

Grants Management & Compliance

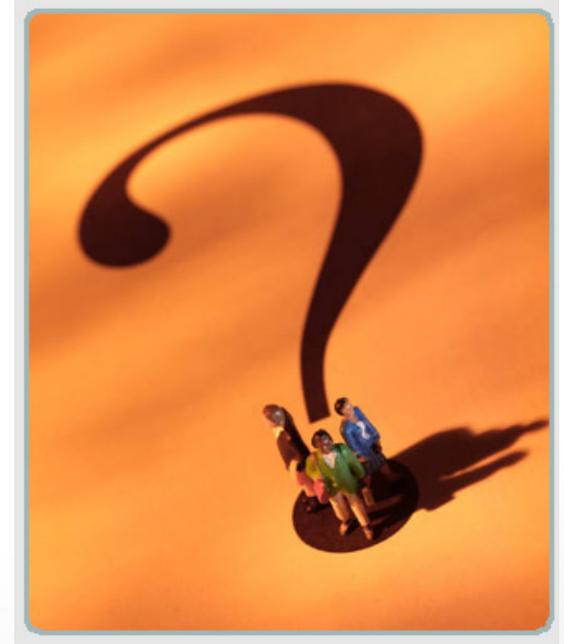
City of San Antonio
September 17, 2010

Introductions



Overview

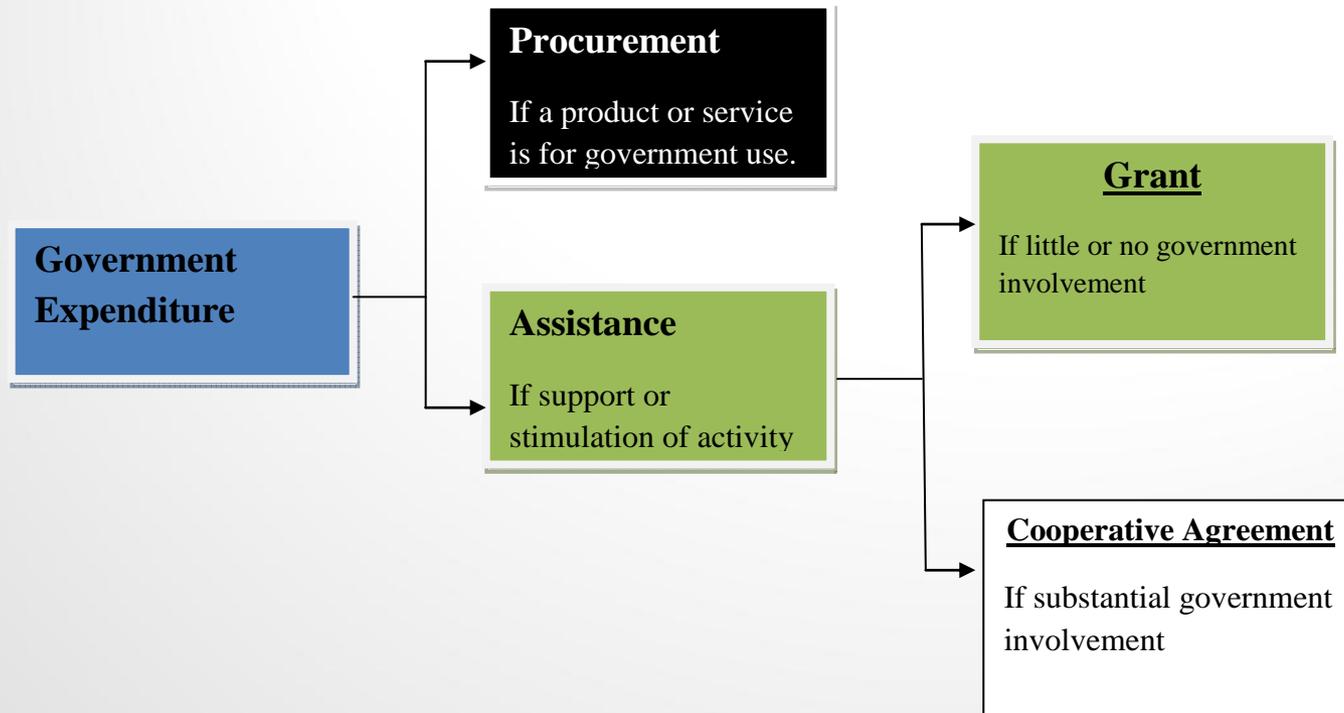
- ▶ Federal Grants Law
- ▶ Features of Grants
- ▶ OMB Circulars
- ▶ Compliance
- ▶ Compliance Pitfalls
- ▶ Grant Management
- ▶ Audits
- ▶ ARRA Reporting Requirements
- ▶ FFATA
- ▶ Closeout Procedures



Federal Grants Law

» Grants and Cooperative
Agreements

Grants and Cooperative Agreements



Federal Grants Law: Contracts

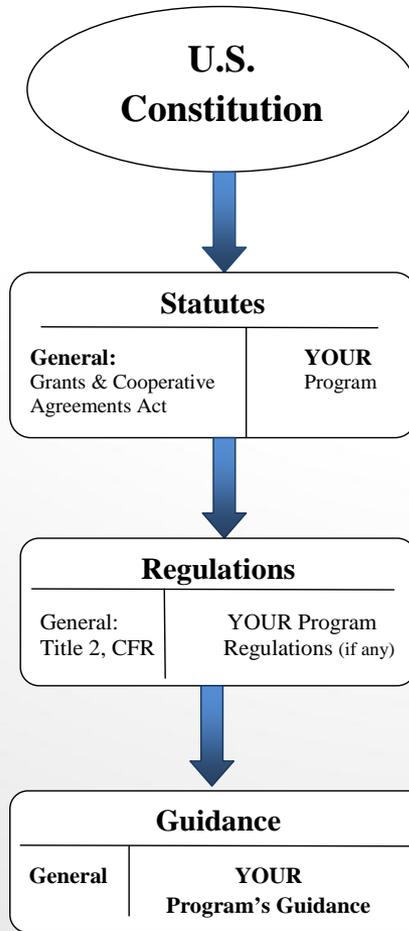
Primary Purpose is to:

- ▶ Acquire goods or services
- ▶ For the benefit of the United States
- ▶ Agencies can acquire services from a variety of organizations (universities, non-profits, hospitals, etc)

Common Types of Grants

- ▶ Entitlement (Mandatory)
- ▶ Discretionary
- ▶ Direct
- ▶ Block

Federal Law Breakdown



Features of Grants: Basic & Regulatory Concepts

- ▶ Advance Payments
- ▶ Cost Reimbursement
- ▶ Budget Flexibility
- ▶ Matching Share
- ▶ Program Income
- ▶ Federal Interest
- ▶ Subrecipients and Vendors

Features of Grants: Advance Payments

A-110, §.22 states: (b) recipients are to be paid in advance, provided they maintain or demonstrate the willingness to maintain: (1) written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and (2) financial management systems that meet the standards for fund control and accountability as established in Section §.21.

Grants are cost-reimbursement devices

- ▶ Allowable and reasonable costs are reimbursed under the terms of the grant agreement.



Allowable Costs

- ▶ Be reasonable for performance of award
- ▶ Be allocable to Federal awards
- ▶ Conform to any limitations or exclusions in cost principles or in the award
- ▶ Be treated consistently with non-Federal awards
- ▶ Be adequately documented
- ▶ For state and local governments, be authorized or not prohibited under State or local laws or regulations

Budget Flexibility – A-110

(b) Recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions.

BUT

(d) No other prior approval requirements for specific items may be imposed unless a deviation has been approved by OMB.

What about (C)???

(c) Says a Lot....

For non-construction awards, recipients shall request prior approvals from Federal awarding agencies for one or more of the following program or budget related reasons.

- (1) Change in scope of associated budget revision requiring prior written approval.
- (2) Change in key person in the application or award document.
- (3) Absence for more than 3 months or 25% reduction in time devoted to project by the approved project director
- (4) Need for additional Federal funding.

(c) Continued...

- (5) The transfer of amounts budgeted for indirect costs to absorb increases in direct costs or vice versa, if approval is required by the Federal agency.
- (6) The inclusion, unless waived by the Federal agency of costs that require approval in accordance with OMB Circulars.
- (7) The transfer of funds allotted for training allowances to other categories of expense.
- (8) Unless described in the application and funded in the approved awards, the subaward, transfer or contracting out of any work under an award.

Matching or Cost-Sharing

Defined in OMB 110 as:

“the portion of project or program costs not borne by the Federal Government.”



Program Income

- ▶ Income earned by a grant recipient that is directly earned or generated as a result of the grant award.
- ▶ Includes:
 1. income from fees for services provided
 2. Use of rental or real property acquired with grant funds
 3. Sale of commodities or items fabricated under an award
- *** Interest earned on advances of Federal Funds is not program income.***

Program Income–How to Use It!

- ▶ Add it to the funds that are committed to the project and use them to further eligible project objectives.
- ▶ Use it to finance the non–Federal share of the project (cost–match)
- ▶ Deduct it from the total project allowable cost in determining the net allowable costs on which the Federal share of costs is based.

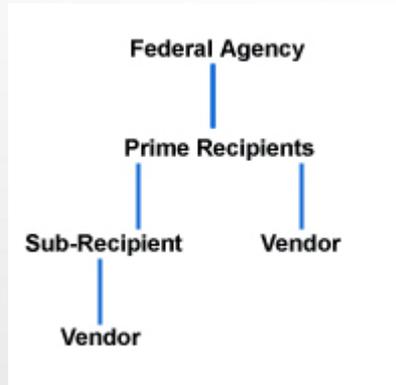
Federal Interest

Defined as the **Federal Share** of real property, equipment, or supplies—meaning the percentage of the property's acquisition costs and any improvement expenditures paid with Federal funds.

NOFI – *Notice of Federal Interest*

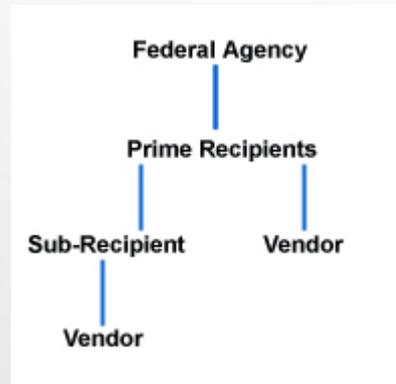
Sub-recipients

- ▶ **Sub-recipient:** Non-Federal entity that expends Federal awards received from a pass through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program.



Vendors

- ▶ Vendor: a dealer, distributor, merchant or other seller providing goods or services that are required for the conduct of a Federal program. Goods and services may be for an organization's own use or for the use of beneficiaries of the Federal Program.





OMB Circulars

Office of Management & Budget

OMB Circulars

Grantee Type	Administrative Requirements	Cost Principles	Audit Requirements
State & Local Governments	A-102	A-87	A-133
Educational Institutions	A-110	A-21	A-133
Nonprofit Organizations	A-110	A-122	A-133

Compliance



Grant Compliance

(Why do we care?)

- ▶ Audit findings are reported to Federal Government and become public record
- ▶ Federal and Non-Federal sponsors look at A-133 as a “report card” of how we spend their money
- ▶ Suggests a presence of the stewardship necessary to properly safeguard the Federal Government’s investment in programs
- ▶ May cost \$millions in payback

Grant Compliance

What does it Mean?

- ▶ Effective management of public funds to maximize outcomes
- ▶ Avoidance of fraud, mismanagement and poor management of Federal funds
- ▶ Adherence to laws, rules and regulations
- ▶ Check and balances – internal controls
- ▶ Stewardship of Federal Funds



Grant Compliance– Getting Started

- ▶ Develop a checklist based on grant award letter, grant proposal and grant agreement.
- ▶ Requirements may be simple or more complex.

Grant Compliance Pitfalls

- ▶ Misuse of funds
- ▶ Unallowable costs
- ▶ Misallocation of costs
- ▶ Excessive cost transfers
- ▶ Delinquent financial reporting
- ▶ Inaccurate effort reporting/improper allocation of staff time
- ▶ Inadequate sub-recipient monitoring

Grants Management



Top 10 Monitoring Findings

- ▶ Inventory controls need improvement
- ▶ Budget modifications in excess of 10% without prior approval
- ▶ Grantee has no written procedures
- ▶ Failure to prepare audit reports
- ▶ Project Period expired, no grant adjustment approving extension
- ▶ Inadequate accounting procedures
- ▶ Financial status reports fail to agree with accounting records
- ▶ Questioned expenditures
- ▶ Untimely submission of SF-269A (SF-425) Financial Status Reports

Grants Management: Benchmarks

- ▶ What is a benchmark?

“A standard or unit of measure by which to measure progress and or judge quality or value.”

Two types of benchmarks:

Financial (Financial information should be related to performance)

Program

Grants Management: Performance Measures

- ▶ Progress toward meeting Objectives
- ▶ Required by grantor

“What Gets Measured, Gets Done.”

Performance Measures

- ▶ Government Performance and Results Act (GPRA)

Relating Financial Information to Performance

If you know Activity costs, and Activities are tied to Objectives, then you can determine how much it cost to accomplish the objective.

Performance Reports must contain:

- ▶ Comparison of actual accomplishments vs. goals and objectives established for the period.
- ▶ Monitor and report on cost overruns
- ▶ If you can quantify the accomplishments of a specific program activity, you should be relating this data to the cost of that activity.

Relate each expenditure to a specific program activity.

Environmental Protection Agency: GPRA

- ▶ **Sitewide Ready for Anticipated Use (SWRAU)**: This measure tracks sites on the NPL where: 1) construction of the remedy is completed, 2) all cleanup goals have been achieved to reduce unacceptable risk that could affect current and reasonably anticipated future land uses of the site, and 3) all institutional controls have been implemented.
- ▶ **Human Exposure Under Control (HEUC)**: This measure tracks sites on the NPL where all identified unacceptable human exposures from site contamination for current land and/or ground water use conditions have been controlled.
- ▶ **Groundwater Migration Under Control (GMUC)**: This measure tracks sites on the NPL where either: 1) contamination is below protective, risk-based levels or, if not, 2) where the migration of contaminated ground water is stabilized, there is no unacceptable discharge to surface water, and monitoring will be conducted to confirm that affected ground water remains in the original area of contamination.
- ▶ **Final Assessment Decision (FAD)**: This measure tracks sites at which remedial site assessment work under the Federal Superfund program has been completed, and available information indicates either: 1) no further work is necessary under the Federal Superfund Program; or 2) cleanup attention is needed under Superfund or another Federal, state or tribal environmental cleanup program.
- ▶ **Construction Completed (CC)**: This measure tracks sites on the NPL where construction of the remedy is completed.

Grants Management: Calendars

- ▶ Begin early in the project
- ▶ Include everyone involved in the project when developing calendar
- ▶ Master grants calendar



Grant Management Tracking Checklist

Components of an efficient grant fund tracking system

Tracking:

- Centralize tracking processes
- Real-time tracking
- Track grant funds and matching contributions
- Track expenditures by site (department)
- Track expenditures by program activity
- Tracking hours associated with salaries
- Track multiple budgets simultaneously—by funding source, account code, site, program or activity

Grant Management Tracking Checklist

Components of an efficient grant fund tracking system

Reconciling:

- Reconcile to Primary Accounting System regularly

Grant Management Tracking Checklist

Components of an efficient grant fund tracking system

Reporting:

- Real-time reporting for grant funds and matching
- Ability to report on different fiscal years
- Detailed expenditure reports in total, by site, and by program/activity
- Matching contribution reports in total and by type of contribution (in-kind, other grants, etc)

Grant Close-Out

Grant Closeout

A grant is ready to be closed out when all project activities have been carried out and when all expenses associated with the project have been paid.

Closeout involved submitting all final reports covered by the funder, a final financial report of all project costs and expenditures and any additional forms required by the funder.

Grant Closeout

- ▶ Grant agreement will describe terms and conditions of closeout.
- ▶ Funders usually allow at least 30 days to closeout—some allow up to 90 days.
- ▶ Equipment Inventory
- ▶ Some funders will not make the final grant payment until the final reports are not received.



Audits

Types of Audits

- ▶ Internal Audits
- ▶ Performance Audits
- ▶ Single Audits

Top Ten Audit Findings

- ▶ Conflicts of Interest
- ▶ Inaccurate Financial Status Reports
- ▶ Inappropriate changes
- ▶ Inadequate Time and Effort Records
- ▶ Unallowable costs
- ▶ Inadequate submission of reports
- ▶ Excess cash on hand
- ▶ Lack of documentation
- ▶ Commingling of funds
- ▶ Untimely submission of reports

What is an Audit Finding?

Areas of weakness, policy violation, financial misstatements or other issues that are identified during the audit process.

Audit Findings

- ▶ Material findings are very serious and require a **Corrective Action Plan** to be developed by the grantee that must be submitted to the grantor for approval.
- ▶ Non-material finding means you did not follow the best or preferred practice in handling grant funds or a compliance requirement.

Material Findings

Non-material Finding



American Recovery & Reinvestment Act

ARRA Reporting Requirements

All recipients of recovery funds from a federal agency are required to report the following:

1. Total amount of recovery funds received from the agency.
2. Amount of funds expended or obligated to projects.
3. A detailed list of all projects for which recovery funds were expended.
4. Detailed information on any subcontracts or subgrants.

Jobs Data

Number on jobs created or retained =

Total hours worked in jobs created or retained
#hours in full time schedule

- ▶ Jobs data must be aggregated
- ▶ Report on jobs **directly** funded by ARRA monies
- ▶ Employees who are not directly charged to the Recovery Act projects are **NOT** counted as jobs created/retained.

ARRA and Federal Transparency

One of the biggest consequences of ARRA reporting requirements is that they will set the stage for more permanent reporting requirements.

FFATA

Federal Funding Accountability and Transparency Act of 2006

Purpose is to increase transparency of federal funding awards through creation of a publicly available online database that includes information on all entities receiving federal funds.

www.usaspending.gov

FFATA

“Once subaward reporting capabilities are in place for Recovery Act funds and these data are displayed on Recovery.gov, the Administration intends to begin broadening subaward report requirements to all Federal funding to comply with the Transparency Act.”

Peter Orzag,
Director of OMG

ARRA vs FFATA

- ▶ Subaward reporting requirements are limited to first-tier subrecipients.
- ▶ Quarterly data reporting
- ▶ Not limited
- ▶ Monthly data reporting

ARRA

FFATA



Wrap-Up