Improving Your Federal Grant Compliance Program

May 4, 2017

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Housekeeping

- If you are experiencing technical difficulties, please dial: **800-422-3623.**

- **Q&A session will be held at the end of the presentation.**
  - Your questions can be submitted via the **Questions Function at any time during the presentation.**

- The **PowerPoint presentation,** as well as the **webinar recording,** will be sent to you within the next 10 business days.

- For future webinar invitations, subscribe at CLAconnect.com/subscribe.

- Please complete our online survey.

About CliftonLarsonAllen

- A professional services firm with three distinct business lines
    - Wealth Advisory
    - Outsourcing
    - Audit, Tax, and Consulting
- More than 5,000 employees
- Offices coast to coast
- Over 60 years of experience, serving more than 6,000 nonprofit clients

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC.

Speaker Introductions

Rebecca Field, CPA, CISA, CRISC
Manager, Grant Compliance Services
Minneapolis

Bill Loughery, CPA
Manager, Public Sector Group
Philadelphia

Learning Objectives

At the end of this session you will be able to:

- Recognize the importance of proper internal controls over compliance
- Understand requirements for procurement procedures
- Understand subrecipient monitoring requirements
- Identify policies and procedures that may need to be implemented or revised
- Recognize best practices related to grant management

What is Grant Compliance?

Cornerstone of proper grants management
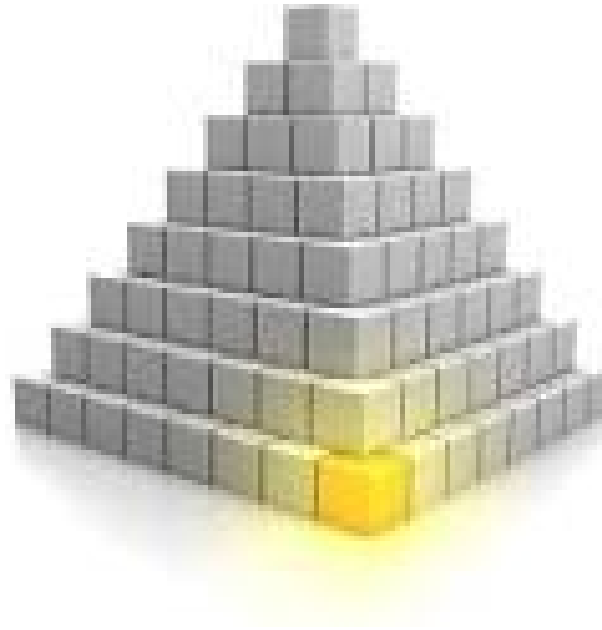
What is Grant Compliance?

Effective grant compliance relies on having an in-depth understanding of the grant requirements, and the resources and personnel to meet them.

This includes having the proper policies and procedures in place, and strong internal controls.

Grant Compliance Responsibility

- Accounting
- Program Personnel
- Procurement / Purchasing
- Contract / Legal
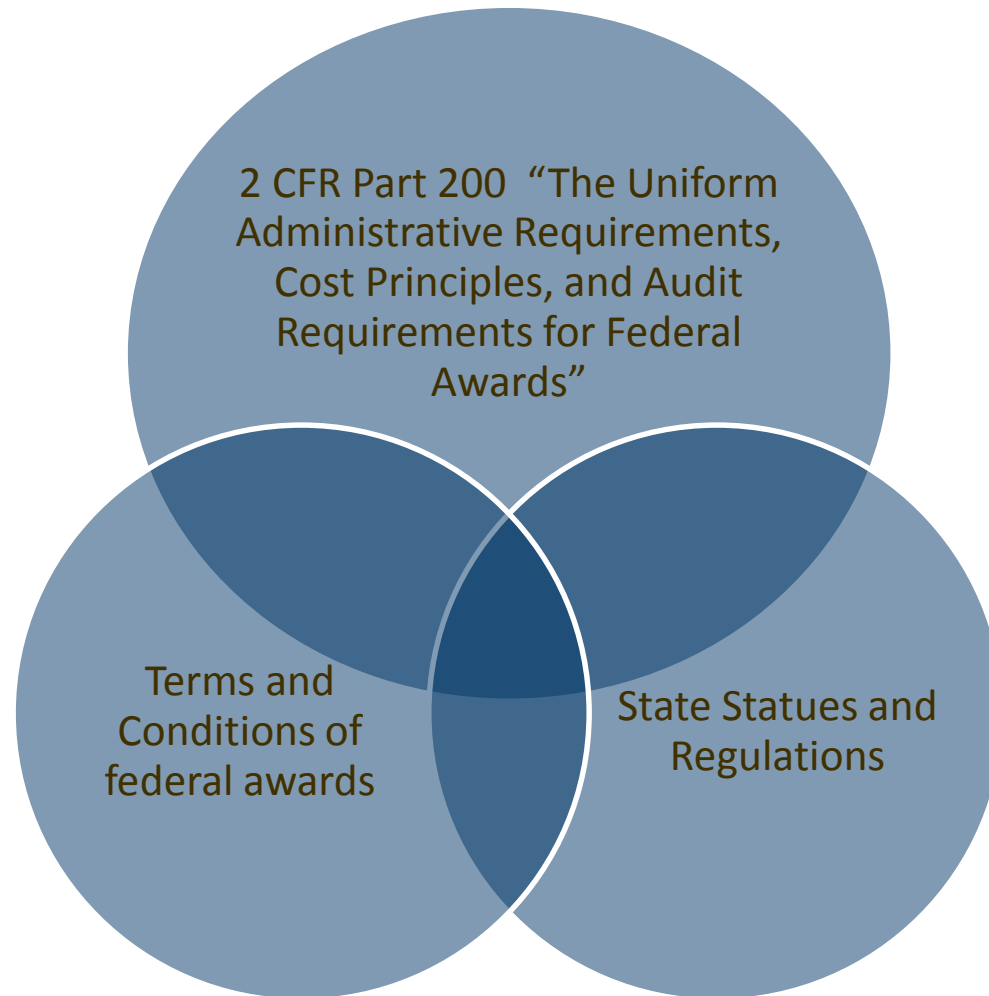- Responsibility of all departments involved

Possible Results of Improper Grant Compliance

- Loss of funding!

- Bad press

- Audit Findings
  - Result in more audit work in future years

- Designation as "High Risk Grantee" by awarding agency
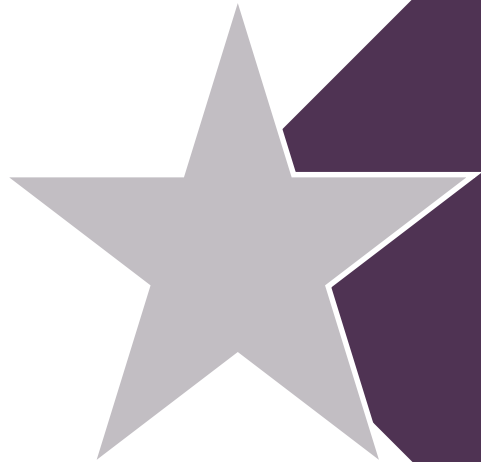 - Could reduce future funding from other agencies

Sources of Grant Compliance Requirements

2 CFR Part 200 "The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"

Terms and Conditions of federal awards

State Statues and Regulations

Background and Overview of the Uniform Guidance

Uniform Guidance

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – previously referred to as the "Omni Circular" or "Super Circular"

Consolidated and streamlines eight previous federal regulations into comprehensive guidance codified at 2 CFR Part 200

(Subparts A – F)

Uniform Guidance

Previous Guidance:

A-21, A-87, A-122 Cost Circulars

A-133 Single Audit Guidance

A-89 Catalog of Federal Domestic Assistance

A-102, A-110 Uniform Administrative Requirements

A-50 Audit Followup

New Guidance:

Subpart A – Acronyms and Definitions

Subpart B – General Provisions

Subpart C - Pre Federal Award Requirements

Subpart D – Post Federal Award Requirements

Subpart E – Cost Principles

Subpart F – Audit

Effective Dates

New awards made after 12/26/14

Incremental funding after 12/26/14 that are opportunities to change award terms and conditions

The effective date of the UG for subawards is the same as the effective date of the federal award from which the subaward is made

Effective Dates

There will be "transition years" – will have grants governed by old guidance and some by new guidance

Non-Federal entities with both old and new awards may make changes to their entity-wide policies (for example to payroll or procurement systems)

Non-Federal entities wishing to implement entity-wide system changes to comply with the Uniform Guidance after the effective date of December 26, 2014 will not be penalized for doing so, regardless of if they have new awards

Must vs. Should

When the Uniform Guidance references:

MUST = Requirement

SHOULD = Best Practice, Suggestion, Recommendation

Internal Controls

What does this really mean?

Internal Controls

Requirements are highlighted in Uniform Guidance as extremely important

Internal Controls

Organizations must establish and maintain effective internal controls over federal awards.
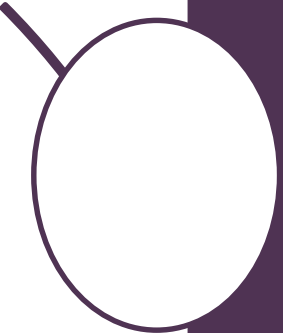
What are Internal Controls over Compliance?

A process implemented by a nonfederal entity designed to provide reasonable assurance regarding the achievement of the following objectives for federal awards:
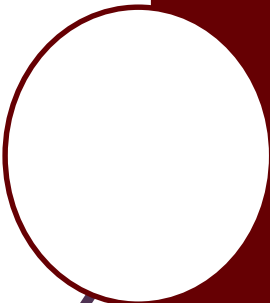
◊ Transactions are properly recorded and accounted for

◊ Transactions are executed in compliance

◊ Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition

◊ Awards are being managed in compliance with laws and regulations.

Internal Controls

Non-federal entities will need to exercise judgment in determining the most appropriate and cost effective internal control in a given circumstance

Internal Control Framework issued by the Committee on Sponsoring Organizations (COSO) and the *Standards for Internal Control in the Federal Government* (Green Book) issued by the Comptroller General are best practices

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Internal Control Questions

- Control Environment
  - What is management's attitude about internal control?

- Risk Assessment
  - How did you determine that (control activity) was necessary to ensure compliance?

- Control Activities
  - How are you certain your organization is in compliance with (insert specific compliance requirement)?

- Monitoring
  - What is the process used to ensure the (control activity) is performed correctly and consistently?
  - Auditors cannot be part of the auditee's internal controls!

- Information and Communication
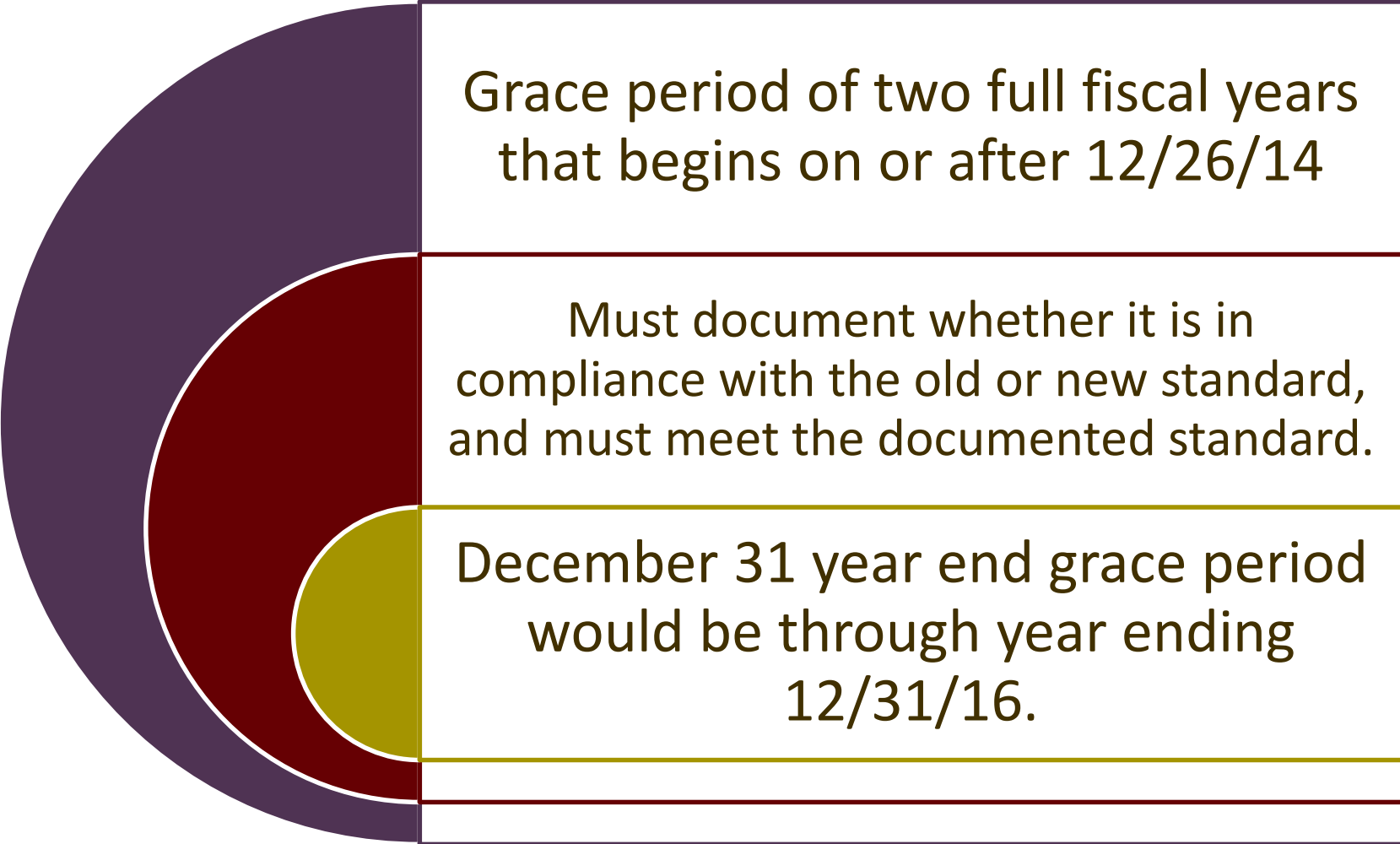 - How and when do you notify people the (control activity) is required?

Procurement

What are the requirements?

Procurement

Grace period of two full fiscal years that begins on or after 12/26/14

Must document whether it is in compliance with the old or new standard, and must meet the documented standard.

December 31 year end grace period would be through year ending 12/31/16.

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Procurement

Uniform Guidance allows for 5 acceptable procurement methodologies
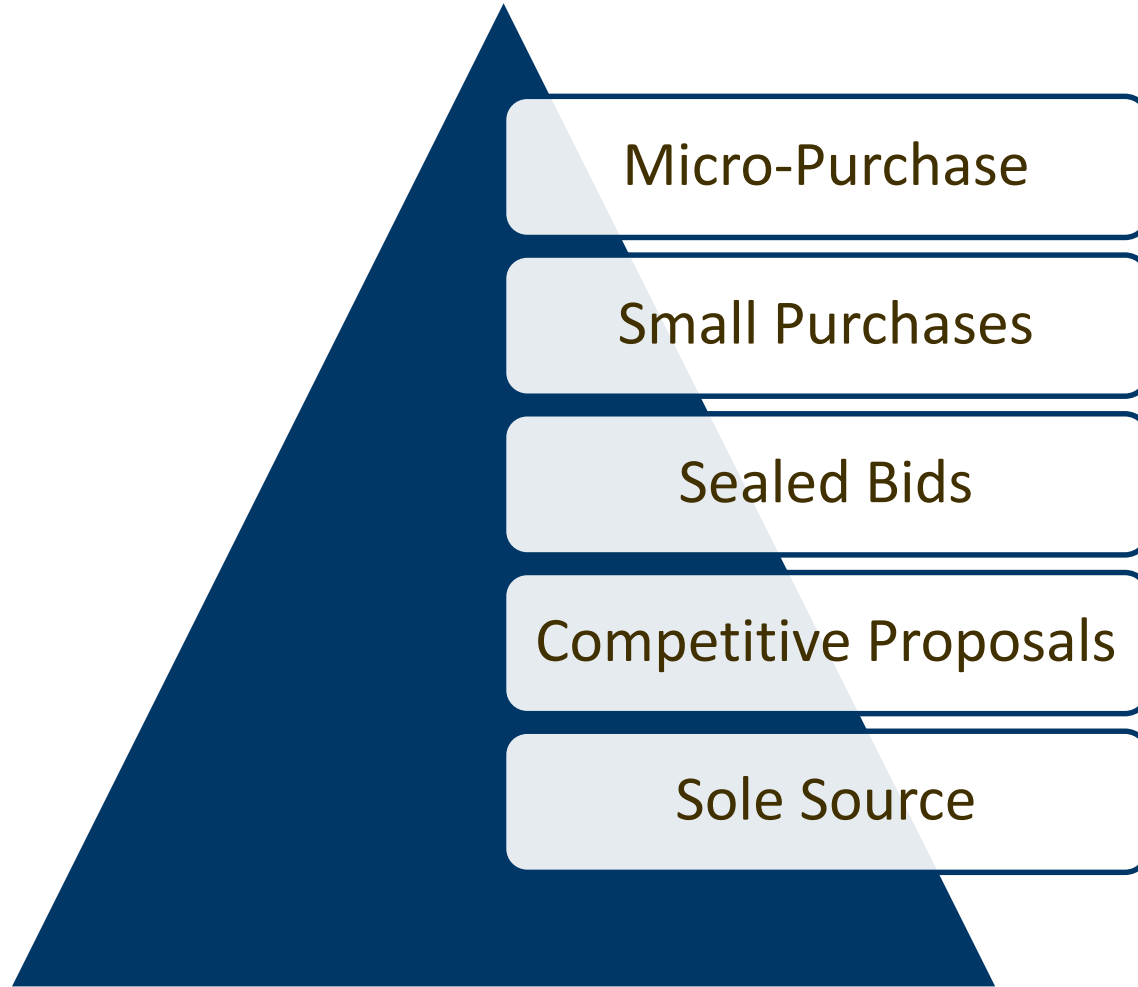
Procurement

- Question:

Can/should an organization have different procurement procedures for federal and nonfederal procurements?

- Answer:

The nonfederal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable federal law and the Uniform Guidance

Allowable Procurement Methodologies

- Micro-Purchase
- Small Purchases
- Sealed Bids
- Competitive Proposals
- Sole Source

Allowable Procurement Methodologies

1. Micro-Purchase

- $3,500 and under
- No quotations, must be reasonable
- Equitable distributions when possible

2. Small Purchases

- Over $3,500, under $150,000
- Rate quotations from at least 2 sources
- No cost or price analysis

Allowable Procurement Methodologies

3. Sealed Bids
    - > $150,000
    - Usually for construction projects
    - Price is a major factor

4. Competitive Proposals
    - > $150,000
    - RFP with evaluation methods
    - Bids from adequate # of sources

Allowable Procurement Methodologies

5.Sole Source

- Unique
- Public emergency
- Written approval by agency or PTE
- Competiton inadequate after soliciting proposals
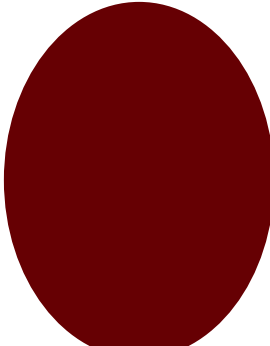- Justification needs to be documented

Procurement

Organizations Must:

Have written Procurement Policies in accordance with UG requirements

Take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible (not just "positive efforts.. whenever possible")

Engage in full and open competition

Procurement

Organizations Must:

Ask for representations regarding actual or potential conflicts of interest

Perform a cost or price analysis when purchase in excess of Simplified Acquisition Threshold

Keep procurement records that detail the history of all procurements, not just those over small purchase threshold

Procurement Records

OMB Circular A-110:

For procurements > small acquisition threshold:

 - Basis for contractor selection

 - Justification for lack of competition

 - Basis for award cost or price

Uniform Guidance [200.318(i)]:

For ALL procurements:

- Detail history of the procurement [different for each procurement method]

- Rationale for method of procurement

 - Selection of contract type

 - Contractor selection or rejection

 - Basis for contract price

Procurement

Organizations Must Award Contracts Only to Responsible Contractors:

Contractors must possess the ability to perform successfully under the terms and conditions of a proposed procurement.

Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

Suspension and debarment checks for contracts over $25,000 should be made on the EPLS site – (www.sam.gov) and documented, or add in the clause in the procurement contract

Individual Conflict of Interest

Need to have documented policy stating that:

No

-<u>employee</u>,

-<u>officer</u>,

-or <u>agent</u>

may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest.

Individual Conflict of Interest

Such a conflict of interest would arise when:

-the employee,

-officer,

-or agent,

-any member of his or her immediate family,

-his or her partner,

-or an organization which employs or is about to employ any of the parties indicated herein,

has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

Organizational Conflict of Interest – New to UG

Organizational conflicts of interest means that because of relationships with:

- a parent company,

-affiliate,

-or subsidiary organization,

the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization

Common Compliance Issues: Procurement

- Understanding and documentation of the procurement grace period

- Lack of existing, written procurement procedures

- Inadequate written procurement procedures
  - Does not address the UG procurement "musts"
  - Procurement methods including noncompetitive procurements
  - Cost and price analysis
  - Small and minority businesses, and women's business enterprises (SMWBE) provisions

- Implementation of procurement policy change
  - Decentralized systems, existing procurement culture
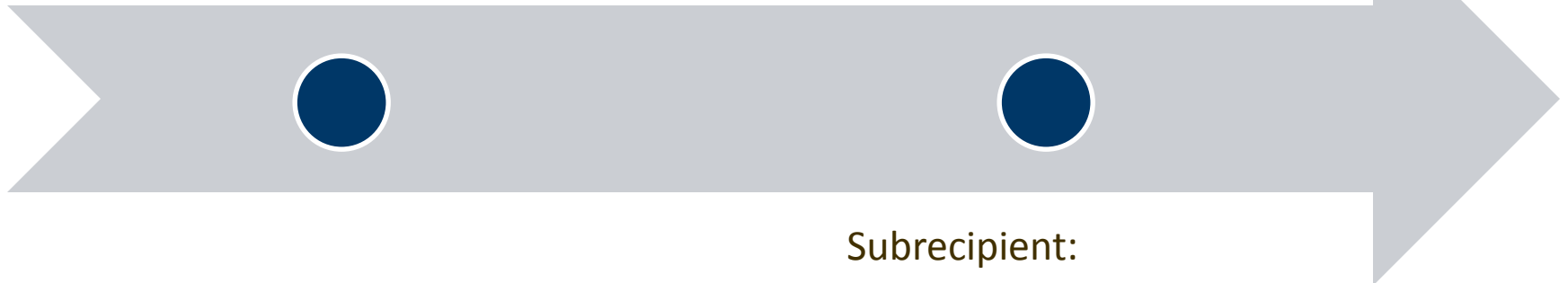 - Staff training
  - Monitoring

Subrecipient Monitoring

What do we need to be doing?

Subrecipient Monitoring

Subaward is for the purpose of carrying out a portion of a federal award and creates a federal assistance relationship

Subrecipient:

determines eligibility,

has performance measured in relation to objectives of program,

has responsibility for programmatic decision making;

and uses the Federal funds to carry out a program for a public purpose

Subrecipient Monitoring

Contract is for the purpose of obtaining goods and services for the non-federal entity's own use and creates a procurement relationship

Contractor:

provides the goods and services normally,

provides similar goods or services to many different purchasers;

provides goods or services for the benefit of the pass-through entity

Subrecipient / Contractor Determination

- All characteristics need not be present
- Judgment should be used in the determination process
- Substance of the agreement is more important than the form

Subrecipient Monitoring

Subaward must contain specific information as outlined in UG

| Federal Award identification (see next slide) | Requirements so that federal award is used in accordance with terms and conditions of original federal award | Description of performance or financial reports due | Indirect cost rate – either an approved rate, negotiated rate, or deminimis rate | Appropriate terms and conditions concerning closeout of the subaward |

Required Information for Subaward

- Subrecipient name and unique entity identifier

- Federal Award Identification Number (FAIN)

- Federal Award Date of award to the recipient by the Federal agency

- Subaward Period of Performance Start and End Date

- Amount of Federal Funds Obligated by this action by the pass-through entity

- Total Amount of Federal Funds Obligated by the pass-through entity including the current obligation

- Total Amount of the Federal Award committed by the pass-through entity

- Federal award project description

- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity

- CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement

- Identification of whether the award is R&D

- Indirect cost rate for the Federal award

Subrecipient Monitoring

Pass-through entities must evaluate each subrecipient's risk of noncompliance by performing a risk assessment

| prior experience | results of previous audits | new personnel or new or substantially changed systems | extent and results of Federal awarding agency monitoring |

Subrecipient Monitoring

Risk Assessment should be documented.

Subrecipient Risk Assessment Matrix:
http://claconnect.com/Nonprofit/Uniform-Grant-Guidance-Workbook-Subrecipient-Risk-Assessment.aspx

Results of risk assessment determine what type of monitoring should be performed on sub-recipient

Subrecipient Monitoring

- <u>Question:</u>

Under the UG, is the subrecipient risk assessment required for an existing subrecipient who is entering into a new UG funded award?

- <u>Answer:</u>

Yes, PTEs must evaluate each subrecipient's risk of noncompliance, but they can also consider the subrecipient's prior experience with the same or similar awards.

Subrecipient Monitoring

Pass-through entities __must__ monitor activities of the subrecipient:

- Reviewing financial and programmatic reports

- Verify that audit is being performed (if necessary) and following up on audit findings and deficiencies

- Issuing management decision on audit findings
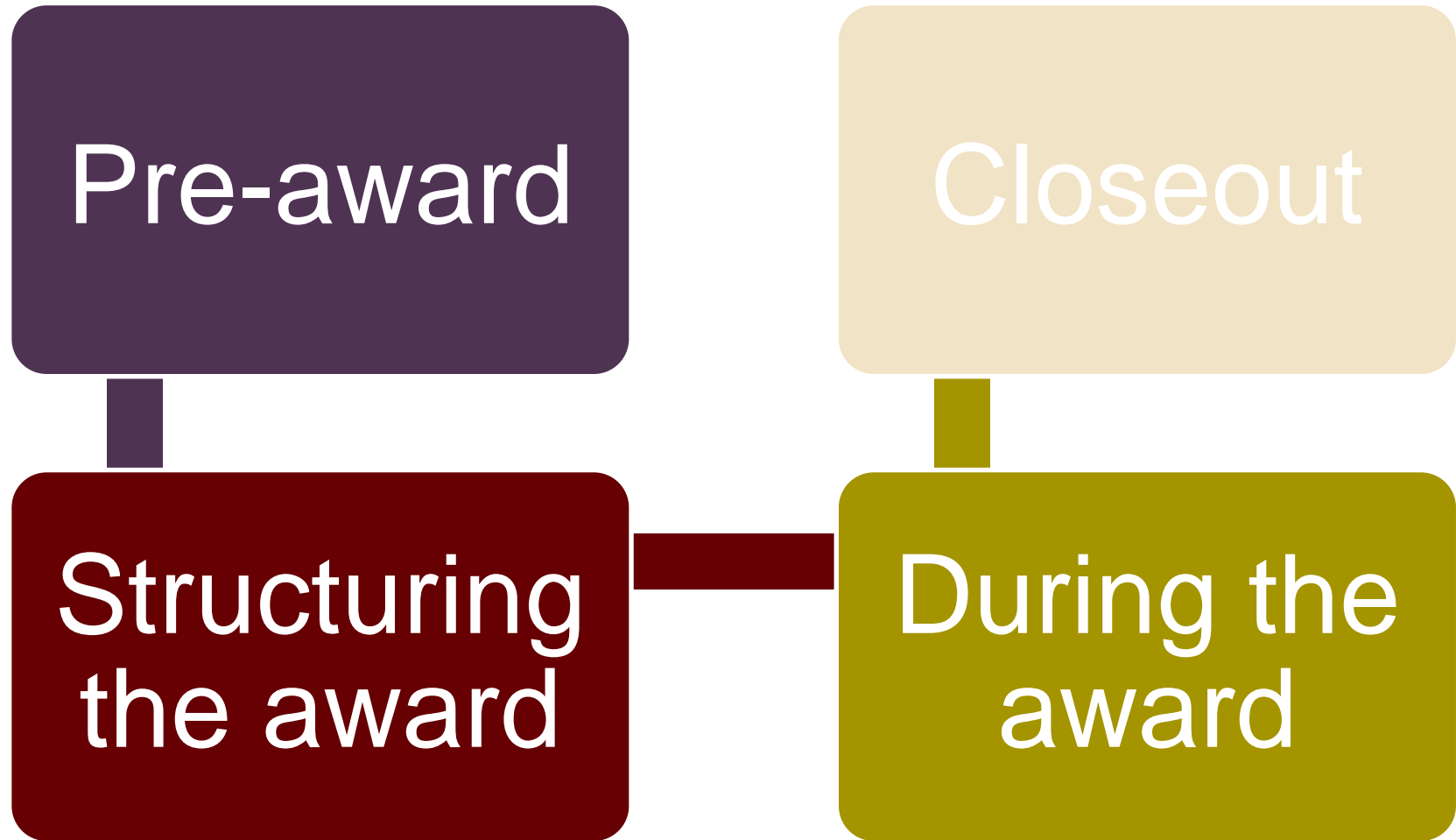
Subrecipient Monitoring

Additional monitoring tools that may be used depending on risk assessment of sub-recipient:

- Providing training and technical assistance
- On-site reviews of program operations
- Arranging for agreed upon procedures

Risk and Monitoring at Various Stages

Pre-award

Closeout

Structuring the award

During the award

Common Compliance Issues: Subrecipient Monitoring

- Lack of existing, written policies and documentation standards

- Subaward agreement missing key terms

- Lack of documented subrecipient risk assessment

- Subrecipient monitoring plans not "linked" to related subrecipient risk assessment

- Subrecipient single audit reviews

  – Annual review of subrecipient single audits not performed or documented

  – Lack of revised process to obtain single audit reports directly from the Federal Audit Clearinghouse

Policies

What's required and what's not

Required Documented Policies

Allowable Use of Funds Policy

Payment and Billing Policy

Procurements Standards Policy

Conflicts of Interest Policies

Best Practice Policies

Financial Management Systems Policy	Documentation of Internal Controls	Cost Sharing and Matching Policy	Program Income Policy
Budget and Program Revisions Policy	Property and Equipment Standards Policy	Monitoring and Reporting	Subrecipient Procedures Policy
Record Retention Policy	Grant Award and Closeout Policy	Annual Audit Policy	

Policy review and revisions

Designate key individual or team to monitor your policies over federal programs.

Regularly review policies for compliance and educate employees on changes to policies. Encourage open dialogue regarding questions and decision making.

Make sure policies are easily accessible for all employees involved and they know that they are responsible for reviewing these.

Grants Management Best Practices

Grants Management

Read through grant agreement for terms and conditions
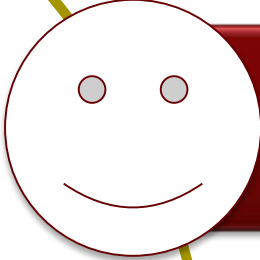
Read through Uniform Grant Guidance

Obtain proper training

Documentation of Compliance

Document compliance requirements

Document proper internal controls over compliance

CLA's "Program Understanding and Internal Control Workbook" for each grant agreement

Checklists

Develop checklists for all aspects of the grant process, such as:

| Grant application process | Preparation for the single audit | Subrecipient risk assessment and monitoring | Submission of financial and program reports | Grant close-out |

Grant Compliance Resources (Reading Room)

http://www.claconnect.com/resources/tools/resources-to-ease-the-burden-of-grant-compliance

Achieve Compliance with Proper Grant Management	CLA's Uniform Guidance Workbook Helps with Subrecipient Risk Assessment	CLA's Uniform Guidance Checklist Streamlines Implementation	Uniform Guidance Brings New Rules for International Entities
Uniform Guidance changes: Personal Services and Fringe Benefits	How to Monitor Subrecipients of Higher Education Grants	How Uniform Guidance Will Impact Your Single Audit	Preparing for a DOE Onsite Review of Your Federal Student Aid Program
	Closing Out the Perkins Loan Program at Colleges and Universities	OMB's Compliance Supplement Can Make Your Single Audit Easier	The Hidden Costs of Grant Noncompliance for Governments

Grant Compliance Services CLA Can Provide

http://claconnect.com/Nonprofit/Grant-Compliance-Services-for-Nonprofits-Higher-Education-Government.aspx

Indirect cost rate proposal preparation or review	Grant report preparation	Subrecipient monitoring assistance	Training on understanding compliance requirements
Training on Uniform Guidance implications	Grant management policies and procedures development and implementation	Single audit preparation	Organizational capacity assessment for new grant opportunities
	Grant application review	Assistance responding to inquiry letters from awarding agencies	

Questions?

Rebecca Field, CPA, CISA, CRISC

Manger, Grant Compliance Services

612-397-3053

rebecca.field@claconnect.com

Bill Loughery, CPA

Manager, Public Sector Group

267-419-1156

william.loughery@CLAconnect.com

CLAconnect.com

CliftonLarsonAllen

linkedin.com/company/
cliftonlarsonallen

facebook.com/
cliftonlarsonallen

twitter.com/CLAconnect