Monitoring Your Investment

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Learning Objectives

- Introduction & purpose
- Federal monitoring – highlights & approach
- Common findings
- Suggestions for reducing the number of findings

Introduction

- The Secretary is authorized to monitor all recipients of financial assistance to determine compliance with Federal requirements
- All grantees with sub-recipients are required to monitor to ensure compliance with Federal requirements

Purpose of Monitoring

- Ensure that the grantee is implementing the grant consistent with:
  - Statue
  - Regulations
  - Grant terms & conditions
  - Federal financial and administrative requirement including cost principles
  - DOL policy and guidance (e.g., TEGLs)

Purpose of Monitoring

- Continuous improvement
  - Identify weaknesses & areas of non-compliance
  - Identify best practices
  - Provide technical assistance
  - Allow sufficient time for corrective action
  - Follow up to ensure corrective action is completed

Federal Monitoring Highlights and Approach

Summary

- Overview of Federal perspective
- Pre-review preparation
- On-site
  - Files, records and policies
  - Interviews
  - Technical assistance
- Finding Structure
- Questioned costs
- Report structure & timelines

Pre-Review: Data and Reports

- Grant
  - Scope of work, budget & narrative
- Organizational chart
- List of sub-recipients
- Expenditure reports & spending rates
- Monitoring reports
  - ETA
- A-133 Single Audit reports

Pre-Review: Information and Coordination

- Identify risks
  - Status of past monitoring or audit issues
  - Size of award
  - Staff turnover
- Location of records
- Schedule appointments
- Specify all documents needed
  - Prior to review
  - During on-site

On-Site: Entrance

- Brief
- Purpose
- Summarize expectations
- Schedule
  - Locations
  - Brief out date
  - Report date
- Field questions

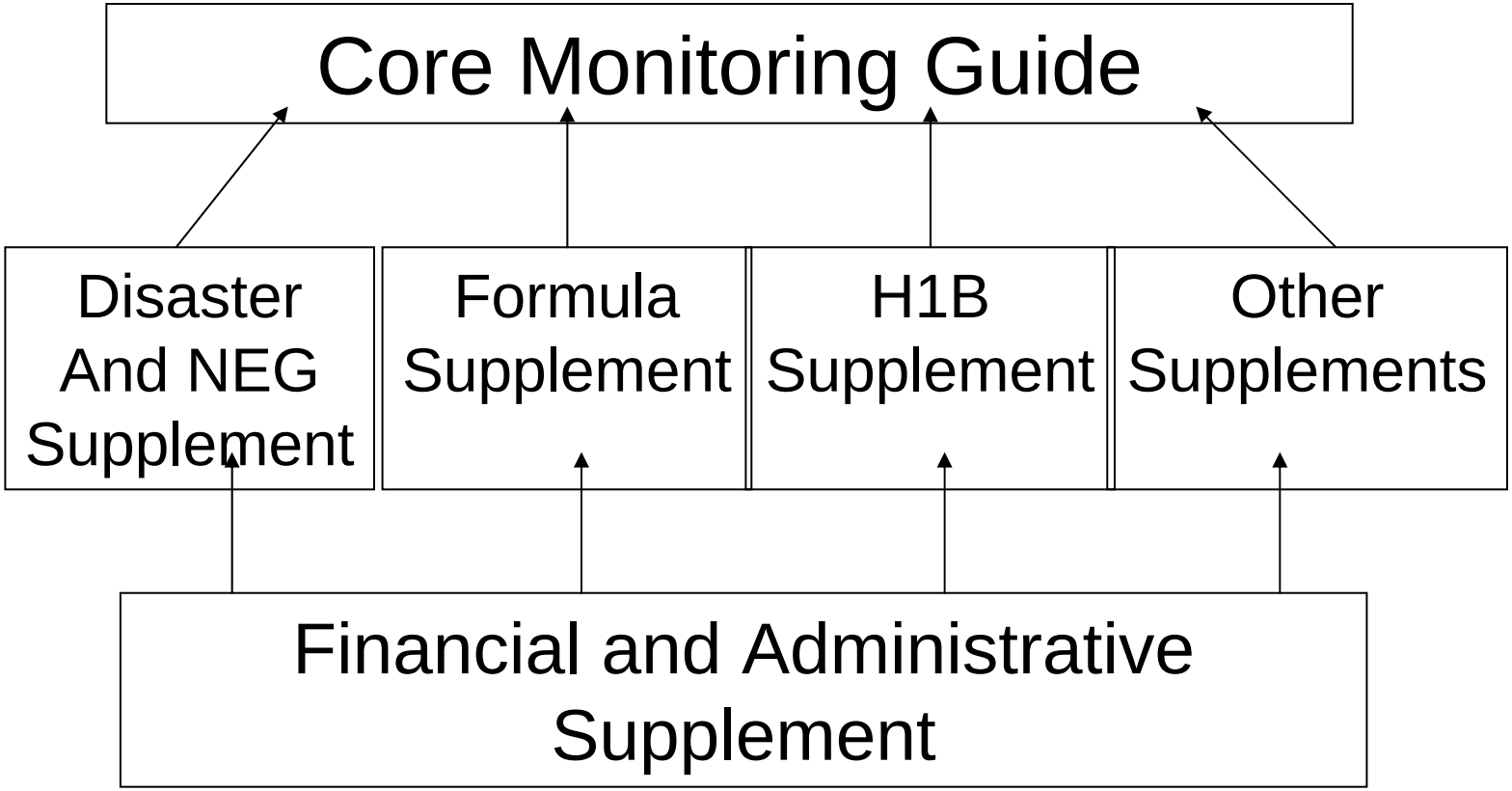
On-site Monitoring

- Review policies and procedures
- Review systems
  - accounting, payroll & MIS systems
- Interview staff at grantee and/or sub-recipient level
  - Who performs work
  - Who supervises the work
- Test transactions
  - View source documents
- Compare all information gathered

Core Monitoring Guide (CMG)

- DOL ETA uniform guide for monitoring
  - Issued April 2005
  - Improve grant administration
    - Part of a larger strategy
- CMG ensures
  - Oversight and monitoring practices reinforce ETA principles
  - Program outcomes are achieved
  - High level of integrity is maintained

The Core Monitoring Guide



On-Site: Administrative Controls

- Policies and procedures
- Monitoring
- Record retention
- Close-out
- Grievance and complaint procedures
- Incident reporting

On-Site: Personnel

- The grantee staff has qualified financial and administrative staff
- Financial staff are bonded

  *Guaranteed by a bond, thereby insuring that a payment is made or that specific rule are followed
- Financial staff are familiar with DOL-ETA "particulars"
  - Definition of administrative costs
  - Accrual reporting

On-Site: Sustainability

- Resources have been identified for post-DOL funding
- A plan is in place for continuation of services to participants

On-Site: Match and Leveraged Resources

- Written procedures on:
  - Match & leveraged resources requirements
  - Allowable match
- Methods for tracking
  - Developed
  - Issued to all parties affected
- Records are available to document and track match

On-Site: Civil Rights

- Access to and within buildings
- Methods of Administration is signed
- EEO notices in appropriate languages
- Job announcements in appropriate languages
- ET monitoring is a limited review of civil rights and issues related to individuals with disabilities

On-Site: Equipment

- Costs are properly allocated
- Prior approval has been obtained
- Inventories conducted every two years
- Inventories are properly tracked
- Lease versus purchase analysis conducted
- Use is limited to grant
- Program income fees charged
- Proper disposition

On-Site: Procurement

- Open and fair competition
- Written procedures
- System for administration of contracts
- Justification for sole source
- All Federal certifications are required clauses
- Cost and/or price analysis
- Type of agreement

On-Site: Audit/Audit Resolution

- Audit tracking system
- Resolution
  - Informal
  - Formal
  - Final decision
    - Include notification of appeal rights
  - Hearing within 60 days of complaint or grievance
  - Appeal to DOL

On-Site: Facilities

- Space and affiliated costs are relative to occupancy
- Capital lease and amortizations and less than arms length
  - Cost recovery is limited to use or depreciation
- Tenant improvements are part of the lease agreement or are properly approved

On-Site: Intangible Property

- Charges to Federal grantees and sub-recipients are limited to cost recovery
- Disposition procedures in place when no longer needed
  - Follow same rules as equipment disposition

On-Site: Budget Control

- Comparison of budget or planned expenses to actual on a reasonable frequency
- Direct-funded grantees
  - 20 Percent Budget line item flexibility]
    - Exception: any changes in personnel costs must have grant officer approval
    - Mix and match of positions – must have Federal Project Officer (FPO) approval
- Non-direct-funded grantees
  - If no budgets (determine how they manage)

On-Site: Cash Management

- Forecasting cash needs
- Advances
- Petty cash & petty check
- Credit cards/ purchasing cards
- Sub payments advances
- Authorized to
    - Request and receipt
    - Log in cash receipts
    - Deposits
    - Liquidation of advances

On-Site: Program Income

- Revenue in excess of expenses is program income
  - Except for commercial organizations
- Requirements
  - To further grant activities
  - Separate account codes
  - Expended prior to requesting additional cash
  - Reported on the accrual basis of accounting

On-Site: Cost Allocation

- Resource sharing agreements
  - Operational
  - Appropriate
- Federally approved rate
- Federally approved plan
- Other cost allocation plans – not Federally approved

On-Site: Allowable Costs

- Transaction testing
  - Payroll
  - Space
  - Operations and maintenance
  - Administrative costs
  - Travel
  - Sub-contracts
  - Sub-agreements
  - Inter-agency agreements

On-Site: Internal Controls

- Separation of duties
- Transactions properly authorized
- Assets are safeguarded
- Budgetary controls exist
- IT systems are secure

On-Site: Cost Classification

- Grantee tracks program vs. administrative costs
- Grantee staying within admin cap limit
- Grantee indirect cost rate
  - Charging all indirect costs as admin?
  - If not charging all indirect costs as admin, what portion of indirect cost pool are properly chargeable to program?

On-Site: Financial Reporting

- Reports submitted to DOL are accurate and timely
  - No less frequently than quarterly
- Grantee and grantee's sub-recipients are reporting on the accrual basis of accounting
- Sub-recipient reporting instructions are issued
  - For all data elements
  - Require reports to be on the accrual basis of accounting

On-Site: Training Resource Management

- Tracking system for overall training costs
- Tracking system for individual training costs
- Procedure to recover balance of training funds if participant drops out
- Maximizes use of training funds by limiting long-term commitments
- Appropriate match is provided for customized training

Files, Records and Policies

- Financial & Administrative Manual
- Employee Handbook
- Personnel files/actions
- Organizational Chart & Internal Control Structure
- Monitoring Tool & Log
- Procurement Files
- Equipment logs
- Grievance/Complaint, Incident log
- Close out documents
- Audit & Resolution Log
- Sustainability strategy

Finding

- Definition
  - A finding is any "violation of"
    - Law
    - Regulations
    - Grant agreement
    - Contract agreement
    - Cooperative agreement
    - Formal policy
    - Other

Questioned Costs

- Result from a violation of
  - Law
  - Regulation
  - Grant contract, annual funding plan or financial cooperative agreement

or

- Costs are not supported by adequate documentation

or

- Costs incurred
  - Appear unreasonable
  - Do not meet the "prudent person test"

Area of Concern

- Potential future violation of
  - Law
  - Regulation
  - Grant, contract, annual funding plan or financial cooperative agreement
  - Federal guidance
  - Other
- Or questionable
  - Operational practice
  - Business practice

Exit Meeting

- List & provide a brief explanation of "issues" & questioned costs
  - Generally monitors do not identify "findings" from "areas of concern"
- List & provide a brief explanation of promising practices
- Discuss timeframe for
  - Written report
  - Grantee response
- Field questions

Report Structure & Timelines

- Reports to grantees due within 30 days of exit
- Report includes:
  - Executive summary
  - Findings & requirements
  - Areas of concern and/or promising practices
  - Contact name
  - Response due date

Common Findings

- Allowable costs
  - Expenditures not allowable
  - Documentation does not support
- Financial reporting
  - Not reporting on accrual basis
  - Not reporting program income
- Internal controls
- Procurement

Suggestions for Reducing Findings

- Know
  - Grant agreement
  - Statues
    - Authorizing law
    - Other relevant Federal laws
  - Regulations
    - Authorizing regulations
    - Other relevant regulations
  - Grant, contract or cooperative agreement
  - Federal guidance

Suggestions for Reducing Findings

- Documentation to support
  - Quarterly financial reports
  - Expenditures
  - Procurement actions
- Trained staff
  - "Succession" planning for
- Ask questions
  - Call Regional Office
  - Call National Office

Suggestions for Reducing Findings

- Systems, quality
  - Accounting system
  - Financial reporting system
  - Sub-systems
    - Equipment tracking
    - Complaint tracking
- Prudent internal controls
- Sound, up-to-date policies
- Coordination with program staff

Thank you!

Questions?