Federal Award Management

Aligning grant accounting best practices to increased Federal OMB Uniform Guidance restrictions

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Defining and Establishing Effective Internal Controls over Federal Awards

Why should you care?

▶ Increased regulations in the OMB Uniform Guidance (Supercircular)

   ▶ Increased audits findings

   ▶ Designation as a "High risk" recipient

   ▶ Increased frequency of audits

   ▶ Potential surrender of previously awarded funding

▶ Shift from compliance to performance focus

▶ Indirect impact on internal controls

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Defining Internal Controls

Definition

▶ *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

▶ GREEN BOOK

  ▶ *The plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity.*

Defining Internal Controls

Bottom line:

Why should I have confidence you are going to achieve compliance with federal regulations and grant related outcomes?

Internal controls are the systems in place to ensure this success

Defining Internal Controls

Diving into the Uniform Guidance

Section 200.303 – General Rules for 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*.

  ▶ Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

  ▶ Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

  ▶ Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings

  ▶ Take reasonable measures to safeguard protected personally identifiable information

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Defining Internal Controls

Diving into the Uniform Guidance

Section 200.62 – Compliance Requirements for Federal Awards

Definition: 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

    ▶ 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

    ▶ Any other Federal statutes and regulations that are identified in the Compliance Supplement

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Establishing internal controls

Define your entire Federal award portfolio

► Pre-award process create post award happiness!

- ► Identify the key grant components required in reporting

- ► Assemble data using consist methodology across departments

- ► See attached "Uniform Grant Data Form"

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Establishing internal controls

▶ Establish responsibility for each stage of the lifecycle and defined activity therein

▶ Training and following up on AP implementation

▶ Creating systems to support AP implementation

▶ Aligning AP and system specifications to federal regulations and federal award policies

Centralization vs. Decentralization

▶ Most governments manage grants decentrally

▶ Good or bad?
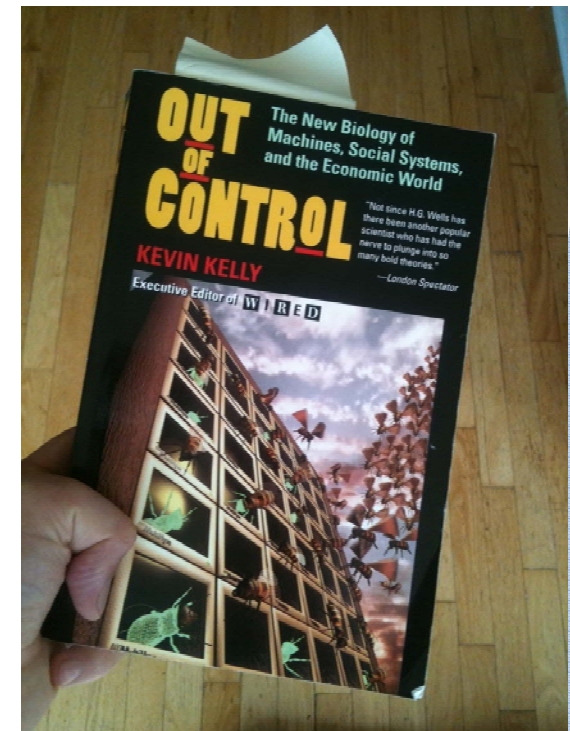
Objectives of grants management process

▶ Funds spent on allowable costs

▶ Funds spent within grant period

▶ Funds billed and collected accurately and timely

▶ Comply with grant provisions

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Common problems

▶ Inherent problems in decentralized process

  ▶ No one understands entire process

  ▶ Accounting info not easily accessible

  ▶ Basic grant info not easily accessible

  ▶ No communication protocols

▶ Departments apply for grants but don't notify Accounting

▶ Reimbursement requests not reconciled to GL nor reviewed

▶ Grant records maintained poorly

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Key Controls

1. Appoint a process owner
    - ▶ Facilitate workgroup meetings
    - ▶ Act as single point of communication about the process
    - ▶ Act as spokesperson/advocate to City management when organization change needed

2. Workgroup
    - ▶ Gain shared understanding of City-wide process
    - ▶ Understand stakeholder needs/concerns
    - ▶ Identify needed improvements
    - ▶ Develop action plans to address needed improvements and monitoring progress
    - ▶ Write procedures

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Key Controls

3. Each grant set up separately in accounting records
   - Take advantage of controls of ERP system and trained accountants
   - Make financial information easily accessible
   - Make preparation of grantor reports easier

4. Written procedures (see handout) and related training
   - Process is well designed
   - Responsibility for each task is assigned
   - Consistency across departments/units
   - Internal controls, including segregation of duties and approvals
   - Staff adequately trained

5. Grants status report (see handout)

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GRANT PROCEDURES

1. Purpose

The purpose of these procedures is to create an internal system of application, approval, accounting, financial administration and reporting of grants for use by all departments of the City, the designated Grant Administrator and the Accounting Department.

2. Types of grants

Grants received by the City generally are restricted grants to be used for specified capital projects or operating programs. The grant agreement or Memorandum of Understanding (MOU) usually specifies the time period for completion of the project/program and requires submission of progress reports and/or a final report at the end of the grant period. The City receives two types of restricted grants:

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Grant Status Report
at September 30, 2014

				A	B	C	D	E	F	G	H	I	
							Revenues					**Grant Period**	
JL #	Org #	Grantor	Program	Grant Amount	Expenditures life-to-date	Received to date	Billed & not collected	Not yet billed	Total	Available grant balance	Last date billed	Start	End	Grant Administrator
		REIMBURSEMENT GRANTS												
MC002	66705	US Dept of HUD		1,000,000	717,088	649,088	40,000	28,000	717,088	282,912	4/30/2014	1/1/2012	12/31/2014	K Chesney
MC012	66232	State Dept of Transportation		200,169	174,325	160,000		14,325	174,325	25,844	6/30/2014	7/1/2013	6/30/2014	T Gwynn

Grant files should include:

- ▶ Grant award letter
- ▶ Budgets and financial reports
- ▶ Detail of revenue/expenditure transactions
- ▶ Reports submitted to grantor
- ▶ Compliance requirements
- ▶ Audits, findings, corrective action plans
- ▶ Reimbursement claims
- ▶ Governing body approvals/reports

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"Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"

- ▶ Consolidated 8 previous OMB Circulars on grants management
- ▶ Strengthens oversight of Federal awards to reduce the risk of waste, fraud and abuse
- ▶ Streamlines regulations to ease administrative burden
- ▶ Effective December 26, 2014 - for new awards, funding amendments on existing awards, and audits of fiscal years beginning after

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OMB Supercircular requires pass through entities to:

▶ Provide information about grant to subrecipients in subgrant agreement

▶ Review financial and programmatic audits

- ▶ Subrecipients have required single audits
- ▶ Issue management decision on findings
- ▶ Ensure timely correction of findings

▶ **Conduct risk assessment of each subrecipient**

▶ **Monitor based on identified risks**

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Monitoring May Include

▶ Training and technical assistance

▶ Desk reviews

▶ On-site reviews

▶ "Agreed-upon-procedures" engagements

▶ Other monitoring as determined by pass-through entity

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The Local Government Experience

▶ Collaboration Among Departments

▶ Centralized Invoicing

▶ Communication with Senior Management

▶ Lapsing Deadlines

▶ Record Retention

▶ Grant Closeout