



OSHA INSTRUCTION

U.S. DEPARTMENT OF LABOR

Occupational Safety and Health Administration

DIRECTIVE NUMBER: FIN 02-00-003 **EFFECTIVE DATE:** October 17, 2003
SUBJECT: Financial and Administrative Monitoring of OSHA Grants and Cooperative Agreements

ABSTRACT

Purpose: This Instruction establishes procedures for monitoring the financial and administrative aspects of OSHA grants and cooperative agreements.

Scope: OSHA National and Regional Offices

References: See references in paragraph III of Directive.

Cancellations: OSHA Instruction FIN 02-00-002/FIN 3.2 - Financial and Administrative Monitoring of the 23(g) Grants, 7(c) (1) and 24(b) (2) Grants and Contracts of August 27, 1984.

State Impact: This instruction is not a Federal Program Change requiring State adoption or response, but States are encouraged to consider its implications for their operations.

Action Offices: OSHA National and Regional Offices

Originating Office: Directorate of Administrative Programs

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Approval: By and Under the Authority of
John Henshaw
Assistant Secretary

Executive Summary

This Instruction provides guidance to Occupational Safety and Health Administration (OSHA) national and regional offices to ensure uniform procedures in the financial and administrative monitoring of OSHA grants and cooperative agreements, including the State Plan 23(g) grant program, Consultation 21(d) cooperative agreements, and Training 21(c) grants.

Significant Changes

This Instruction:

- Updates references to OMB, DOL, OSHA and other Federal regulations.
- Provides flexibility to the Regional offices in schedule scheduling on-site monitoring visits for Consultation and State Plan recipients at least once every two years, with more frequent visits being conducted if resources are available or if necessary to ensure compliance. Site visits for Training 21(c) grantees will continue to be conducted annually.
- Requires Regional Offices to consult the National Office, Directorate of Administrative Programs in determining whether questioned costs will be disallowed.
- Establishes deadlines for the Regional Offices to submit quarterly and final financial reports to the National Office.

Financial and Administrative Monitoring of
OSHA Grants and Cooperative Agreements
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Financial and Administrative Monitoring of OSHA Grants and Cooperative Agreements

I. PURPOSE

This instruction establishes procedures for monitoring the financial and administrative aspects of OSHA grants and cooperative agreements.

II. SCOPE

This instruction applies to all Regional Administrators and National Office elements directly or indirectly engaged in the financial and administrative operations of grants and cooperative agreements including, the State Plan 23(g) grant program, Consultation 21(d) cooperative agreements, and Training 21(c) grants.

III. REFERENCES

The following directives and policies, whether a part of the grant package or incorporated by reference, are applicable to the OSHA 23(g) grant program, 21(d) cooperative agreements, and 21(c) grants:

- A. Grant Agreement: General Provisions and Supplemental Assurances, PL 91-596, December 29, 1970; Amended in PL 105-197, July 16, 1998.
- B. 29 CFR 95 - Grants And Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations. (Codification of OMB Circular A-110).
- C. 29 CFR 96 - Audit Requirements For Grants, Contracts, and Other Agreements. (Codification of OMB Circular A-133)
- D. 29 CFR 97 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments. (Codification of OMB Circular A-102).
- E. 29 CFR 99 - Audits Of States, Local Governments, And Non-Profit Organizations.
- F. Occupational Safety and Health Act PL 91-596, approved December 29, 1970, and amended in PL 105-197, July 16, 1998.
- G. OMB Circular A-21 - Cost Principles for Educational Institutions.
- H. OMB Circular A-87 – Cost Principles for State and Local Governments.
- I. OMB Circular A-122 – Cost Principles for Non-Profit Organizations.
- J. OMB Circular A-102 – Administrative Requirements for State and Local Governments.
- K. OMB Circular A-110 – Administrative Requirements for Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.
- L. OMB Circular A-133 – Audit Requirements for States, Local Governments, and Non-Profit Organizations.

- M. DLMS 2-800 Grant and Procurement Management.
- N. DLMS 2-900 Grant and Procurement Management.
- O. Federal Managers' Financial Integrity Act of 1982, P.L. 97-255, approved September 8, 1982.
- P. Cash Management Improvement Act of 1990; 31 CFR 205.
- Q. Consultation Policies and Procedures Manual (CSP 02-01-001/TED 3.6), August 6, 2001 – Chapter 9.
- R. State Plan Policies and Procedures Manual (CSP 01-00-002/STP 2-0.22B), March 9, 2001 – Chapter 11.

IV. CANCELLATIONS

This instruction cancels or supercedes the following directive:

OSHA Instruction FIN 02-00-002/FIN 3.2 - Financial and Administrative Monitoring of the 23(g) Grants, 7(c) (1) and 24(b) (2) Grants and Contracts of August 27, 1984.

V. STATE IMPACT

This instruction is not a Federal Program Change requiring State adoption or response, but States are encouraged to consider its implications for their operations.

VI. ACTION INFORMATION

- A. Responsible Office: Directorate of Administrative Programs, Office of Program Budgeting, Planning and Financial Management, Division of Grants Management.
- B. Action Offices: National and Regional Offices.
- C. Information Offices: National and Regional Offices.
- D. Action Required: Regional Administrators and the Director of Administrative Programs shall ensure that financial and administrative monitoring of the OSHA grant and cooperative agreement programs is conducted in accordance with sections IX and X of this instruction and that the activities are coordinated with program monitoring.

VII. ORIGINATING OFFICE

Directorate of Administrative Programs.

VIII. BACKGROUND

The 23(g) grants, and 21(c) grants were established by Public Law 91-596 on December 29, 1970. The 7(c)(1) Consultation program was established under Public Law 91-596 on December 29, 1970. This program was later codified

under section 21(d) in Public Law 105-197 on July 16, 1998. This document is being modified to ensure uniform procedures in the financial and administrative monitoring of these programs. Uniform procedures will continue to place emphasis on accountability, financial integrity and internal controls. This document also is being modified to update references that apply to OSHA grants and cooperative agreements.

IX. RESPONSIBILITIES

The financial and administrative monitoring of grants and agreements are a shared responsibility of the Regional and National Offices as defined below:

- A. Regional Administrators. Each Regional Administrator shall:
 - 1. Assume responsibility for monitoring the financial and administrative practices and procedures of the grantees/recipients in the Regions in accordance with this instruction.
 - 2. Alert the Assistant Secretary, the Director of Administrative Programs, and the Director of Cooperative and State Programs to serious problems with a grantee's/recipient's financial or administrative operations that appear to threaten the program or are contrary to established policies.
 - 3. Review financial and administrative changes that have significant program and budget impact and recommend a course of action to the National Office.
 - 4. Coordinate financial monitoring reports with responsible program staff to insure program integrity.
 - 5. Include financial and administrative monitoring findings in all program monitoring discussions held with the grantee/recipient and in program evaluation reports.
 - 6. Include program monitoring findings in all financial and administrative monitoring discussions held with the grantee/recipient.

- B. Director of Administrative Programs. The Director of Administrative Programs shall be responsible for the development of appropriate financial management support for the program through the Division of Grants Management, Office of Program Budgeting, Planning and Financial Management. The Division shall:
 - 1. Provide financial and administrative assistance to the Regions in their monitoring responsibilities by:
 - a. Interpreting publications, OMB and DOL grant regulations.
 - b. Providing financial reports on the status of grant funds.
 - c. Updating financial monitoring guidelines as needed.

2. Review closeout packages submitted by the Regions.
3. Assess the effectiveness of Regional monitoring by reviewing reports, follow-up reports and other activities of the monitors, and conduct periodic on-site reviews of the Regional grant financial and administrative monitoring.

X. PROCEDURES

The purpose of financial and administrative monitoring is to provide guidance to the grantees/recipients on effectively managing the funds authorized under the given award. The financial and administrative monitoring process is ongoing, shall be implemented during all phases of the grantee's/recipient's activities, and shall be coordinated with the program monitoring.

- A. Approach. The Regional Administrator through his/her designee shall assume the responsibility for continuous monitoring of each grantee's/recipient's financial and administrative activities when the grantee/recipient is receiving federal funds under the authority of the OSH Act.
 1. Monitoring involves the process of reviewing the financial and administrative operations of the grantee/recipient. This includes all aspects of the financial management systems, procurement, property management, and budget procedures. Also limited aspects of the personnel system should be reviewed. (See Appendix B).
 2. The monitor(s) shall have extensive knowledge of all financial and administrative aspects of the grantee's/recipient's operations.
- B. Site Visits. The Regional Administrator shall ensure that each Consultation 21(d) recipient and State Plan 23(g) grantee is visited at least once every two years and Training 21(c) grantees are visited annually. More frequent monitoring visits may be conducted if resources are available or if necessary to ensure grantee's/recipient's compliance. At least three weeks prior to the visit, the Regional Administrator shall notify the grantee/recipient in writing of the proposed visit. (See Appendix A)
 1. Opening (Entrance) Conference. Upon arrival at the grantee's/recipient's location, the financial monitor shall meet with all principals on the grant/cooperative agreement to discuss the monitoring visit. This discussion shall take the form of a briefing. The grantee/recipient shall be advised of the purpose of the visit, the monitor's activities during the visit, and the exit conference, which will occur at the conclusion of the visit.

2. Exit Conference. At the conclusion of the site visit, an exit conference shall be held with the same principal officials who were present at the opening conference. During this conference, the officials shall be informed of the results of the visit. The grantee/recipient shall be advised that a written report will be sent to them. Those items in the written report requiring corrective action should be addressed by the grantee/recipient within 30 days of the date of the report.
- C. Report of Visit. Upon completion of a visit, the monitor shall prepare and the Regional Administrator shall transmit a "Report of Visit" which shall set forth the findings in the financial and administrative areas and, where appropriate, recommend corrective actions. (See Appendix C)
1. The site visit report shall be transmitted by the Regional Administrator to the grantee/recipient within 30 calendar days after the visit. In order to be effective, reports that recommend immediate corrective actions shall be transmitted to the grantee/recipient as soon as possible after such a visit. A copy of the report and the response shall be retained in the official grant file in the Region.
 2. A report requiring corrective actions should include a list of specific deficiencies, including non-compliance with Federal regulations and questioned costs, found during the visit and recommendations for correction.
 3. In response to this report, the grantee/recipient shall submit a schedule for completion of the corrective actions within 30 days of the date of the report. During the subsequent visit, progress on the completion of the corrective actions should be reviewed and noted in the report.
 4. If a grantee fails to take corrective actions, the Region shall recommend a course of action to the National Office, Directorate of Administrative Programs within 60 days of the date of the report. The National Office, Directorate of Administrative Programs shall be consulted in determining whether a questioned cost will be disallowed.

**Appendix A
Notice of Monitoring Visit to the Grantee/Recipient
Sample Letter**

Date

(Grantee/Recipient Name and Address)

Dear (_____):

On (Date), _____ (the name of the monitors) will be visiting you for the purpose of reviewing the financial and administrative areas of the _____ (identify program being monitored) grant/cooperative agreement for FY _____. This visit is in accordance with the OSHA Instruction on Financial and Administrative Monitoring of OSHA Grants and Cooperative Agreements. During the visit, the monitors will review all financial and administrative aspects of your grant. Their visit should be helpful to you in administering your grant/cooperative agreement, and they will try to respond to any questions or concerns you may have. Please be sure that the appropriate personnel and all appropriate financial and administrative documents are available for their review. I am hopeful that your meeting with them will be successful.

Sincerely,

Regional Administrator

Appendix B

Financial Monitoring Guidelines - Grants and Cooperative Agreements

A. Site Visit Guidelines

Note: These guidelines list areas subject to review during on-site reviews. Financial monitoring need not be restricted to these items nor must it include all of the items in a single visit. The financial monitor's knowledge of day-to-day operations of the grant/cooperative agreement will dictate the areas reviewed.

1. Monitor grantee/recipient with respect to financial and administrative management requirements of the grant/cooperative agreement and offer technical assistance.
2. Review accounting system and procedures of grantee/recipient including sampling of records and source documents, reconciliation of the financial reports and general ledger, and verification of claimed costs to the general ledger system.
3. Make sure that recipient is in compliance with Federal financial regulations.
4. Review the grantee/recipient personnel management system. The following should be checked:
 - a. Staffing Pattern
 - b. Timekeeping: Policies and Procedures
 - c. Payroll records and time cards of the personnel, especially those who work less than 100% on the grant or agreement
5. Review the following to determine compliance with OMB, DOL, OSHA, and other Federal financial regulations:
 - a. Cash Management
 - b. Financial Reports and Source Documents
 - c. Application of Indirect Cost Rate
 - d. Compliance with Administrative Costs Limitations
 - e. Travel: Policies and Procedures - Sample review
 - f. Petty Cash: Policies and Procedures
 - g. Budgeting
 - h. Non-Federal Share: Documentation
6. Review property management system for compliance with DOL and OMB rules and regulations.
7. Review procurement procedures for compliance with established Federal regulations:
 - a. Methods of Subcontracting
 - b. Subcontractor Performance: Policies and Procedures - Review reports
 - c. Prior Regional Approval for Restricted Procurements
 - d. Appropriate Bidding Procedures

8. Review grantee/recipient plans for compliance with audit requirements of DOL and OMB regulations.
9. Review the findings of the most recent single audit for implementation of administrative findings.
10. Review recommendations from previous site monitoring visit for implementation.

B. Review of Financial Reports.

The Regional Administrator's representative shall review and analyze the financial reporting forms for completeness, accuracy, evidence of sound fiscal management in accordance with grant and fiscal policies established by OMB, DOL, OSHA, and other Federal agencies. The Regional Administrator (RA) shall transmit complete and accurate financial reports required to the OSHA Office of Program Budgeting, Planning and Financial Management, Division of Grants Management. The RA shall transmit to the National Office quarterly financial reports within 60 days after the end of each quarter, and financial closeout reports within 120 days after the grant expires.

C. Closeout Procedures.

The closeout procedures for grants are contained in the DLMS 2 – Chapter 800 – Section 870 – Closeout Procedures.

Appendix C
Sample Report – Report of On-Site Monitoring Visit

Report On: _____ (Indicate Program Monitored)

Prepared By: _____

Date of Report: _____

Date of Visit: _____

Period Covered: _____

Grantee/Recipient: _____

Address: _____

Key Personnel: _____

Overview of the Grant/Cooperative Agreement *(Background information about the management and operation of the grant/cooperative agreement)*

Program Resources *(Identify funding – original and amendments - provided for grant period from federal and non-federal sources)*

On-Site Review

Scope of Review (Identify areas covered during site visit, including discussions on program monitoring findings)

Findings (Identify and provide details for any finding)

Recommendations (Provide recommendation for correction of identified findings)