

**United States Department of  
Labor**

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**Employment and Training  
Administration**

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# **The Federal Elements of Monitoring (FEM)**

# **FEM Review Areas:**

- **Internal control system**
- **Budget**
- **Cash Management System**
- **Financial Reporting**
- **Program Income**
- **Recordkeeping**
- **Allowable Cost**
- **Accounting System**

# **FEM Review Areas Con't...**

- **Procurement**
- **Equipment Management**
- **Memorandum of Understanding (MOU's)**
- **Audits/Audit Resolution**

# What is Monitoring?

- Monitoring- Is a process used to evaluate how a grantee is administering their grant according to the programmatic, administrative and financial management requirements of the grant.

# **Why is it Important to Monitor?**

- **29 CFR 95.51 (a) states “ Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as stated in section 95.26.”**

# Monitoring Con't...

- **29 CFR 97.40(a) states “Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.”**

# Role of the Monitor

- Identify Strengths and Weaknesses in grantee/ subgrantee administrative systems.
- Use information gathered (i.e., share best practices, provide technical assistance as necessary to correct weaknesses in the system.

# Role of the Monitor Con't...

- Internal Control- This comprises the plan of organization and all the coordinate methods adopted within an organization to safeguard its assets, assure the accuracy and reliability of its accounting data and reports, promote operational efficiency, and assure adherence to prescribed managerial policies.

# Role of the Monitor Con't...

- Notify the date(s) when the review will be conducted
- The date and time of the entrance meeting with appropriate staff; exit to be scheduled on-site
- The request for copies of grantee organizational structure
- Request workspace for the reviewer(s)
- Request the grantee to make available policies/and or documents (e.g., Accounting, cash management, internal controls, reporting requirements etc.)

# **The Federal Elements of Monitoring, Con't...**

- **Budget**- Is a financial summary of the proposed and actual expenditures or outlays of an operating entity. The financial information must be related to performance or productivity data.

**SAMPLE BUDGET INFORMATION SHEET**  
**SECTION A- Budget Summary by Categories**

**Appendix "B"**

<i>1. Personnel</i>	\$ 650,937	0	\$ 650,937
<i>2. Fringe Benefits (Rate)</i>	\$ 142,548	0	\$ 142,548
<i>3. Travel</i>	\$ 8,100	0	\$ 8,100
<i>4. Equipment</i>	\$ 468,000	0	\$ 468,000
<i>5. Supplies</i>	\$ 28,000	0	\$ 28,000
<i>6. Contractual</i>	\$ 10,000	0	\$ 10,000
	\$ 127,600	0	\$ 127,600

**SECTION B-Cost Sharing/ Match Summary (if appropriate)**

<i>1. Cash Contribution</i>		
<i>2. In-Kind Contribution</i>		
<i>3. TOTAL Cost Sharing/Match (Rate %)</i>		

**Note: Use column A to record funds requested for the initial period of performance (i.e., 12 months, 18 months, etc); Column B to record changes to Column A (i.e., requests for additional funds or line item changes; and Column C to record the totals (A plus B).**

# **The Federal Elements of Monitoring, Con't...**

- **Cash Management- Procedures for minimizing the time lapse between the transfer of funds from the U.S. Treasury and disbursement by grantees must be followed whenever the advance payment procedures are used.**

# **The Federal Elements of Monitoring, Con't...**

- **Financial Reporting**- The operating entity must submit accurate, current, and complete disclosure of the financial results in accordance with the reporting requirements.

# **The Federal Elements of Monitoring, Con't...**

- **Recordkeeping**- Is a method that is used to record and track ALL activities related to financial & programmatic operation of the grant.

# **The Federal Elements of Monitoring, Con't...**

**Allowable Costs-** Are costs under Federal awards that must meet the following criteria to be allowable:

- **Be necessary and reasonable**
- **Be allocable to Federal award**
- **Be authorized or not prohibited under State/Local law**
- **Meet the requirements of the applicable OMB Circulars, Laws or Code of Federal Regulations**
- **Allowable Costs maintain “consistent treatment”**
- **Meet Generally Accepted Accounting Principles (GAAP)**
- **Properly Documented i.e., cost purpose etc.**

# **The Federal Elements of Monitoring, Con't...**

- **Accounting System**- Is a system that provides the proper separation of duties; safeguard assets; provides reliable data that can be traced from the accounting system to the participant. In addition, the system must be supported by source documents i.e., time and attendance records, invoices, payroll documents, sub-award documents, cancelled checks invoices and procurement files are to name a few.

# The Federal Elements of Monitoring, Con't...

- **Procurement**- Is a process that is defined in section 29 CFR 97.36 (c) which states, “that all procurement actions are to be conducted in a manner that provides for *“full and open competition.”* Within the context of open competition, four methods are discussed in section 97.36 by which agencies may procure goods or services.

# **The Federal Elements of Monitoring, Con't...**

- **Small Purchase**- This method is an informal method used primarily to procure goods (supplies and equipment). If small purchase procedures are used, price or rate comparisons from an adequate number (3) of qualified sources must be obtained.

# The Federal Elements of Monitoring, Con't...

- **Sealed Bids**- Under sealed bid procedures, bids are publicly solicited, and the procurement is awarded to the lowest bidder, resulting in a fixed-price (either lump sum or unit price) contract to the responsible bidder whose bid conform with all the material items of the invitation for bid (IFB).

# **The Federal Elements of Monitoring, Con't...**

- **Competitive Proposals- Competitive proposals are used when there is more than one prospective bidder, the lowest price is not necessarily the determining factor for the award, and either a fixed-price or cost-reimbursement agreement will be awarded.**

# **The Federal Elements of Monitoring, Con't...**

- **Non-Competitive Proposals**- This method is the solicitation of a proposal from a single source, or, after solicitation of a number (more than one) of sources, competition is determined inadequate to fulfill the requirements of the funding agency.

# **The Federal Elements of Monitoring, Con't...**

**Memorandum of Understanding (MOU)- is a written agreement signed by the partners which includes a brief description of the shared services used to determine that each partner's "fair share" contribution is equitable.**

# **The Federal Elements of Monitoring, Audit**

**Audit- Is a system for identifying all subrecipients and subcontractors subject to audit requirements. In addition, it is an oversight process to ensure that audits are procured timely in accordance OMB Circular A-133.**

# **The Federal Elements of Monitoring, Con't...**

- **Timely written notice to the auditee.**
- **Process for informally resolving issues**
- **Timely appeals process; and**
- **Impartial hearing process.**

# **The Federal Elements of Monitoring, Con't...**

- **Written closeout policies and procedures.**
- **Timeframes for the submission of closeout data.**
- **Sanctions for those entities that do not comply with the closeout requirements.**

# **The Federal Elements of Monitoring Oversight Laws and Regulations**

- 29 CFR part 98 (Government- Wide Debarment and Suspension Nonprocurement)**
- 29 CFR part 99 (Audit Requirements for Recipients of Federal Financial Assistance ; OMB Circular A-133]**
- 31 CFR part 205 (rules and procedures for efficient federal-state funds transfers; Final Rule)**
- 48 CFR part 31 (Cost Principles for Commercial Organizations)**

# **The Federal Elements of Monitoring Oversight Laws and Regulations**

- 20 CFR part 652 and parts 660 through 671 (Workforce Investment Act, Final Rule)**
- 29 CFR part 37 (Implementation of the nondiscrimination and equal opportunity provisions of the Workforce Investment Act of 1998; Final rule)**
- 29 CFR part 96 (Debarment of Labor Audit Resolution Regulations)**
- 29 CFR part 97 (Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments) [OMB circular A-102]**

# Open Discussion