advances to subgrantees are subject to the same standards of timing and amount that apply to cash advances by Federal agencies;
- Per Executive Order 12549 and 7 CFR parts 3016 and 3019, AO must not make any award to any party which is debarred or suspended for participation in Federal Assistance programs. Grantees can verify this on [www.epls.gov](http://www.epls.gov).

*If the grantee awarded funds to sub-grantees, address the following:*

Yes / No

31. Does the AO have a signed contract with each sub-grantee?  
**Guidance:** A cooperative or contractual document must be on file that clearly identifies the activities supported by the sub-grant, a budget, the assurances/requirements that accompany federal funds, and payment provisions.
32. Does the contract specify pertinent statutes, regulations, AMS administrative requirements, and OMB Circulars?  
**Guidance:** Contract should specify at least 7 CFR part 3015; the applicable Federal regulations FAR 31.2, or 7 CFR parts 1016 or 3019; applicable FMPP Guidelines; and Farmer-to-Consumer Act of 1976 (7 U.S.C 3005).
33. Does the contract specify the performance and financial data to be provided to the grantee?  
**Guidance:** The cooperative and contractual documents should be specific in what is required by the AO/grantee in receipt of awarded FMPP funds.

34. Does the contract contain a provision for compliance with record retention requirements and access requirements for records?  
**Guidance:** *Review the cooperative and contractual documents for clause requiring retention of records relating to the grant for three years.*
35. Did the AO verify that all subgrantees were not debarred or suspended for participation in Federal Assistance programs before they awarded FMPP funds?  
**Guidance:** *The AO must have documentation that determines that they checked [www.epls.gov](http://www.epls.gov) to verify that all their subgrantees were not debarred or suspended for participation in Federal Assistance programs.*