



Grants Financial and Program Management Best Practices

HPBS, LLC

Speakers

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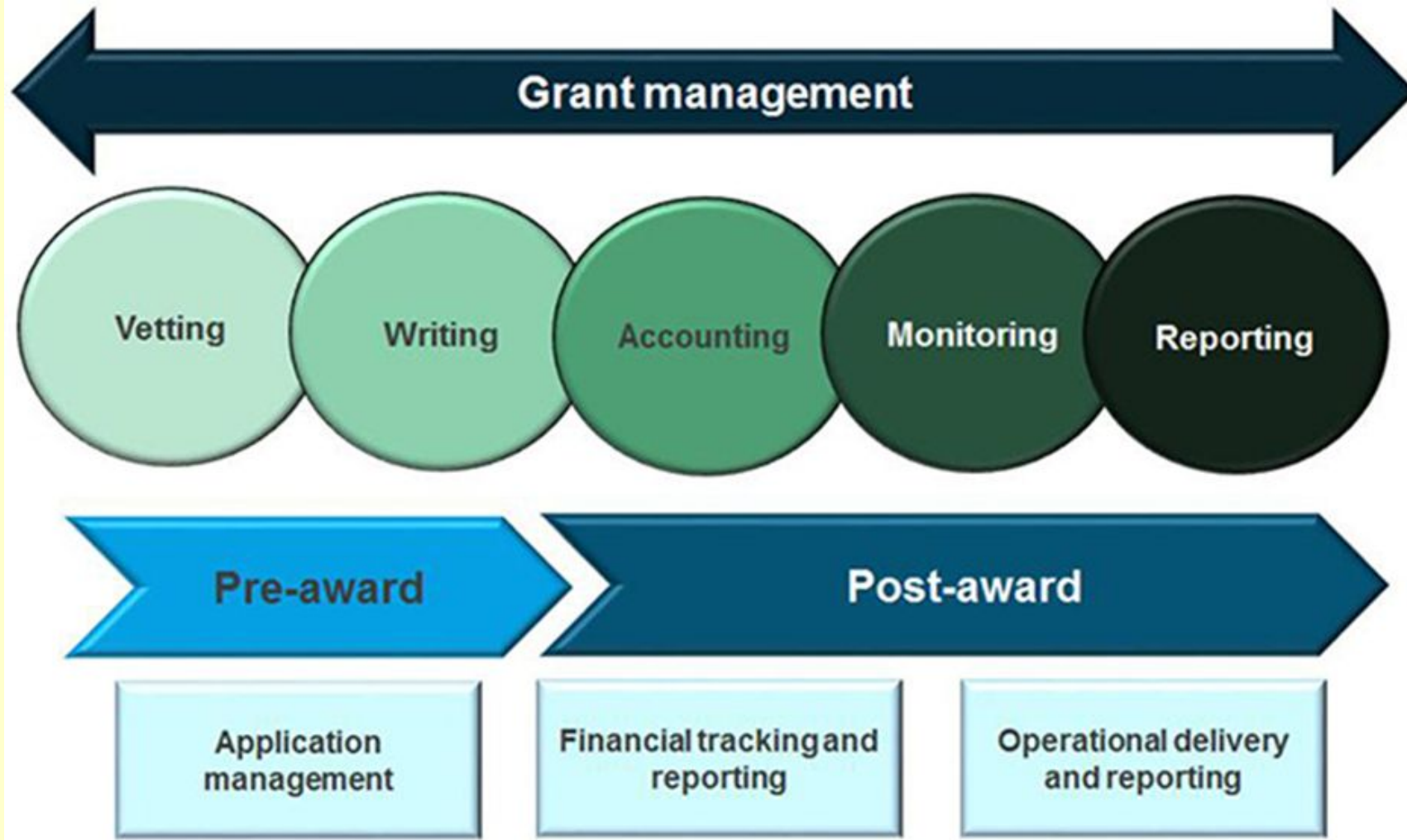
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Learning Objectives

- This session will discuss sound program and fiscal management controls in the following key areas:
 - Governance
 - SMART Program Management for Successful Outcomes
 - Fiscal Management
 - Distinguish sub-recipient and Contractor Relationships
 - Sub-recipient Monitoring
 - Direct, Indirect, and Unallowable Costs
 - Single Audit
 - Audit Entities' Findings and Top Concerns
 - Recent OMB Grant Guidance

Grant Management Lifecycle



Governance Defined

- There should be a clear distinction between governance and management:
 - Governance is the ‘what’ - the strategic planning, direction, and leadership of an organization that is carried out by the appointed Board.
 - Management is the ‘how’ - the delivery of the strategic plans and overseeing the day-to-day work of the organization.

Governance Benefits

- Good governance can drive higher organizational performance – operationally, managerially, and socially.
- Governance and compliance are linked:
 - Performance and compliance are assessed, and entity-wide risks are managed, by evaluating against a set of organizational objectives.

Key Program Management Practices

1. Plan and Design
2. Monitor and Evaluate
3. Report Progress
4. Complete Closeout Requirements

1. Plan and Design

- Establish specific project objectives, actions, and expected results
- Develop an evaluation approach
- Identify, review, and understand:
 - Grant terms and conditions
 - Reporting requirements, schedules, and systems
- Collaborate to define documentation, project management, communications, and reporting protocols

1. Plan and Design (continued)

- Establish project objectives that are:

Specific – target a specific area for improvement.

Measurable – quantify or indicate progress.

Achievable – within reach for your team or program.

Relevant – should align with corresponding goals.

Time-bound – achievable within a specific time frame.

1. Plan and Design (continued)

Develop an evaluation approach:

- Relevant questions:
 - Determine the feasibility of the evaluation
 - Identify stakeholders
 - Specify short- and long-term goals
- Questions you should ask:
 - Does the program have transparent objectives?
 - What criteria were used to determine the need for the program?
 - Does project draw on best practices and characteristics of other successful programs?

1. Plan and Design (continued)

Identify, review, and understand:

- Grant terms and conditions
- Reporting requirements, schedules, and systems
- 2 CFR Part 200 (Uniform Guidance)
 - Subpart D: Post Federal Award Requirements
 - Subpart E: Cost Principles
 - Subpart F: Audit Requirements

1. Plan and Design (continued)

Collaborate with team members to define responsibilities and protocols for:

- **Documentation:** ensure it is sufficient to support expenditures as eligible for Federal funding
- **Project management:** actions required for project progress and to identify, report, and resolve issues
- **Communications:** methods, formats, and frequency for project status
- **Reporting:** timeline for developing deliverables and meeting requirements

2. Monitor and Evaluate

Purpose:

- Improve the overall management of projects to enhance their performance towards achieving project objectives
- Ensure that the grant's purpose, terms, and conditions are fulfilled
- Assure that grant activities are those that were approved and are consistent with federal law, standards, and procedures
- Protect the federal financial investment from fraud, waste, abuse, and mismanagement

2. Monitor and Evaluate (continued)

Evaluation approach should address:

- Program objectives and goals
- Activities based on these objectives and goals
- Performance measures based on the activities
- How to collect and report data—“lookback”
- How to evaluate the data for future activities

2. Monitor and Evaluate (continued)

- Assess, identify, and document:
 - Actions taken to achieve objectives
 - Results and progress
 - Corrective actions, if needed, to meet objectives
 - Monitoring and oversight of sub-recipients and subcontractors

3. Report Progress

Federal reporting requirements:

Grant recipients must submit performance reports at intervals required by the awarding agency (or pass-through entity) that contain:

- A comparison of actual accomplishments to the objectives of the funding.
- Reasons why established goals were not met.
- Additional pertinent information including analysis and explanation of cost overruns or high unit costs.

3. Report Progress (continued)

Federal reporting requirements:

Significant events occurring between the scheduled performance reporting dates must be reported

- Problems, delays, or adverse conditions which will materially impair the ability to meet the objective of the Federal award.
- Favorable developments.

4. Complete Closeout Requirements

No later than 120 calendar days after the end of the performance period, a grant recipient must:

- Submit all required financial, performance, and other reports.
- Liquidate all financial obligations incurred under the award.
- Refund any unobligated cash balances it is not authorized to retain.
- Make a settlement for any upward or downward adjustments to the Federal share of costs.
- Account for any real and personal property acquired with Federal funds.

Sound Fiscal Policies and Procedures

Establish effective internal controls to ensure that the Federal award is managed in compliance with Federal statutes, regulations, and the grant terms and conditions.

- Financial
 - Operational
 - Compliance
- See (2 CFR 200, Subpart D §200.303)

Budget Oversight

- assign individuals to oversee budget management for each grant
- establish a process to track and approve modifications
- prepare reports to monitor the budget against expenditures

Fiscal Management Oversight/Monitoring (continued)

Establish and maintain an accounting and internal control system that allows for:

- preparation of reports required by general and program-specific terms and conditions
- tracing funds to a level of expenditures adequate to establish proper use
- comparing expenditures to budget for each award
- documenting payment requirements (§200-305) and determining whether costs are allowable, allocable, reasonable, and budgeted (Subpart E- Cost Principles)

Fiscal Management Oversight/Monitoring (continued)

- Establish sub-recipient monitoring.
- Establish document retention, transfer, access, and storage requirements (§ 200.333,334,335,336).
- Document the separation of functions.
- Addressing accounting and internal controls requirements (§200-303):
 - Safeguard assets and ensure use for authorized purposes
 - Protect Personal Identifiable Information
 - Monitor compliance
 - Address instances of non-compliance

Fiscal Management Oversight/Monitoring (continued)

- Establish the Financial Management System (FMS) to:
 - separate Federal and non-Federal transactions (awards and programs)
 - accumulate costs using cost category (general and program specific)
 - establish and monitor period of availability
 - FMS should prohibit the grant recipient from spending money outside of period of availability
 - monitor expenditures to ensure thresholds are not exceeded

Fiscal Management Oversight/Monitoring (continued)

- Establish the following in the financial management system:
 - document procedures for cash drawdowns to be compliant with program/Federal/state requirements
 - document reconciliation process between general ledger and drawdowns
 - maintain supporting documentation
 - develop accurate, current, and complete disclosure of financial results (§200-327 and §200-328)
 - Federal Financial Report (SF-425) should be reconciled to the general ledger and supported by underlying source documentation

Fiscal Management Oversight/Monitoring (continued)

- Payroll and cost classification
 - Establish policies specific to employee time reporting and payroll
 - clearly identify the connection among salaries and fringe benefits and grant activities performed
 - review and approval of time sheets by supervisors
 - tracking of time at the grant and award level
 - Is payroll outsourced or in-house? If in-house, ensure proper segregation of duties between the personnel preparing the payroll and other functions (time keeping, payment processing, supervisor approval)

Fiscal Management Oversight/Monitoring (continued)

- Federal Funding Accountability and Transparency Act (FFATA) reporting
 - Document procedures to ensure compliance with FFATA reporting requirements.
 - Prime awardee must report awards \$30,000 and above
 - ensure awardees are registered in the System of Award Management (SAM) and are active

- SF-425 Reconciliation
 - Document procedures in place for developing and submitting the report
 - identify source systems used to collect and organize data
 - reconcile amounts on SF-425 to the financial system
 - research and resolve differences - maintain support
 - review and approve report prior to submission
 - document the timeline for submitting the report according to grant award terms and conditions

Sub-recipient or Contractor -- (Substance over Form)

- Uniform Guidance § 200.331
 - Sub-recipient—a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program
 - Contractor—a contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor
 - Cost segregation (contractor = expense item)
 - Pay close attention to sub-recipients as well (how are they reporting contractor costs?)
 - Decision tools are available to discern sub-recipient or contractor relationship

Sub-recipient Monitoring (Subpart D)

- Establish fiscal policies for selecting sub-recipients
 - Pre-award risk assessment
 - Understand the sub-recipient's internal control for fiscal and program management
 - Terms and conditions of the grant should be passed-through to the sub-recipient if applicable

Sub-recipient Monitoring (Subpart D) (continued)

- Establish fiscal policies for selecting sub-recipients
 - Require that sub-recipient(s) make documents available to pass-through entities and auditors
 - Process to review and approve invoices from sub-recipient
 - Ensure costs are reasonable, allowable, and allocable
 - Indirect cost rate of federal award should be communicated to the sub-recipient
 - Pre-approved indirect cost rate of sub-recipient should be used

Sub-recipient Monitoring (Subpart D) (continued)

- Sub-recipient monitoring
 - Establish a sub-recipient monitoring plan
 - Review financial and performance reports required by the pass-through entity
 - Ensure sub-recipient takes timely and effective action to address deficiencies
 - Verify that sub-recipient is audited per Subpart F
 - Assess audit results' impact on pass-through entity's own records
 - Based on the risk identified with the sub-recipient, the pass-through entity should do the following:
 - provide training
 - onsite reviews
 - arrange agreed-upon procedures for focused areas

Sub-recipient Monitoring § 200.332 Pass-through Entities

- Ensure that agreements with sub-recipients specify the nature and frequency of programmatic and fiscal monitoring
- Ensure that the sub-recipient maintains appropriate records
- Monitor, Monitor, Monitor!

Direct, Indirect, and Unallowable Costs

Uniform Guidance requires that the financial management system:

1. Identify all federal awards received and expended
2. Identify the source and application of funds
3. Maintain effective control over and accountability for all funds
4. Compare expenditures with budget amounts
5. Determine the allowability of costs
6. Establish and maintain effective internal control over the award

Direct vs. Indirect Costs

- **Direct costs** can be identified **specifically** with a particular cost objective such as a grant, contract, project, function or activity.
- **Indirect costs** are those costs that cannot be readily assignable to a cost objective.
- FAR and CAS emphasize that costs incurred for the same purpose under like circumstances are **not to be** charged Direct to some final cost objectives and Indirect to others.



Indirect Costs

- Uniform Guidance refers only to Indirect – not Overhead costs
- “Administrative costs” and “Indirect costs” are sometimes used interchangeably
- Indirect costs are expenditures incurred by multiple activities and thus cannot be assigned to specific cost objectives
- Be mindful of administrative costs– some agencies state that no more than 10 percent of the award amount may be spent on expenditures related to administering the grant.

Direct/Indirect Best Practice(s)

- Use Direct when possible
 - Lowers indirect rates as more costs are classified direct. Rather than increasing costs by putting costs in indirect pools, allocating costs directly removes those costs from the pool and into the base resulting in a lower rate.
 - Less problems with cost allocations. The more costs are charged direct means less decisions on how to allocate indirect costs.
- Check your “Burn Rate” often (monthly)

$$\text{Gross Burn Rate} = \frac{\text{Cash}}{\text{Monthly Operating Expenses}}$$

Direct/Indirect Best Practice(s) (continued)

- Ensure that only authorized personnel can charge hours
 - track FTEs and actual time
- Monitor Programmatic and Administrative Costs
- Check Authorized and Drawn amounts
- Does the accounting system provide for separate identification of federal and non-federal transactions?
- Make sure that you follow your entity's accounting procedures for grant expenditures

Unallowable and Selected Costs

- Allowability provisions are contained in the Notice of Grant Award.
- Determining allowability:
 - Reasonable
 - Allocable
 - CAS compliant (or GAAP)
 - Grant terms
- FAR 31.205 “Selected Costs”
 - Some are, some are not (Expressly Unallowable) see the Fine Print
- CAS 405: Unallowables that would normally be part of an indirect rate allocation base must remain in the base

Indirect Cost Rates

- Read the NOFO: Fed policies re IDC rate reimbursement
- Does the awardee have a current/provisional negotiated IDC rate with the federal government?
 - Option 1:
 - Elect De Minimus 10 % rate of Modified Total Direct Cost
 - No documentation needed
 - Option 2:
 - Awardee submits IDC proposal
 - Cognizant agency will negotiate & approve rate
 - Predetermined rate may be negotiated (NTE actual costs)
 - Certification required

Additional Uniform Guidance Indirect Cost Rate Requirements

APPENDIX:

III - Institutions of Higher Education

IV - Nonprofits

V - SL/Government-wide Central Service

VI - Public Assistance

VII - SLG and Indian Tribe

IX - Hospital Costs

Single Audit (Subpart F)

- “If you feel an audit is like going to the dentist, a Single Audit is like getting a root canal” —Ciara Leahy, CPA
- The audit must cover the entire operations of the auditee (financial, internal control, compliance)
- Organization-wide financial statement and compliance audit of a non-federal entity that expends \$750,000 or more in federal funds in one year

Single Audit Remediation

- What was the opinion given on the Single Audit?
- Were there any areas referenced on the audit that have an impact on grant program management or operations?
- Remember to review sub-recipient audit reports (internal control findings and questioned costs)
- What is the process to address findings presented by audits of sub-recipients?
- “Preparing for your First Single Audit: An Auditee Perspective”
- Respond to recommendations and develop Corrective Action Plan

Audit Entities' Findings and Top Concerns

Findings include:

- Lack of supporting documentation
- Issues with non-compliance
- Improper monitoring of progress
- Funds approved and paid for ineligible and duplicate costs

Audit Entities' Findings and Top Concerns (continued)

Findings also include:

- Lack of timeliness for grant closeout
- Misuse/misreporting of funds
- Lack of or inadequate sub-recipient monitoring
- Cash management
 - Lack of drawdown request review
 - Drawdown without adequate support
 - Bank reconciliation included unexplained reconciling items
 - Bank reconciliation did not agree to balances in the general ledger

Audit Entities' Findings and Top Concerns (continued)

Top concerns for grants management:

- Properly overseeing and monitoring the use of grant funds
- Ensuring grant investments achieve intended results
- Obtaining timely and accurate financial and performance information
- Lack of internal controls and separation of duties

Recent OMB Guidance

Memorandum 20-26 (June 18, 2020)

- Separately report COVID-19 Emergency Acts expenditures on the Schedules of Expenditures of Federal Awards, along with audit report findings

Memorandum 21-20 (March 19, 2021)

- Improve program and service design to achieve more equity-oriented results (also included in Appendix 2)
- Subrecipient reporting requirements
- Appendix 1 – Management of payment integrity risks related to ARPA funding
Appendix 3 – Disaster relief flexibilities

Exclusion of CARES Act Funds from Indirect Cost Rate Calculation (November 2, 2021)

- OMB approved a class exception to 2 C.F.R. § 200.405(b) to allow tribal, state, and local governments to exclude funds from the CARES Act direct cost recoveries in the indirect cost calculation

Memorandum 22-11 (April 18, 2022) – effective May 14, 2022

- Buy America preference for infrastructure programs



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