



The Brave New World of Grants Management



Governor's Grants Office
TRAINING CONFERENCE
MONDAY NOVEMBER 14th 2016

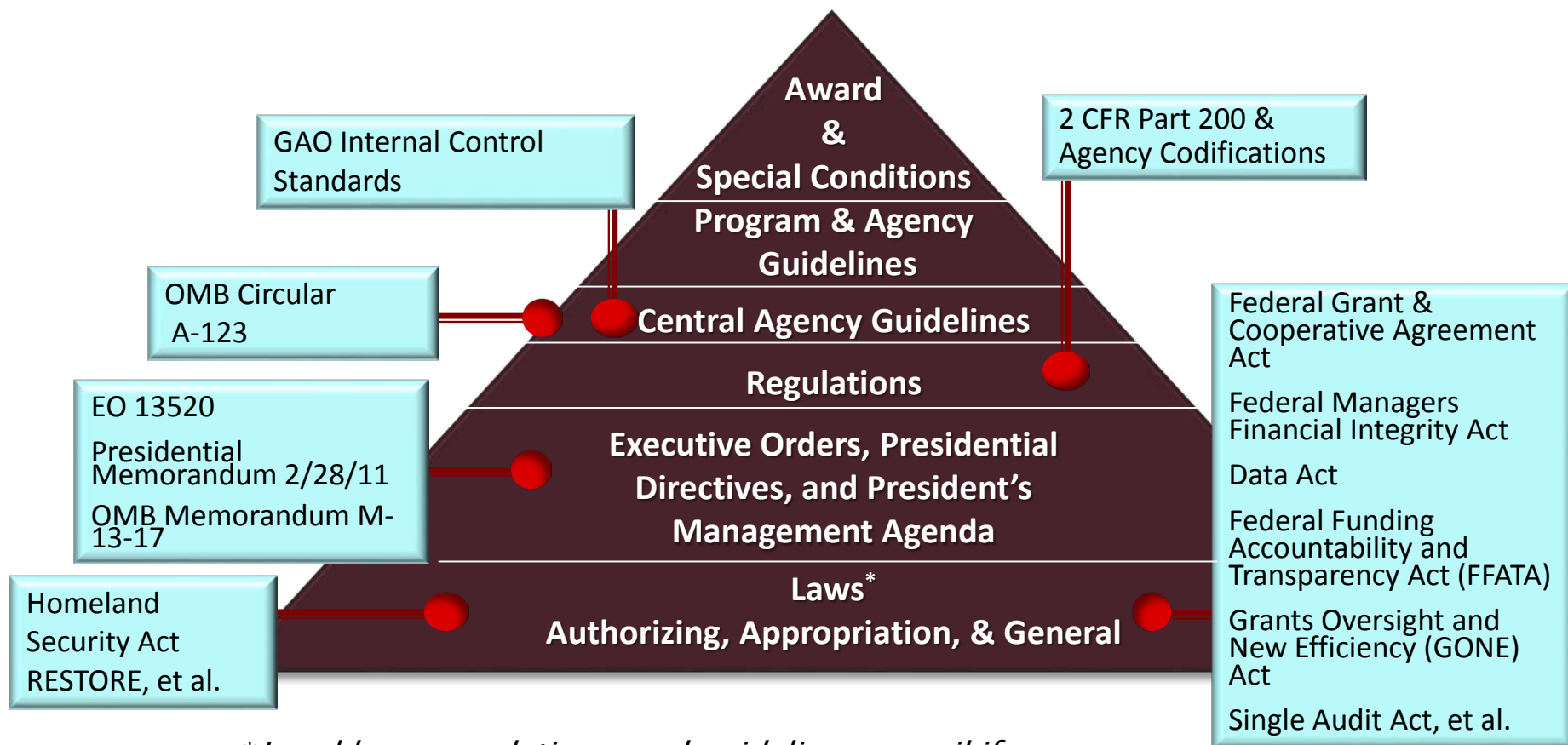


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The Order of Precedence



** Local laws, regulations, and guidelines prevail if more restrictive*

The Uniform Guidance – 2CFR§200

- **Consolidated legacy guidance and introduced new requirements**
 - Consolidated Governance:
 - OMB Circulars A–21, A–87, A–110, and A–122
 - Circulars A–89, A–102, and A–133*, and
 - The guidance in Circular A–50 on Single Audit Act follow-up

** Except for the Compliance Supplement*



Internal Controls - Requirement

- **2CFR§200.303 Internal controls. The non-Federal entity must:**
 - “Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.
 - These internal controls should be in compliance with guidance in ‘Standards for Internal Control in the Federal Government’ issued by the Comptroller General of the United States or the ‘Internal Control Integrated Framework’, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)”.

Internal Controls Defined in the UG

- **2CFR§200.61 Internal controls means:**

- “A process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - Effectiveness and efficiency of operations
 - Reliability of reporting for internal and external use
 - Compliance with applicable laws and regulations.”

Definition Continued...

- **2CFR§200.62 Internal control over compliance requirements for Federal awards:**
 - **“A process implemented by a non-Federal entity** designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
 - Transactions are properly recorded and accounted for, in order to:
 - Permit the preparation of reliable financial statements and Federal reports;
 - Maintain accountability over assets; and
 - Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
 - Transactions are executed in compliance with:
 - Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
 - Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
 - Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.”

GAO Internal Control Standards

- **Definition of “Internal Control”:**

- OV1.01 Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved (see fig. 2). These objectives and related risks can be broadly classified into one or more of the following three categories:

- Operations - Effectiveness and efficiency of operations
- Reporting - Reliability of reporting for internal and external use
- Compliance - Compliance with applicable laws and regulations



Source: GAO



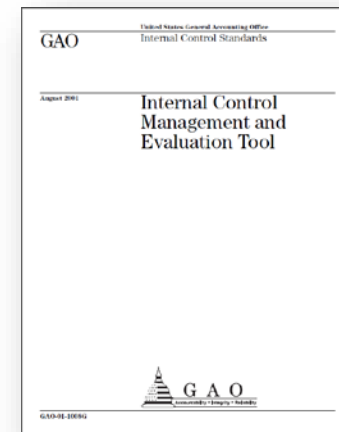
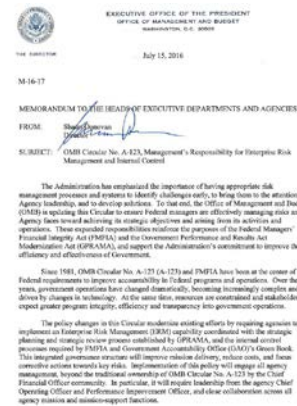
Source: COSO

How do Grantees Implement?

- The Uniform Guidance does not provide implementing guidance

- Recipients may look to the Federal implementing guidelines in OMB A-123 *Management's Responsibility for Internal Control*

- GAO *Internal Control Management and Evaluation Tool*, GAO-01-1008G



Must? Should?

- **What will grant auditors likely expect?**
 - Does the grantee organization have its own internal control standards and implementing guidance?
 - If not, auditors will look to the GAO or COSO Internal Control Standards and OMB's guidelines as benchmarks.
 - As a practical matter, grantee organizations must comply with these standards, or risk being found deficient.

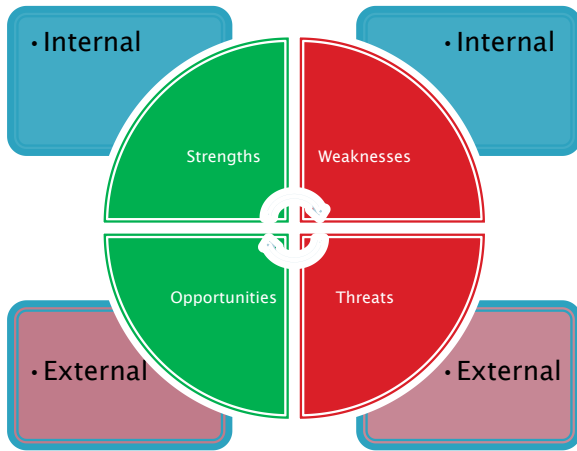
Tips for Implementers



- **Hallmarks of an Effective Control System**
 - Governance, including well-defined enterprise business architecture—don't forget program cycles!
 - Internal control system integrated with Enterprise Risk Management (ERM)
 - Well-defined entity level controls

Integrated ERM & Internal Control

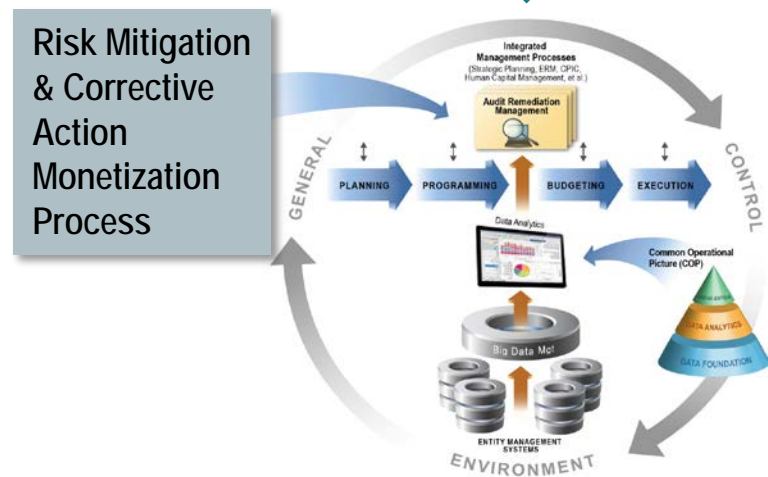
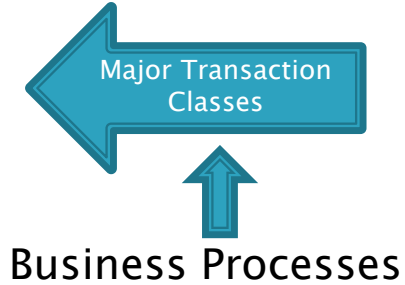
ERM



Financial Statement Risk Assessment

Department of Housing and Urban Development
Combined Statement of Budgetary Revenues
For the Period Ending September 2012 and 2013
(Values in Millions)

Major Transaction Class	2012		2013	
	2012 Actual	2012 Budget	2013 Actual	2013 Budget
Major Transaction Class				
Department of Housing and Urban Development	\$ 11,365	\$ 14,213	\$ 10,365	\$ 14,213
Adjustment to Budget of Revenues Through Fiscal Control System	1,700	90	13,565	14,303
Revisions to Budget of Revenues Through Fiscal Control System	11,714	14,123	13,565	14,303
Revisions to Budget of Revenues Through Fiscal Control System	1,638	90	13,565	14,303
Other Changes to Budget of Revenues	11,000	14,033	13,565	14,210
Department of Housing and Urban Development	22,397	28,246	27,130	28,616
Department of Housing and Urban Development	11,365	14,213	10,365	14,213
Department of Housing and Urban Development	1,700	90	13,565	14,303
Department of Housing and Urban Development	16,395	15,203	17,925	17,616
Total Budgetary Revenues	\$ 29,411	\$ 36,459	\$ 38,155	\$ 42,929
Statement of Budgetary Revenues				
Total	29,411	36,459	38,155	42,929
Transfers	3,014	3,014	3,014	3,014
Revised	26,397	33,445	35,141	39,915
Statement of Budgetary Revenues				
Total	29,411	36,459	38,155	42,929
Transfers	3,014	3,014	3,014	3,014
Revised	26,397	33,445	35,141	39,915
Total Statement of Budgetary Revenues	\$ 29,411	\$ 36,459	\$ 38,155	\$ 42,929



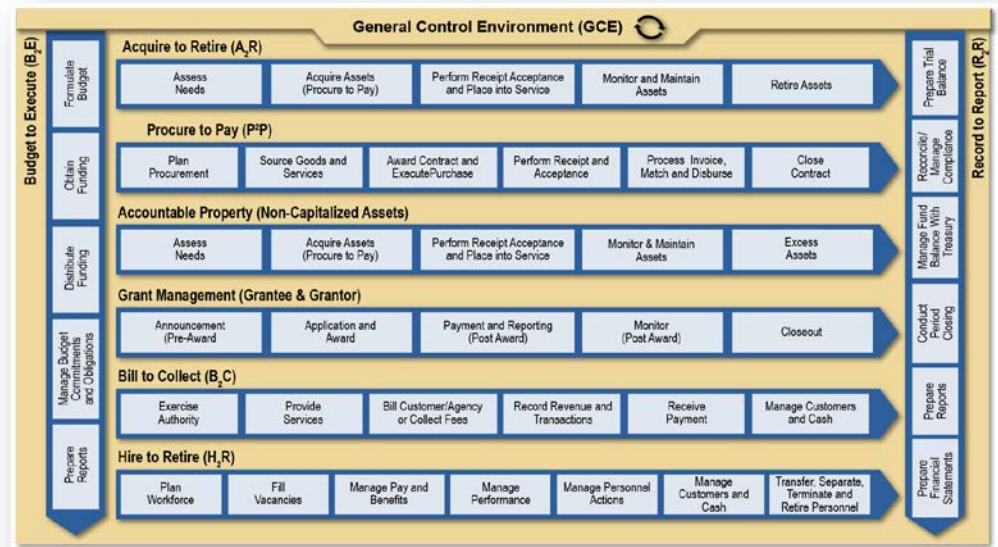
Risk Mitigation & Corrective Action
Monetization
Process

Key Controls
ICONO
ICOFS

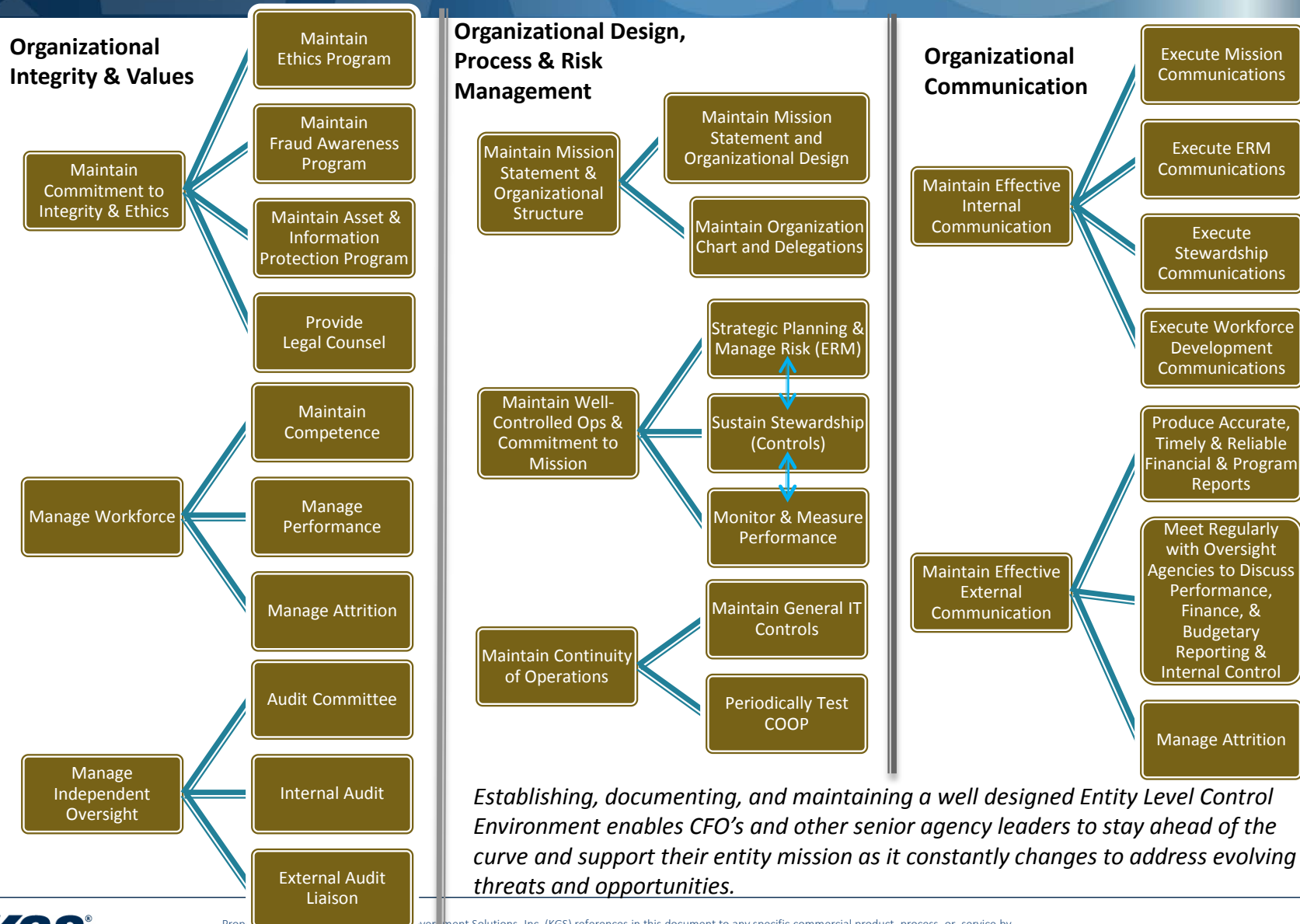
More Tips for Implementers

■ More Hallmarks of an Effective Control System

- Documented processes and controls
- Performance plans include:
 - Process, control, transaction, and corrective action ownership and performance metrics
- Periodic testing of key controls
- Comprehensive corrective action implementation



Entity Level Control Environment: A Conceptual Framework



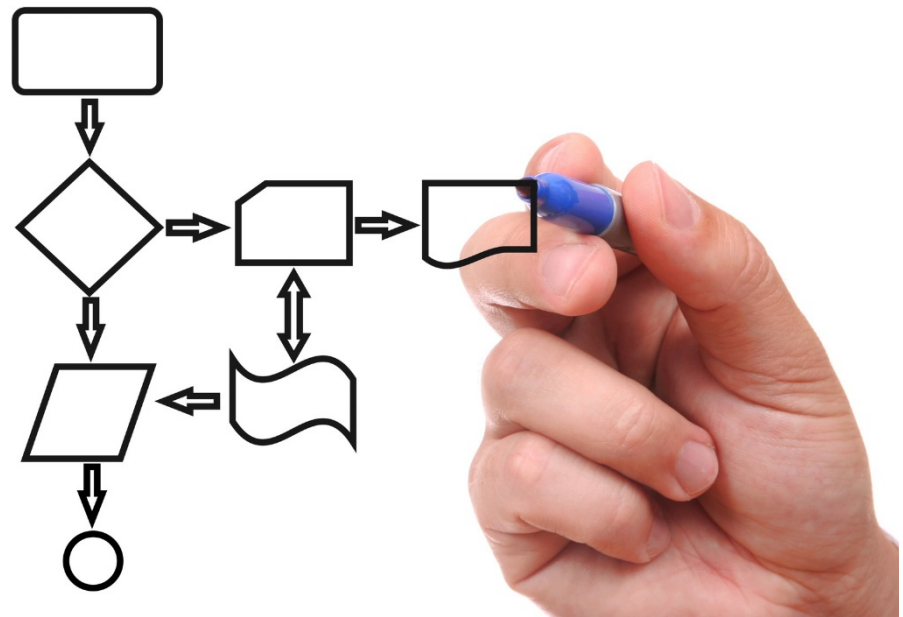
Establishing, documenting, and maintaining a well designed Entity Level Control Environment enables CFO's and other senior agency leaders to stay ahead of the curve and support their entity mission as it constantly changes to address evolving threats and opportunities.

Well-Defined Processes

- **Hallmarks of well-defined processes include:**

- Process narratives built on a foundation of:

- Functional decompositions
- Detailed work breakdown structures
- Process maps showing key control points



Well-Defined Processes Continued...

- More hallmarks of well-defined processes include:
 - Identification of:
 - Process and transaction owners
 - Major transaction classes
 - Transaction posting logic
 - Inputs and outputs, including type of data flowing through process
 - Gaps and compensating controls
 - Applicable laws, regulations, and policies
 - Performance metrics
 - Human capital and skill set requirements
 - Evidential material (documentation)
 - Process flowcharts that use established conventions with process steps and controls cross-referenced to the related narratives

Well-Defined Controls

- Hallmarks of well-defined key controls include identification of:
 - Control technique, objective, and risk:
 - Objective and risk show linkage to major transaction class or risk mitigation
 - Financial, system, or management assertion supported:
 - Financial—PERCV
 - System—CAVR
 - Management—Efficient and effective operations; compliance with laws, regulations and policies; safeguarded assets ; and timely, accurate and reliable budgetary and program reporting

Well-Defined Controls Continued...

- Hallmarks of well-defined key controls include identification of:
 - Frequency
 - Automated or manual
 - Whether the control is designed to prevent or detect fraud
 - Compensating control where gaps exist
 - Control owner
 - Tests of design and effectiveness
 - Evidential matter (documentation) required to show control operates as intended
 - Performance measures and goals related to control operation

Comprehensive Corrective Action

■ Implementing successful mitigations

Risk Mitigation & Corrective Action Monetization Process

- Evaluate Non-monetary and Financial Risks of Finding
- Score, Rank, Prioritize Findings
- Conduct Root Cause Analysis
- Determine Cost of Solution Alternatives
- Monitor Implementation and Sustainment
- Verify & Validate



Late Breaking News...

- **Program Management Improvement and Accountability Act:**
 - Establishes a leader within each agency that is focused on program management.
 - Creates an inter-agency Program Management Council to drive improvements through portfolio reviews of agency programs and encourages communications between agencies and program management professionals.
 - Requires the development of a specific job category with distinct qualification for project managers.
 - Requires the federal government to adopt widely-accepted program management best practices and standards.

The Presenter



James (Jim) McKay

Jim is the Principal Grants Management Subject Matter Expert in Kforce Government Solutions, Inc. (KGS). His career in Federal financial management spans 35 years. A former Inspector General, Jim spent the last eight years of his career as the Deputy Comptroller of the Office of Justice Programs where he provided financial management for a \$30 billion active grant portfolio. Jim started his career as a GAO program evaluator and then, charter GAO financial auditor. He moved to the Department of Housing and Urban Development where he helped implement the agency's internal control program. At the same time, he co-chaired the interagency workgroup that revised OMB Circular A-123, Management's Responsibility for Internal Controls. Jim also served as the Deputy Director, Financial Management at the Transportation Security Administration in a post retirement reappointment. Jim has developed and provided grants management training and instruction to professional associations, and Justice and FEMA staff and grantees, including police attending the FBI National Academy. He is currently providing grant monitoring support and evaluating the effectiveness of the administration of large Federally funded research facilities across the globe.

Jim is coauthoring the Grants Management Body of Knowledge (GMBOK) with Ms. Theresa Falance, also of KGS, for the National Grants management Association (NGMA). The GMBOK is scheduled for publication early in 2017. Jim has a Masters of Business Administration, and is a Certified Internal Control Auditor.

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