

Best Practices for Reporting on the Use of Federal Funds



This resource helps municipalities stay organized, meet federal rules, and report information on time. It is designed to make the process easier, reduce stress, and support successful use of federal funds.

Core Compliance Principles

Municipalities should follow four key principles when using federal funds:

1. Documentation

All reported data must be supported by written documentation. Examples:

- Invoices
- Contracts
- Procurement records
- Payroll records
- Project progress documentation

2. Accuracy

Reports must be:

- Complete
- Accurate
- Submitted on time
- Consistent with accounting records



3. Internal Controls

Recipients must maintain internal controls that ensure:

- Funds are used only for eligible costs
- Reporting is reliable
- Fraud or misuse is prevented

4. Traceability

Every dollar of federal funds must be traceable through the accounting system. If you aren't able to accommodate full traceability through your digital accounting system, use supplemental spreadsheets and reports to augment it, such as when tracking volunteer in-kind assistance.

Best Practices

Getting Started

- Assign a project lead to track deadlines and reporting tasks.
- Build a small team from departments involved in the project and grant administration such as finance, public works, and administration.
- Make a simple checklist of all required reports (financial, performance, compliance, and subrecipient monitoring) and their due dates.
- Keep all project documents in one shared folder at the municipal office.



Tracking Money

- Track the project's income and expenses separately from other funds using a unique fund code, a project code, or a grant tracking system.
- Record every cost as soon as it happens. Costs must be allowable, allocable, reasonable, and necessary for the project.
- Save receipts, invoices, and proof of payment. Document match.
- Make sure spending matches the approved budget; reconcile monthly.

Tracking Project Progress

- Write down major decisions, changes, or delays.
- Save photos of construction, improvements, and events.
- Keep copies of permits, inspections, and approvals.
- Track progress toward project outcomes identified in the funding application and agreement.

Preparing Reports

- Review your "requirements" checklist before starting.
- Double-check numbers, dates, and totals.
- Use clear, simple language to describe progress.
- Set reminders and submit reports on time.

After You Submit



- Store copies of all reports and documents at the municipal office. They are public records!
- Keep both digital and paper copies when possible.
- Meet with your team to discuss what worked well and what to improve.

Working With the Funder

- Ask questions early – the funder's staff are there to help.
- Report delays or changes right away.
- Share positive updates and community benefits.

Record Keeping

- Maintain a central project file in the municipal office containing all financial, procurement, and reporting documentation for easy review during monitoring or audit. **All records must be retained for at least three years after final reporting** , unless otherwise required.

Long Term Good Habits

- Use the same organizing system for all federal projects.
- Train new staff and volunteers so knowledge stays in your municipality.
- Review federal rules each year in case they change.
- Share submitted reports with the legislative body and/or Manager or Administrator.

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