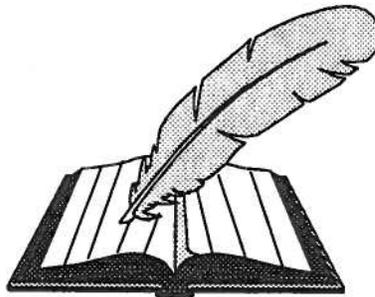
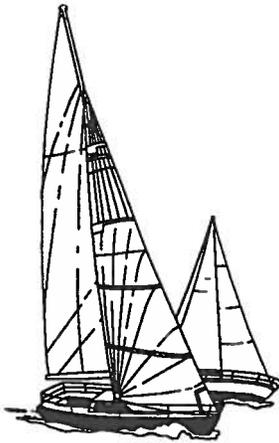


PROCEDURAL GUIDE FOR
LAND AND WATER CONSERVATION FUND PROGRAM
PART 2. FISCAL PROCEDURES

Revised January 1992



**ONE OF THE FINANCIAL ASSISTANCE PROGRAMS ADMINISTERED THROUGH
THE CALIFORNIA STATE DEPARTMENT OF PARKS AND RECREATION**

**PROCEDURAL GUIDE FOR
LAND AND WATER CONSERVATION FUND PROGRAM (LWCF)
PART 2. FISCAL PROCEDURES**



**State of California - The Resources Agency
DEPARTMENT OF PARKS AND RECREATION
Office of Grants and Local Services**

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FOREWORD

This booklet is the second of a two-part guide prepared to assist participants with fiscal requirements under the Land and Water Conservation Fund Program.

This guide is aimed at emphasizing the fiscal requirements and other related matters encountered under the program, and should be made available to personnel normally involved in fiscal matters. Their understanding of the fiscal requirements will help prevent later audit exceptions based on nonsupport or unallowable expenditures.

Any changes in these procedures will be issued to all active participants in letter form, and should be attached as a part of this guide. Inquiries in regard to this guide or to any special problems should be directed to the Local Assistance Section, Department of Parks and Recreation, Post Office Box 942896, Sacramento, CA 94296-0001 (Phone: 916-653-7423).

BASIS FOR ASSISTANCE

Fund assistance is provided for project costs incurred in performing the work approved in the Project Agreement.

Fund assistance will always be financial, but the participant, on approval, may meet its share of costs with money, services, or real property. Project costs will be matched project by project. In computing the matching share, the following definitions apply:

- a. ***Project costs.*** Project costs are all necessary charges incurred by a grantee in accomplishing the objectives of a project during the project period. For matching share purposes, project costs are limited to the allowable types of costs as set forth in the next section entitled "Allowable Costs." Greater detail concerning allowable costs can be found in OMB Circular No. A-87, which is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.
- b. ***Matching share.*** The matching share represents that portion of the project costs not borne by the federal government.
- c. ***Cash contributions.*** Cash contributions represent the grantee's cash outlay, including the outlay of money contributed to the grantee by other public agencies, institutions, private organization, or individuals.
- d. ***In-kind contributions.*** In-kind contributions represent the value of noncash contributions provided by (1) the grantee, (2) other public agencies and institutions, (3) private organizations and individuals. In-kind contributions may consist of the value of goods and services directly benefiting and specifically identifiable to the project.

The following summarizes the expenditure guidelines that will be applied in determining project costs:

- a. Expenditures must be incurred for work approved in the "Project Scope" of the agreement, and listed in the cost estimate included with the project application.
- b. Expenditures must be incurred within the project period. That is, physical accomplishment of the work and actual expenditures thereof must be within the dates established as the project period in the agreement, and not when funds are obligated or bills are paid.

- c. Expenditures claimed must not exceed the participant's actual cash outlay for the item or the fair market value of the item, whichever is less.
- d. Expenditures that will be reimbursed shall not exceed 50 percent of the estimated total project cost as shown in the Project Agreement. The participant, however, in case of later audit exceptions, must account for all expenditures incurred in performing the work approved in the agreement.
- e. Expenditures must be properly accounted. (Refer to "Accounting Requirements" section of this guide.)
- f. Expenditures must be allowable. (Refer to "Allowable Costs" section of this guide, and OMB Circular No. A-87.)

SURCHARGE

The costs to the State for administering the LWCF program are recovered from participating agencies such as yours and the Federal government. Your agencies original estimate of the project costs at the time of application will determine the support ceiling for federal reimbursement. A surcharge will be deducted from the federal reimbursement of project costs before the funds are passed through to your agency.

The surcharge has often caused confusion for those who are unfamiliar with the terms of the State/local agreement. The provisions of the agreement clearly allow for a varying surcharge. The first page of the agreement says that payments are subject to adjustment; and the Project Assurances section III.C.2. of the agreement explains that:

"...a surcharge for administrative costs will be applied to twice the federal share of direct eligible project costs. The surcharge is to be deducted from the reimbursements received from the Federal Government applicable to this project and will be computed at the federally approved surcharge at the time the billing is submitted to the Federal Government."

The check amount returned to the participant will reflect 50 percent of the eligible project costs identified in the agreement less the applicable surcharge in effect at the time of billing.

ALLOWABLE COSTS

Any project-related expenditure not specifically exempted (see "Unallowable Expenditures," Item 13, in this section) may be claimed for matching reimbursement. Such expenditures may include, but are not limited to, the following:

1. **Personal Services.** Personal services of those employees directly engaged in the execution of a project are allowable costs for that portion of the time spent on a project. Time spent on a project must be supported by time and attendance records. *The time and attendance records must describe the work performed, be identified to the project, and be signed by the employee and his supervisor.*

The cost of a supervisor may be included when he spends all or a measurable percentage of his time on a project, and his services are not included as indirect costs.

The cost of personal services shall be computed according to the participant's prevailing wage or salary scales for the type of work being done for that portion of time spent on the project. Salaries and wages for persons working on fund-assisted projects shall not be higher than those for similar positions working on similar jobs. Payments for overtime are not allowed unless employees are actually paid or given compensable time off.

2. **Fringe Benefits.** When treated as direct costs, fringe benefits, such as vacations, holidays, sick leave, insurance, retirement plans, social security contributions, and the like, that are regularly provided to employees by the participant, are legitimate personal service costs, and are eligible for fund assistance. *Fringe benefit costs charged to a project must be computed in proportion to the time spent on a project.* Vacations and leave must not be taken or charged in excess of the amount earned while working on fund-assisted projects.
3. **Consultant Services.** In those cases where the assistance of a specially qualified consultant is required for a project, a share of the cost may be borne by fund money. Consultants must be paid by the customary method and rate of the participant, whether by per diem, salary, fee for service, or other method. Consultants may, if is the policy of the participant, be reimbursed for travel and other expenses.

No consultant fee may be paid to any participant's employees unless such a payment is specifically agreed to by the State and National Park Service (NPS).

4. **Equipment.** Any equipment cost necessary to the conduct of an accepted project is an allowable cost. *The equipment use reports or other source documents must describe the work performed, be identified to the project, and be signed by the operator and supervisor (in case of use reports).*

Equipment covered under this item may include fixed or movable equipment, such as generators, pumps, and the like, that remains a part of the recreation area, as well as construction equipment used in development of the area. Construction equipment owned by the participant can be charged to the project on a use basis. The equipment rental rates used by the State Department of Transportation can be employed as an acceptable standard. In all cases, only the actual project-related use is chargeable to the project for matching purposes. If equipment is purchased rather than rented, the project shall be credited with the residual value (market value) of the equipment at project completion.

Charges for equipment must be made in accordance with the participant's normal accounting practices, and in compliance with the "Accounting Requirements" section of this guide. Charges must be substantiated by purchase order and invoice, as prescribed by the participant's fiscal and purchasing procedures.

5. *Supplies and Materials.* Supplies and materials may be purchased for a specific project or may be drawn from a central stock, provided they are charged at a rate no higher than that paid by the participant. When supplies and materials are purchased with the intent of constructing a piece of equipment, a structure, or elements of a structure, they may be charged either as supplies and materials or capitalized, according to the participant's normal policy.
6. *Travel.* Fund money may be used to share the cost of travel that is necessary to the execution of a project, so long as the travel is carried out within the policies and procedures of the participant, and a travel record is maintained.
7. *Information Costs.* Fund money may be used to share the cost of legitimate information activities related to a project, as distinguished from publicity or advertising. Such activities include information and direction signs at the entrances of recreation areas, and at other necessary sites throughout the area.
8. *Construction.* Costs of approved construction may be shared by the fund to the extent agreed upon by the State and NPS. Allowable construction costs cover all necessary construction activities, from site preparation (including demolition, excavation, grading, and the like) to completion of a structure. Construction may be accomplished either through a contract with a private firm or by use of the participant's own personnel and equipment (force account). Either method is suitable, provided the participant complies with the requirements for the performance of development projects, as prescribed in the Project Agreement.
9. *Costs of Purchases of Real Property and of Interests in Real Property.* Fund money may be used to pay a share of the fair market value of real properties. *Incidental costs of acquisition will not be considered as cost of the real property for matching purposes.*

The capital expenditures for acquisition of leases, easements, and other rights and interest in real property are eligible for assistance when the cost is incurred within the approved project period. Operating lease costs may not be shared.

Unless the State or NPS makes an exception, the remaining tenure of such interests shall be at least 25 years at the time of the project approval, in order for the expenditures to be matched.

10. **Relocation Costs.** Relocation costs resulting from the purchase of real property, from the purchase of an interest in real property, or from development, and incurred in complying with PL 91-646, may be shared if previously agreed to by the State and the NPS. Relocation must be listed as a separate item in the Project Scope and the Project Agreement. Relocation costs must be incurred within the project period to be eligible for reimbursement.
11. **Other Expenditures.** In addition to the major categories of expenditures, assistance is available for miscellaneous items considered necessary and related to the project.
 - a. Communications costs, such as telephone services, telegrams, postage, and the like, that are identified with and closely related to the execution of the project, are appropriate charges.
 - b. Fund assistance may be used for payment of premiums on hazard and liability insurance to cover personnel and property directly connected with the project.
 - c. When one department or agency performs work for another organization in the same State or public agency, the costs may be shared by the fund.
 - d. Maintenance and repair costs necessary for upkeep of equipment during project use are allowable, as long as they are not covered by user fees or similar fee arrangements.
 - e. Lease or rental charges on equipment or space for the conduct of a project are allowable when the participant determines that such an arrangement is the most efficient and economical.
 - f. Overtime in excess of normal work periods may be charged when the participant has an established overtime policy, and the basic work period was devoted to the same project.
 - g. Transportation costs for moving equipment or personnel to the site of a project are allowable if not otherwise covered.

12. *Expenditures for Indirect Costs.* Fund money may be used to match indirect costs incurred to meet the project's share of administrative and other overhead expenses, *if they are reasonable, are supported by adequate documentation, and are allocated equitably. The indirect cost rate must be previously approved by an appropriate federal agency.*

Indirect costs are allowable to the extent that they are customarily charged to projects by the participant, and are allocated in accordance with generally accepted accounting practices. The same basis that the participant uses for charging other projects may be used for charging fund-assisted projects. Where there are no similar recreation projects, the practice used for other projects of the participant may be used.

13. *Unallowable Expenditures.* The following shall not be included in the base for determining financial assistance:
- a. Ceremonial expenses
 - b. Expenses for publicity
 - c. Bonus payments of any kind
 - d. Charges for contingency reserves or other similar reserves
 - e. Charges in excess of the lowest bid, when competitive bidding is required by the State or the participant, unless the State agrees in advance to the higher cost
 - f. Charges for deficits or overdrafts
 - g. Taxes for which the participant would not have been liable
 - h. Interest expense
 - i. Charges incurred contrary to the policies and practices of the participant involved
 - j. Damage judgments arising out of acquisition, construction, or equipping of a facility, whether determined by judicial determination, arbitration, negotiation, or otherwise
 - k. Court costs of any kind*

*Except for certain expenditures allowable under PL 91-646, the Federal Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

- l. Incidental costs relating to acquisition of real property and of interests in real property, such as the cost of surveys, appraisals, title searches, and legal fees***
- m. Operation and maintenance costs of outdoor recreation areas and facilities**
- n. The value of, or expenditures for, lands acquired from the United States at less than fair value**
- o. Services, materials, or equipment obtained under any other federal program**
- p. Cost of discounts not taken**
- q. Travel claimed where no work time was claimed for the same period**
- r. Equipment to be used for the maintenance of outdoor recreation areas and facilities, including, but not limited to, automotive equipment, tractors, mowers, other machinery and tools**
- s. Employee facilities, including residences, appliances, office equipment, furniture and utensils**
- t. Donations or contributions made by the sponsor, such as to a charitable organization**
- u. Salaries and expenses of the Office of the Governor, or of the chief executive of a political subdivision or of the State Legislature, or of other similar local governmental bodies**
- v. Fines and penalties**
- w. Any excess of cost over the Federal contribution under one grant agreement is unallowable under other grant agreements**
- x. Any losses arising from uncollectable accounts and other claims, and related costs**
- y. Legal and professional fees paid in connection with raising funds**

***Except for certain expenditures allowable under PL 91-646, the Federal Uniform Relocation Assistance and Real Property Acquisition Act of 1970.**

- z. Payment for lobbying in connection with the awarding, extension, continuation, renewal, amendment or modification of a LWCF grant**

PROJECT PAYMENT REQUEST

Payment is normally made on a reimbursable basis. No payment can be made until the necessary documentation, outlined in the *Procedural Guide, Part I - Application Procedures*, has been reviewed and approved by the State. The National Park Service will make the final determination as to the amount of federal assistance.

Billings may be submitted at any time for a completed phase of construction, but not more frequently than monthly. A separate billing must be submitted for each project. Billings may be submitted for more than one project at a time. Billings will be numbered consecutively for each project, commencing with number one.

Billing for the LWCF is made by preparing and submitting one copy of the State-provided Billing Statement, Form DPR 423 (Exhibit A). This form will be used for both acquisition and development projects. In addition, the appropriate support documents must be submitted at the time of billing. Any relocation payments must be supported by appropriate forms (see "Instructions for Undertaking an Acquisition Project").

INSTRUCTIONS AND DEFINITIONS

The instructions for preparing the Billing Statement are shown on Page 14. To further assist you in completing this form, the following definitions apply:

- a. *Accrued expenditures.* Accrued expenditures are the expenditures incurred by the grantee during a given period, for (1) goods and other tangible property received; (2) services performed by employees, contractors, subgrantees, and other payees; and (3) amounts becoming owed under projects for which no current services or performance are required.
- b. *Accrued Income.* Accrued income is the earnings during a given period resulting from (1) services performed by the grantee; (2) goods and other tangible property delivered to purchasers; and (3) amounts becoming owed to the grantee for which no current services or performance are required by the grantee.
- c. *Disbursements.* Disbursements are payments in cash or by check.
- d. *Federal funds authorized.* Funds authorized represent the amount of federal assistance. This amount represents the maximum federal obligation.

- e. ***In-kind contributions.*** In-kind contributions represent the value of noncash contributions provided by (1) the grantee; (2) other public agencies and institutions; or (3) private organizations and individuals.
- f. ***Obligations.*** Obligations are the financial commitments for orders placed, contracts and grants awarded, services received, and similar transactions during a given period that will require payment.
- g. ***Outlays.*** Outlays represent charges made to the grant project. Outlays can be reported on a cash or accrued expenditure basis.
- h. ***Unobligated balance.*** The unobligated balance is the portion of the funds authorized by the federal agency that has not been obligated by the grantee, and is determined by deducting the cumulative obligations from the funds authorized.
- i. ***Unpaid obligations.*** Unpaid obligations represent the amount of obligations incurred by the grantee that have not been paid.

BILLING STATEMENT

Exhibit A

Land and Water Conservation Fund

See instructions on reverse.

1. PROJECT NUMBER	2. CONTRACT NUMBER	3. EMPLOYEE IDENTIFICATION NO.
4. PARTICIPANT		
5. PROJECT TITLE	6. TYPE OF PAYMENT <input type="checkbox"/> Partial <input type="checkbox"/> Final	

7. PAYMENT INFORMATION
(ROUND ALL FIGURES TO THE NEAREST DOLLAR)

a. Total Project Cost (from page 1, Item 1, of PROJECT AGREEMENT)	\$
b. Expenditures Since Last Billing	\$

8. SEND WARRANT TO:

AGENCY NAME _____

STREET ADDRESS _____

CITY/STATE/ZIP _____

ATTENTION: _____

CERTIFICATION

I certify that the billing is correct and just and is based upon actual payment(s) of record by the participant or political subdivision; that payment from the Federal Government has not been received; that the work and services are in accordance with the State of California Land and Water Conservation Fund project agreement including amendments thereto; and, that the progress of the work and services under the project agreement is satisfactory and is consistent with the amount billed.

I further certify that the participant, political subdivision or public agency is not involved in any court litigation or law suits wherein it is alleged by private parties of the United States that persons were, on the grounds of race, color, or national origin, excluded from participation in, denied benefits of, or otherwise subject to discrimination in the outdoor recreation program or facilities of the political subdivision or public agency.

9. SIGNATURE OF PERSON AUTHORIZED IN RESOLUTION	TITLE	DATE
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FOR STATE USE ONLY

ITEM	THIS BILLING	CUMULATIVE
1. Total Eligible		
2. Surcharge %		
3. Total		
4. Less Federal Share		
5. Less Surcharge		
6. Total Due Participant		

INSTRUCTIONS FOR COMPLETING BILLING STATEMENT

- ITEM 1.** Enter the project number from the first page of the Project Agreement.
- ITEM 2.** Enter the contract number from the "CERTIFICATION OF FUNDING" that is attached to the first page of the Project Agreement.
- ITEM 3.** Enter the employer identification number assigned by the Internal Revenue Service.
- ITEM 4.** Enter the name of participant.
- ITEM 5.** Enter project title from the first page of the Project Agreement.
- ITEM 6.** Mark the appropriate category. If the request is final, the amounts billed should represent the final cost of the project.
- ITEM 7.** Enter the appropriate dollar amounts.
- ITEM 8.** Enter the name and complete mailing address, including ZIP Code, for the participant.
- ITEM 9.** The statement must be signed and dated by the person authorized in the resolution.

SUPPORT DOCUMENTS

In addition to submitting four copies of the Billing Statement, Form DPR 423, the following documentation is required in support of your request:

Progress Billings - Development

1. *Summary of costs to date.* Include a listing of the companies who were awarded a contract, the date the contract was awarded, and a description of the work completed per contract.
2. A brief status report outlining the percentage of work completed, and a timetable for completion of remaining work. Include reasons for delays, if any, etc.

Final Billings - Development

1. A statement that the final payment(s) has been made to the contractor(s).
2. A copy of the Notice of Completion and acceptance for each contract.
3. A summary of project costs (see Exhibit B) identifying the actual park and recreational facilities that were constructed.
4. A copy of a site plan clearly indicating facilities actually constructed with grant funds and the location of the LWCF sign.

Final Billings - Acquisition

1. Policy of Title Insurance, including legal descriptions of parcels and maps.
2. Recorded Grant Deed.
3. Statement of Differences in Value (if necessary).
4. Form GSA 2997.
5. Form 8-1803 (if relocation is involved).
6. A summary of acquisition costs (see Exhibit C).

7. Relocation exhibits as needed (see "Instructions for Undertaking an Approved Acquisition Project").

For complete documentation requirements, see "Instructions for Undertaking an Approved Development Project" for development projects, and "Instructions for Undertaking an Approved Acquisition Project" for acquisition projects. These instructions were sent with the letter advising you that your project was approved.

SUMMARY OF COSTS - DEVELOPMENT

Project Name _____ Project Number _____

Architectural Engineering Basic Fees

Smith & Associates (1/3/84-10/10/84)

Preparation of Plans and Specifications	\$ 15,000	
Supervision of Construction	<u>5,000</u>	\$ 20,000

Date Contract(s) Awarded

Redwood Landscape Company	6/25/84
Sunrise Nursery	10/05/84

Construction and Project Improvements

Redwood Landscape Company (6/25/84-10/10/84)

Grading	38,000	
Site Preparation	5,000	
Picnic Facilities	21,000	
Tot Lot and Apparatus	35,000	
Irrigation	49,000	
Security Lighting	10,000	
Utilities	<u>42,000</u>	200,000

Sunrise Nursery (10/5/84)

Trees and Shrubs	2,000	2,000
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City Forces (10/6/84-10/15/84)

Planting Landscape Materials	2,000	2,000
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Miscellaneous Cost

Plans	Beal Blueprints (5/5/84)	50	
Advertising for Bidders	Valley Tribune (5/15/84)	150	
Barricade Rental at Construction Site	Acme Fence Company	<u>200</u>	400

\$ 224,400

SAMPLE

SUMMARY OF COSTS - ACQUISITION

Project Name _____ Project Number _____

<u>Parcel No.</u>	<u>Acres</u>	<u>Method of Acquisition</u>	<u>Date Recorded</u>	<u>Direct Acquisition Costs</u>
1	50	Court Award	9/20/84	\$ 250,000
2	25	Negotiated	11/15/84	110,000
3	25	Negotiated	1/25/85	<u>130,000</u>
				\$ 490,000*

***NOTE:** The amount of direct acquisition costs must agree with that approved by the State, based on appraisal reports or the amount awarded in a court action.

ACCOUNTING REQUIREMENTS

Recipients of federal fund assistance are responsible for maintaining fiscal controls and fund accounting procedures that will show the following:

1. The disposition of the proceeds of fund assistance.
2. The total costs of the project or undertaking in connection with which such fund assistance is given or used.
3. The amount and nature of that portion of the project cost supplied by other sources.
4. Any other records and controls that will facilitate an effective audit.

The fiscal controls and accounting procedures used to record project costs and fund receipts should be based on generally accepted accounting standards and principles, and should meet the following minimum requirements, unless the State agrees to exceptions:

1. Establishment of separate accounts and supporting documents for each project.
2. Identification of each project account by the number assigned to the project by the NPS.
3. Listing expenditures by category and in sufficient detail to provide the necessary information for billing and reporting. Expenditure categories include:

Real Property Acquisition

Relocation Costs

Construction Contract

Construction Force Account

Personnel

Consultant services

Supplies

Equipment

Information

Indirect costs

Other

4. **Identification of all receipts in sufficient detail to show the source of such receipts.**
5. **Itemization of all supporting records of project expenditures in sufficient detail to show the exact nature of each expenditure.**
6. **Cross referencing of each expenditure with the supporting purchase order, contract, or voucher or bill. These supporting documents must contain the signature of the official authorized to approve such expenditures.**
7. **Maintenance of adequate records, approved by the appropriate official, to show that all salaries and wages charged against projects were authorized.**
8. **Maintenance of payroll vouchers for salaries and wages. If payroll voucher forms are not used, a statement must be prepared at the end of each pay period showing the names of employees and the gross amount of salary earned by each. This statement must be verified by the official responsible for the project, and approved by the appropriate authority.**
9. **Identification of the invoices or vouchers charged by project number, account number, date, and expense classification.**
10. **Maintenance of a canceled check file, and identification of each check to project-related expenses. When cash disbursements are made, they must be supported by receipts. Cash disbursements shall not exceed \$10 (exclusive of sales tax) per purchase or service.**
11. **Establishment of adequate internal systems of financial control following generally accepted accounting and auditing principles. These include adequate serial numbering of vouchers where prudent; distribution of duties among employees in such a way as to decrease opportunities for fraudulent activities; procedural safeguards; property inventory controls; and other reasonable checks and balances.**

Disposition of Interest. Interest earned through any deposit or investment by any recipient of Land and Water Conservation Fund money made available in advance through the act shall be credited to the United States' share of the project, and shall not be considered as additional federal funds available for obligation.

Pre-award Surveys. The State may conduct pre-award surveys before qualifying a project proposal, to determine the adequacy of financial and administrative management practices and procedures as they may relate to the execution of the proposed project. Periodic surveys may also be undertaken during the project period, to ensure the continued effectiveness of the financial and administrative management, and to provide assistance when necessary or requested. The scope of such surveys shall include review of the internal systems of financial and administrative controls, planning, and techniques and procedures.

RECORD RETENTION AND CUSTODIAL REQUIREMENTS

1. **Financial records, supporting documents, statistical records, and all other records pertinent to a grant program shall be retained for a period of three years after final payment by the federal government , with the following qualifications:**
 - a. **The records shall be retained beyond the three-year period if audit findings have not been resolved.**
 - b. **Records for nonexpendable property that was acquired with federal grant funds shall be retained for three years after its final disposition.**
2. **State and local governments are authorized to substitute microfilm copies in lieu of original records.**
3. **The Secretary of the Interior and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the State and local governments and their subgrantees that are pertinent to a specific project, for the purpose of conducting audits and examinations or making excerpts and transcripts.**

AUDITS

The Land and Water Conservation Fund Program is subject to the provisions of the Single Audit Act of 1984, P.L. 98-502. The single audit focuses on your jurisdiction as a grant recipient, rather than on individual grant projects.

The Single Audit Act requires the following:

1. Local governments that receive \$100,000 or more a year in federal financial assistance shall have an audit made in accordance with OMB Circular No. A-128.
2. Local governments that receive between \$25,000 and \$100,000 a year shall have an audit made in accordance with OMB Circular No. A-128, or in accordance with federal laws and regulations governing the programs they participate in.
3. Local governments that receive less than \$25,000 a year shall be exempt from compliance with the act and other federal audit requirements.

Federal financial assistance includes funds received from all federal sources, and is not limited to the Land and Water Conservation Fund Program.

The audit shall be made by an independent auditor, in accordance with generally accepted government auditing standards covering financial and compliance audits. It shall be made annually unless a jurisdiction has, by January 1, 1987, a constitutional or statutory requirement for less frequent audits, in which case biennial audits, covering both years, are permitted.

The Single Audit Act provides for cognizant agencies to oversee implementation of Circular No. A-128. In most cases the cognizant agency for a jurisdiction will be the federal agency that provides them with the most funds, whether directly or indirectly. The cognizant agency has a number of responsibilities, including providing technical advice and liaison to local governments and independent auditors.

Although the California Department of Parks and Recreation will not be performing project-by-project audits on Land and Water Conservation Fund projects, copies of the single audit should be sent to the Chief, Local Assistance Section, and the Chief, Audits Office, each year that a jurisdiction has an active project.

PROGRAM INCOME

Income from Properties Acquired or Developed with Fund Assistance.

Program income represents earnings by the grantee realized from the grant-supported activities. Such earnings exclude interest income, and may include, but will not be limited to, income from service fees, sale of commodities, usage or gross rental fees, sale of assets purchased with grant funds, and royalties on patents and copyrights. Program income can be reported on a cash or accrued income basis.

All program income earned during the project period shall be retained by the grantee, and shall be:

1. Added to funds committed to the project by NPS and the grantee, and be used to further eligible program objectives, or
2. Deducted from the total project costs for the purpose of determining the net costs on which the federal share of costs will be based.

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