maintenance fee for food banks.
Documentation required: receipts/invoices from off-site shelter (hotel/motel) and canceled checks.

(b) *Ineligible Program Costs.*Purposes for which funds CANNOT
BE USED include, but are not limited to:

- (1) Cash payments of any kind including checks made out to cash or reimbursements to staff, volunteers or clients for program purchases.
 - (2) Deposits of any kind.
- (3) Payment of more than one month's rent.
- (4) Payment of more than one month's mortgage, first month's mortgage, or down payment on mortgage.
- (5) Transportation of people to another town or agency not related to the direct provision of food or shelter or to relative's home (e.g., non-local transportation, transportation to jobs, health care, etc.).
- (6) Payment of more than one month's portion of an accumulated utility bill.
- (7) Payments made directly to a client.
- (8) Rental security; deposits; revolving loan accounts.
- (9) Real property (land or buildings) costing more than \$300.
 - (10) Property taxes of any kind.
- (11) Equipment costing more than \$300 per item (e.g., vehicles, freezers, washers).
- (12) Emergency repairs/building code or rehabilitation to government-owned or profit-making facilities or leased facilities.
- (13) Rehabilitation for expansion of service.
- (14) Repairs of any kind to an individual's house or apartment.
- (15) Purchase of supplies or equipment for an individual's home or private use.
 - (16) Lease-purchase agreements.
- (17) Administrative cost reimbursement to State or regional offices of governmental or voluntary organizations.
 - (18) Lobbying efforts.
- (19) Expenditures made prior to beginning of jurisdiction's program.
- (20) Expenditures made after end of jurisdiction's program.
- (21) Gas or repairs for client-owned transportation.
 - (22) Repairs to LRO-owned vehicles.
- (23) Prescription medication or medical supplies.
- (24) Clothing (except underwear/diapers for clients of mass shelters, if necessary).
- (25) Payments for expenses not incurred (i.e., where no goods or services have been provided during new program period).
- (26) Emergency assistance for natural disaster victims.

- (i) Supplies bought for and in anticipation of a natural disaster.
- (27) Telephone costs, except as administrative allowance and limited to the total allowance (2 percent).
- (28) Salaries, except as administrative allowance and limited to the total allowance (2 percent).
- (29) Office equipment, except as administrative allowance and limited to the total allowance (2 percent).
- (30) LRO may not operate as a vendor for itself or other LROs, except for shared maintenance fee for food banks.
- (31) Direct expenses associated with new or expanded services or to prevent closing.
- (32) Increased utility costs due to expansion of service.
- (33) Encumbrance of funds for shelter, emergency repairs, utilities, that is, payments for goods or services that are purchased and are to be delivered at a later date. Also, withholding assistance in anticipation of a future need (e.g., holiday events, special programs).
- (34) Supplementing foster care costs, where an LRO has already received payment for basic boarding of a client. Comprehensive foster care costs beyond food and shelter are not allowed.
- (35) No fee for service may be charged to individuals or families in order to receive service.
 - (c) Administrative allowance.
- (1) There is an administrative allowance limitation of two percent (2%) of total funds received by the Local Board, excluding any interest earned. This allowance is a part of the total award, not in addition to the award. The local administrative allowance is intended for use by LROs or Local Boards and not for reimbursement of the program or administrative costs that a recipient's parent organization (its State or regional offices) might incur as a result of this additional funding.
- (2) The Local Board may elect to use, for its own administrative costs, all or any portion of the 2 percent allowance. The decision on distribution of the allowance among LROs rests with the Local Board. No LRO may receive an allowance greater than 2 percent of that LROs award amount unless the LRO is providing the administrative support for the Local Board and it is approved by the National Board.
- (3) The SSA Committee, when in operation, may utilize a maximum of one-half of one percent (0.5%) for its administrative costs in allocating the SSA grant. As with Local Board awards, this administrative allowance is part of the total award, not in addition to the award.
- (4) Any of the administrative allowance not used must be put back

into program funds for additional services. Note: The administrative allowance may only be allocated in whole-dollar amounts.

Section 3.0 Independent Annual Audit Requirements

- (a) LROs receiving \$25,000 or less in EFSP funding. No independent annual audit will be required for these LROs.
- (b) LROs receiving \$25,000 or more in EFSP funding. An independent annual audit in accordance with Government Auditing Standards will be required for these LROs.

The National Board will accept an LROs national/regional annual audit if the following conditions are met:

- (1) The LRO is truly a subsidiary of the national organization (i.e., shares a single Federal tax exemption).
- (2) The LRO is audited by the national/regional office internal auditors or other person designated by the national/regional office AND the national/regional office is audited by an independent certified public accountant or public accounting firm, which includes the parent organization's review of the LRO in a larger audit review.
- (3) A copy of the local audit review by the parent organization along with a copy of the independent audit of the national/regional office will be made available to the National Board upon request.

In addition to the above requirements, any LRO receiving \$100,000 or more in combined federal funds must have an audit made in accordance with OMB Circulares A–128 or A–133, as applicable.

Audits of units of government shall be made annually unless State or local government had, by January 1, 1987, a constitutional or statutory requirement for less frequent audits. For those governments' biennial audits, covering both years are permitted.

Section 4.0 Appeals Process for Participation/Funding

(a) Fairness and openness. An appeals process is a statement to eligible agencies and to the community at large that the Local Board is interested in fairness and openness.

A good appeals process begins with prevention. If the Local Board includes both representatives of affiliates of the National Board and representatives of other groups involved with assisting hungry and homeless people, it is less likely to experience an appeal. Similarly, if the Local Board's decision-making process is open, thorough, and even-handed, appeals are less likely.