

**Financial & Grants
Management:**
*How to Stay in Compliance
(and Out of Jail!)*



Why Know This Stuff?

- Financial requirements impact program design
- Need for financial information is critical to achieving program success
- Failure to comply may result in sanctions

The Fiscal Program Divide

- There is a need for program operators to be aware of financial requirements
- There is a need for fiscal people to be aware of program requirements
- No one gets to opt out

It's All Very Simple

- Written Policies and Sound Business Practices
 - Followed Consistently Over Time
 - With Each Funding Source Treated Equally
 - With All Costs Being Necessary and Reasonable
 - Would be done similarly by a Prudent Person
 - Ensuring Proportional Share and Benefits Received

Rules Affecting Programs – *in order of precedence*

- Enabling legislation
- Program implementing regulations
 - Program activities
 - Both allowable and unallowable
- Uniform administrative requirements
 - Grant management rules
- Cost principles
 - Determination of allowable costs
- *Grant* award terms and conditions

What Are The Rules?

Department of Labor - ETA Grantees
Applicable OMB Circulars and Federal Regulations

	OMB Circulars			DOL Regulations
Nature of Grantee/Subgrantee	Federal Audit Requirements	Federal Cost Principles	Uniform Administrative Requirements	Uniform Administrative Requirements
State/Local, & Indian Tribal Governments	A-133 Revised 6/27/03 (effective 12/31/03)	A-87 Revised 05/10/04	A-102 Amended 8/29/97	29 CFR Part 97
Institutions of Higher Education		A-21 Revised 05/10/04	A-110 Amended 9/30/99 Republished as 2 CFR Part 215 5/11/04	29 CFR Part 95
Non-Profits		A-122 Amended 05/10/04		
Hospitals		45 CFR Part 74		
For-Profits		Per program or grant agreement	48 CFR Part 31 (FAR)	Per program or grant agreement

DOL Grants Management

Uniform Administrative Requirements

- DOL adapted OMB Circular A -102 under 29 CFR Part 97
 - States follow their own policies and procedures as long as they are consistent with federal requirements
- DOL adapted OMB Circular A-110 under 29 CFR Part 95
 - 2 CFR Part 215

Resources

- Where to find the OMB Circulars and Code of Federal Regulations
- OMB Circulars:

www.whitehouse.gov/omb/circulars/index.html

- 2, 20, 29 & 48 CFR:

www.access.gpo.gov

All Financial Systems

Must Adhere to 7 separate standards

- 1. Financial reporting **
 - System must permit preparation of Federal financial reports
 - Must report accruals
- 2. Accounting records
 - Adequately identify grant funds
 - Awards, obligations, assets, liabilities, income and expenditures
 - Supported by source documentation
 - Must be maintained in accordance with GAAP

Financial Standards

- 3. Internal controls
 - System to protect integrity of funds
 - Accountability for cash, property & other assets
- 4. Budget controls
 - Comparison of actual expenditures (outlays) to approved budget plan
 - Compliance with line item requirements
 - Prevent overspending

More Financial Standards

- 5. Allowable costs **
 - Only allowable costs charged
 - Only allocable costs charged
- 6. Source documentation
 - Costs must trace to authorizing document
 - Proof that costs are allowable & allocable
- 7. Cash management **
 - System to control cash assets

Reporting on an Accrual Basis

Technical talk

- What is accrual accounting?
 - A method of accounting
 - An entity's financial position and operating results are measured by the flow of economic resources.
 - Transactions are recorded in the accounting period in which they occur
 - Regardless of when the related cash receipts and disbursements take place
 - In accordance with GAAP

Why accrual reporting?

Not accrual accounting!

- Reliable financial information required
 - Lack impairs ability to hold programs accountable
 - Required for reporting accurate results
 - No requirement to convert accounting basis
- Failure to report on the accrual basis may result in the **loss of funds**
 - Reallotment and reallocation requirements

Accrued Expenditures

- Charges incurred in a given period
- Goods and property received
- Services performed
 - Employees, contractors, subgrantees, etc.
- Other amounts becoming owed
 - Indirect costs
 - Annuities
 - Insurance claims
- **Whether or not a cash payment is made**

Accrued Expenditures

- All accrued costs must be reported
- All reports must trace to source documentation
- Cash basis accounting
 - Linking records must be maintained
 - Maintained in accordance with GAAP

Reporting Categories

- 4 primary categories
 - Administrative costs
 - Program costs
 - Program income
 - Match or leveraged resources/costs
(if required by grant agreement)

Cost Classification Concepts

- Assign allowable costs to cost objectives
 - Direct charge
 - Allocation
- General ledger or books of account
- A CC System is required by GAAP
- Trace costs from Federally required reports
 - To books of account
 - To source documentation

Admin or Program?

- Which classification is correct?
- 20 CFR 667.220 – applies to all grants and programs receiving WIA Title I funds
- Allocable portion of necessary and reasonable costs that are not related to direct provisions of workforce services
 - Either to clients or employers
- Coordination of and provision of general administrative functions

Administrative Functions

- Overall general administrative functions
 - Accounting, financial & cash management
 - Procurement and purchasing
 - Property management
 - Personnel management & payroll
 - Audit functions
 - General legal services
- Costs related to functions

Administrative Functions

- Oversight and monitoring
 - Identified administrative functions
 - NOT programmatic functions
- Costs of information systems related to administrative functions

Administration Costs (WIA Definition)

- Awards or contracts solely for the performance of administrative functions
 - i.e. a contract to a CPA firm to perform financial monitoring of subrecipients
- Allocating costs of personnel who performs both administrative and program services such as:
 - Salaries for executive staff
 - Travel for program or administrative purposes

Direct and Indirect Costs

For example:

- Direct costs – Information System costs for a specific grant:
 - Administrative: all costs directly related to financial recording and reporting
 - Program: all costs directly related to performance tracking and reporting
- Indirect costs – Equipment operations and maintenance costs for an office working with multiple programs
 - Administrative: equipment O & M for accounting office
 - Program: equipment O & M for participant resource room

Classifying Indirect Costs

- Costs charged via an Indirect Cost Rate (ICR) are assumed to be Administrative costs **unless**:
 - Grantee performs analysis of indirect pool
 - Determines portions of pooled costs -- admin vs. program based on WIA admin definition
- Based on analysis, grantee can split indirect costs charged to the grant as admin and program

Classifying Indirect Costs

Indirect Cost Pool

- Administrative Costs
 - Payroll
 - Human resources
 - Accounting
 - Audit
 - Executive Director
 - Facilities
- Program Costs
 - Library
 - Planning department
 - Executive Director
 - Facilities
 - Reception

ALLOCATE COSTS THAT FIT BOTH DEFINITIONS

Administrative Costs

- Admin cost limitation for WIA discretionary grants is specified in grant award
- Measured at conclusion of grant period
- Tracked, accounted for & reported
 - Single combined amount that includes direct and indirect costs
 - Must be appropriately allocated and cost allocation plans should be:
 - Supported by methodology documentation
 - Reconciled at regular intervals

Program Income

- Income earned by grantee
 - Directly generated by award activity, or
 - Earned as a result of the grant award, and
 - Earned during the grant period

Program Income

Gross (or net) Income earned from Grant Funds

- Examples:
 - Fees for services
 - User or rental fees
 - Sale of products
 - May include interest income (look to program regulations)

Handling of Program Income

- Addition method
 - Use to provide additional program services
- Deduction method
 - Use to reduce allowable costs incurred
 - Not used by ETA
- Report on the quarterly Federal expenditure report
- Expend Program Income before drawing more \$s

Internal Control System (ICS): What is it?

- An ICS is how an agency safeguards its assets, checks the accuracy and reliability of its accounting data, promotes operational efficiency, and encourages adherence to management's policies.

Necessary Elements of Internal Controls

- Written Administrative Procedures
- Written Employee Handbook
- Written Purchasing Manual
- Written Standard Operating Procedures
- Ethics Training for Employees
- Conflict of Interest Policy
- Adequate Supervision

Your Responsibilities as a Grant Manager

- Review required internal controls with appropriate colleagues
- Assess whether your agency is at risk
- Take steps to address non-compliance issues and strengthen systems
- Train all grant staff on internal controls, grant requirements, and allowable and unallowable cost items.

The Four Main Cost Principles

- OMB A-21 Educational Institutions
- OMB A-87 State/Local Governments and Indian Tribes
- OMB A-122 Non-profit Organizations
- 48 CFR 31 Contract Cost Principles and Procedures dealing with Commercial Organizations

Federal Cost Principles

- Purpose – provides that the Federal government bears its fair share of costs except where restricted or prohibited by law
 - Reasonable & Necessary
 - “Prudent Person Rule”
 - Allocable
 - Clearly benefit program
 - Both direct & indirect costs

Cost Allocation Plan: What is it?

- A document that identifies, accumulates, and distributes allowable direct and indirect costs and declares the allocation methods used for distribution.
- Cost Allocation Plans provide the following:
 - Treats costs consistently over time
 - Prevents incorrect charges to grants
 - Provides a system to code and track costs separately for every budget source
 - Standardizes financial practices

Inappropriate Expenditures

- Do not support grant goals
- Occur before or after the grant period
- Contrary to OMB circulars
 - Entertainment or alcohol
 - Violate “prudent person” rule
 - Not necessary
 - Not reasonable

WIA Specific Requirements

- Legal expenses
 - Unallowable for
 - prosecution of claims against the government
 - Audit appeals
- Real property
 - Unallowable
 - Exception for ADA compliance

WIA Unallowable Activities

- Employment generating activities
- Public service employment
- Business relocation
- Sectarian activities

What is Cash Management?

- Policies, procedures and techniques for:
 - Efficient transfer of funds
 - Control over cash
 - Security, protection of grant assets
 - Management and oversight of subrecipients' cash and assets

Common Compliance Findings

- Excessive cash on hand
- Unreconciled cash balances – Cash on hand not identified to particular funding sources.
- Deposits not made timely
- Bank statements not reconciled; no action taken on outstanding checks
- Advances to subrecipients not tied to cash needs
 - All violate the federal standards for financial management systems that require effective control over and accountability for all funds, property and other assets.

Common Compliance Findings

- Cash deposits in bank statements recorded in the general ledger for an amount less than actually received
 - Violates the federal standards for financial management systems that require effective control over and accountability for all funds, property and other assets.
- Use of federal funds to pay NSF, overdraft fees, or other penalties
 - Violates the OMB Circulars on Cost Principles that prohibit the use of federal funds for the payment of fines and penalties

Common Compliance Findings

- Earning excessive interest in a fiscal year from federal funds.
 - Violates the standards for financial management systems that require an agency to minimize the time elapsed from transfer to disbursement.
- Use of temporary checks that are out of the current check number sequence and not reflected in the revenue account or check register.
 - Violates the federal financial management requirement that recipients adequately safeguard all assets and assure that they are used solely for authorized purposes.

Basic Requirements

- Minimize Cash on Hand
 - Applies to advances of Federal funds
 - Minimizing the time between the receipt and disbursement of cash
 - Applies to grantees, subrecipients and their subrecipients

Basic Requirements

- Methods of Payment
 - Payment in advance
 - Reimbursement method
 - Up-front cash advance followed by reimbursement = advances outstanding
- Methods of Transfer
 - Check
 - Electronic Transfer

Policy Considerations

- DOL intends that funds are provided in advance as long as procedures are in place to minimize cash on hand.
- CMIA – Cash Management Improvement Act
- HHS – Payment Management System (PMS)

Earned Interest Income

- For Non-WIA programs
- Non-governmental grantees
 - Retain \$250 per year for expenses
 - Excess of \$250 earned must be remitted annually through PMS. Sub grantees remit to grantees.
- Governmental grantees
 - Retain \$100 per year for expenses
 - Excess of \$100 must be remitted through PMS. Sub grantees remit to grantees
 - State level grantees may require adherence to the Treasury-State CMIA Agreement

Earned Interest Income

- For WIA programs
 - Non-governmental grantees & governmental grantees
 - Earned interest income is considered program income and must be reported on the quarterly expenditure report and be used to provide additional program services
 - State level grantees may require adherence to the Treasury-State CMIA Agreement

Other Grant Management Items

- Oversight
 - Monitoring
 - Audits
- Property
 - Personal [Equipment & Supplies],
Real, & Intangible [Intellectual]
- Procurement
- Records
- Closeout

Oversight Purpose

- Will grant outcomes be met within the grant period
- Are grant outcomes occurring as stated in the Statement of Work
- Will the grant be successful
 - Funds appropriately used
 - Outcomes achieved

Monitoring

- Monitor progress of subgrantees
- Track expenditures
 - Subgrantees and self
- Performed periodically
 - All WIA recipients & subs – continual
 - 20 CFR 667.400(c) & 667.410

Purpose of OMB Circular A-133

Single Audit Act (SAA)

- To set standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards
 - Provides a snapshot into an organization's financial operations
 - Is **NOT** intended to provide detailed financial coverage or in-depth review of individual programs/awards – too cost prohibitive

A-133 Requirements

- When any entity **expends \$500,000** or more in Federal awards in its fiscal year
- All direct grant recipients & sub recipients of Federal funds
- All audits required by OMB A-133 shall be performed annually (exceptions)

Property
=
Supplies & Equipment

Disposition
follows
Acquisition & Use

Acquisition



- Supplies
 - Necessary & Reasonable
- Equipment
 - Necessary & Reasonable + Prior Approval

Management & Use

- Safeguard Grant Assets
 - Maintenance
 - Security
 - Insurance
 - Police reports
- Inventory
 - How to know what you have
 - Every two years minimum
 - Supported by property records
- Grant/Program Purposes



Period of Use for Supplies

- Grant/Program period
 - Period of Federal funding only, then
- Other Federally sponsored program/project
 - Until no further need for Federal program



Disposition of Supplies

- No disposition request required
 - Award recipient responsibility
- May retain or sell residual inventory
- When residual inventory = \$5,000 FMV
 - Aggregate fair market value of all remaining supplies
 - Return sales proceeds or fmv to funding agency



Disposition of Supplies

- Give careful consideration to when need no longer exists
- The more categories of items that you don't need anymore, the more likely that the total current fair market value of all totals \$5,000+
- Remember you add together the value of all of the unneeded supplies:
 - laptops + paper + pencils + staples + desks + chairs

Period of Use for Equipment

- Project/Activity period
 - Even after Federal grant funding ceases
 - If needed less than full time
 - Non-interfering use for other Federal programs allowed
 - As long as project/activity continues, then
- Other Federally funded activities
 - Until no longer needed for Federal programs

Order of precedence?

For post-grant use

- Same project/activity as grant award
 - Not federally funded
- Other Federal grant program
 - From awarding agency [ETA]
 - ❖ Nature of program need not be same/similar
 - From same Federal agency [DOL]
 - From other Federal agency

Equipment Disposition

- Equipment items with FMV = \$5,000
 - May retain for other uses
 - Must reimburse Federal agency
 - ❖ Current fair market value
 - If no other use for item
 - Request Disposition Instructions

Equipment disposition request

- Purpose is to allow awarding agency
 - To determine if it has another use for items
 - If so, instructions will be where to ship
- Most often will not get response
 - ❖ Many recipients fail to ask
 - If no response in 120 days
 - Only three options
 - ❖ Sell, Keep or Donate [give away]
 - Must reimburse Federal agency
 - ❖ Current fair market value
 - ❖ Sales proceeds less costs of selling

What entity is responsible?

- Entity that acquired equipment

- = Entity that has title

- Grant recipient or

- Subrecipient

- ❖ Unless terms of award stated otherwise

- Not entity that obtained prior approval

- ❖ From Federal agency or State [where delegated]



What entity is responsible? example

- Local government = grant recipient
 - Purchases vehicles for participant transportation
 - Program operated by subrecipient – CBO
 - CBO uses/operates vehicles for program
- Grant program ends – Program continues
 - CBO allowed to continue using vehicles
- Program ends
 - Vehicle titles transferred to CBO
 - CBO uses some, sells some, donates some
- Local government liable to agency for fmv
 - Why? Essentially donated vehicles to CBO

Procurement Principles

- Apply to ALL grantees, subgrantees, & sub-awards.
 - All must maintain a system for administration of contracts
- Apply to All acquisitions
- Full & Open Competition



Procurement Requirements

- Grantees MUST comply with:
 - OMB Circulars
 - DOL-ETA Federal regulations
 - If a pass through agency – grant recipient (i.e.. state) issued policy or guidance
 - Specific requirements and special clauses contained in the grant agreement

Procurement Requirements

- Minimum requirements
 - Written procurement/purchasing procedures
 - Written code of conduct & conflict of interest policies
 - Procedures to review procurements
 - Cost price analysis (determination of needs, costs, estimates, etc.)
 - Demonstrated ability to perform
 - Closeout & protest process for contracts (records, settlement, etc.)

Procurement Cycle

- Cost / Price Analysis
- Solicitation
- Evaluation
- Negotiation (Costs and/or Fixed Fee)
- Selection & Award
- Contract Administration
- Closeout

Procurement Methods

1. Sealed bids – FORMAL
 - technical specifications & price
2. Competitive proposals – FORMAL
 - request for proposals
3. Small purchase – INFORMAL
4. Non-competitive proposals – sole source or limited competition



Sealed Bids

- Publicly solicited bids [IFB] or quotes [RFQ]
- Awarded to lowest price bid (ONLY FACTOR)
- Technical specifications spelled out in solicitation
- At least two responsive bidders
- Procurement based SOLELY ON PRICE
- Publicly opened, evaluated, selected, awarded
- To reject bidders - must have documented reasons
- Maintain procurement file on each solicitation

Competitive Proposals

- Performance & delivery are critical factors
- Public request for proposals [RFP]
 - for services or goods needed
- Evaluation factors used to determine best proposal
 - Often includes weighting of factors
- Proposer describes how services will be delivered
- Requires a Cost & Price Analysis and/or Lease vs. Purchase Analysis
- Fixed price or cost reimbursement contract

Small Purchase

- Informal method for easily purchased items
 - Example: office supplies, equipment, etc.
- Price is the factor (ONLY FACTOR)
- Easily quoted, standardized product, no performance, etc.
- Threshold limit – commonly seen from \$500 to \$5,000 – establish a limit suitable for your agency
- Minimum of three (3) quotes DOCUMENTED

Non-Competitive Proposals

- SOLE SOURCE
- No responses from RFPs issued (more than once)
- Public emergency or delay
- Reason must be fully documented & approved by Directors/Board
- Cost/Price analysis is required
- Profit is negotiated separately
- Last resort for procurement of goods & services
 - Will be reviewed during monitoring by DOL
 - USE CAUTION – may need the awarding agency or state approval

Agreements

- Fixed Price
 - Should always be used when sole basis for award is price
 - Formal advertizing - IFB & RFQ
 - Small purchases
 - No budget
 - Agreement clauses??
 - Required for awards in excess of simplified acquisition amount
 - Required for awards involving construction
 - Most clauses not applicable for small purchases, except
 - ❖ Equal Employment Opportunity
 - ❖ Debarment and Suspension

Agreements

- Cost Reimbursement
 - Approved budget
 - Billed based on acceptable actual costs incurred to date
 - Must track performance closely
 - Can still use Payment Points
 - Can incur costs without performance
 - WIA requires for awards between governmental entities (city to state, etc.)



Agreements

- Fixed Unit Price
 - Approved budget
 - Approved no. of units easily measured
 - Per unit payment based on completion of activity
 - Can use Payment Points (% of payment per type of activity). For example:
 - 5% at enrollment
 - 35% upon completion
 - 35% upon placement
 - 25% upon 90 day retention
 - Must report & verify earned program income

Documentation

- Grantees/Sub-recipients MUST maintain the following documents:
 - RFP & evidence of advertisement
 - Signed rating sheets/evaluation factors & scores
 - Documents negotiating incentive fee, if applicable
 - Cost/Price analysis estimates, worksheets, etc.
 - **Justification & approval for sole source**
 - Selection recommendations & approval
 - A signed & dated agreement by both parties

Agreements

(should include the following)

- Federal/state employers tax identification number & nature of company (non-profit, profit, local govt.)
- Certifications, assurances, clauses and conditions
 - Required by DOL, state, or local policies
- Required budget & forms (draws, performance, etc)
- Statement of financial capability – Certified Financial Statements or copies of audit provided
- Required performance measures

Post Award Administration

- Adhere to the terms & conditions
 - Monitor budget and payments against invoices and performance results
 - Perform onsite monitoring and inspect client files and records
 - Verify that deliverables were achieved
 - Formal modification of agreement if necessary (material change in the scope of work or performance)

Non-Compliance

- Reimbursement basis
- Withhold funds until performance is acceptable (stop work or terminate)
- Additional documentation, reports, etc.
- Additional monitoring
- Provide technical assistance
- Establish prior approvals
- Special conditions, restrictions, etc.

Modifications

- Unilateral modifications – by G.O.
- Bilateral modifications – both parties agree
 - Termination – unilateral
 - SOW changes – bilateral
 - Funding changes (option yr. funding)
 - Additional performance, etc.
- Modification clause – spell out process.
- Cannot change quantity (material SOW change)

Option Years

- MUST BE specified in solicitation;
- Should not exceed 3 total years;
- Must meet or exceed performance;
- Must negotiate each budget year;
- Must negotiate each performance year;
- REDUCES COMPETITION.....

Grantee's Checklist

- When reviewing sub-grantee's system:
 - Procurement policies & procedures
 - Copies of RFP/IFB
- Procurement history file
 - Submitted proposals
 - Completed rating/evaluation sheets
 - Cost and/or price analysis
 - Persons on procurement panel
 - Contract modifications & approvals
 - Including contract extensions – should be warranted and specified in the contract
- Protest/Appeals process
- Closeout procedures

Training providers

- Eligible Training Provider list
 - Is not established through procurement process
 - Must comply with statute and regulatory provisions
 - Provides participants [not entity] with choice
 - Still requires contractual award document
- On-the-Job-Training [OJT] employers
 - Not selected through procurement process
 - Must have job slots for successful completers
 - Requires contractual award document

OJT Contracts

WIA 663.700 & 663.720

- Written agreement (training, skills, etc.)
- Up to 50% of wage rate reimbursed
- Employers that routinely hire participants
 - If not, OJT should not continue
- Displaced or current employees
- New skills or skills upgrade
- No duration limit

Required or Preferred Providers

- Prequalified provider lists should be established through full and open competition
 - Should be kept current
 - Should not preclude inclusion of potential suppliers
 - Do not have to do an additional competition to award
 - If list includes multiple providers for same item, compare prices and availability
 - Document that you used prequalified provider & why

Purchases from a Vendor

- Are procurements
- Services or goods are purchased 'off the shelf'
- Vendor is a dealer, distributor, merchant, or seller of goods and services available to the general public within normal business operations; operates in a competitive environment
- May be a commercial entity in the business to make a profit
- Not subject to Federal financial management requirements

Awards to Commercial Entities

- **FIXED OR INCENTIVE FEES PAID:**
 - Establish a set \$ amount for fee/incentive
 - **MUST** be exclusive of actual costs incurred
 - **MUST** be based on performance achieved
 - Subcontracted, pass-thru (ITA's) or routine costs such as rent & utilities should not be included in the negotiation of fees.

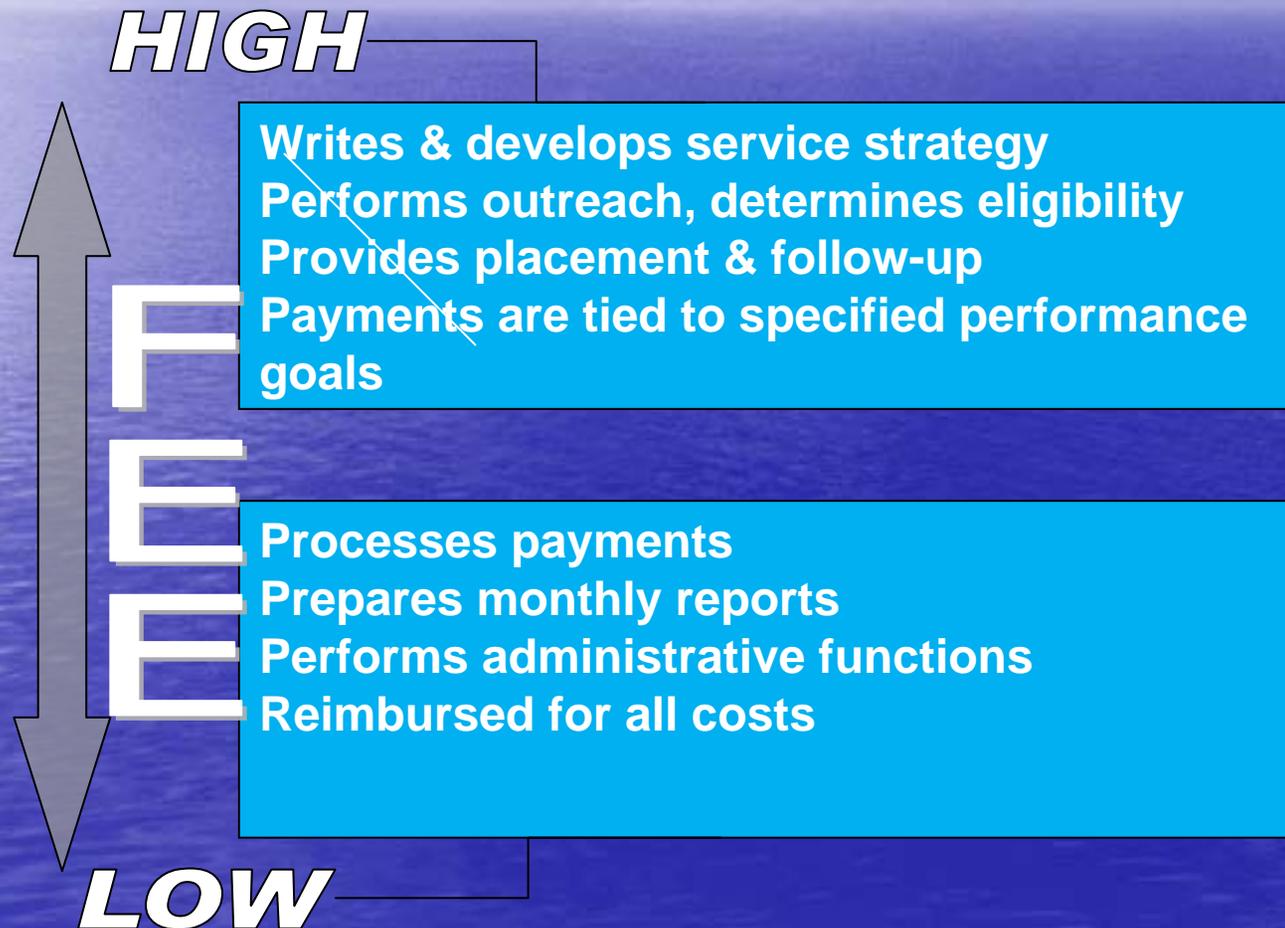
Factors

- Look at:
 - Effort & Risk
 - Past Performance
 - Industry Standards
 - Complexity of Work
 - Materials or Labor Intensive

Factors

- Negotiate INCENTIVE as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed.
 - FAR - 48 CFR 15.404-4 - suggests that it be less than 10%

Incentive Fee Contractor Effort/Risk



Record Retention

- All records pertinent to grant must be retained for three years from the date of submission of the final expenditure report.
- Apply equally to grantees & subgrantees

Closeout

- The recipient must perform the following:
 - Liquidate all obligations
 - Submit all required reports
 - Refund any unobligated funds/cash
 - Account for all real or personal property
- Should be done within 90 days of expiration of grant period

Question & Answers Price List

- Answers \$1.00
- Answers requiring thought \$2.00
- Correct answers \$3.00
- Plain dumb looks FREE

