

Improving Your Federal Grant Compliance Program

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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

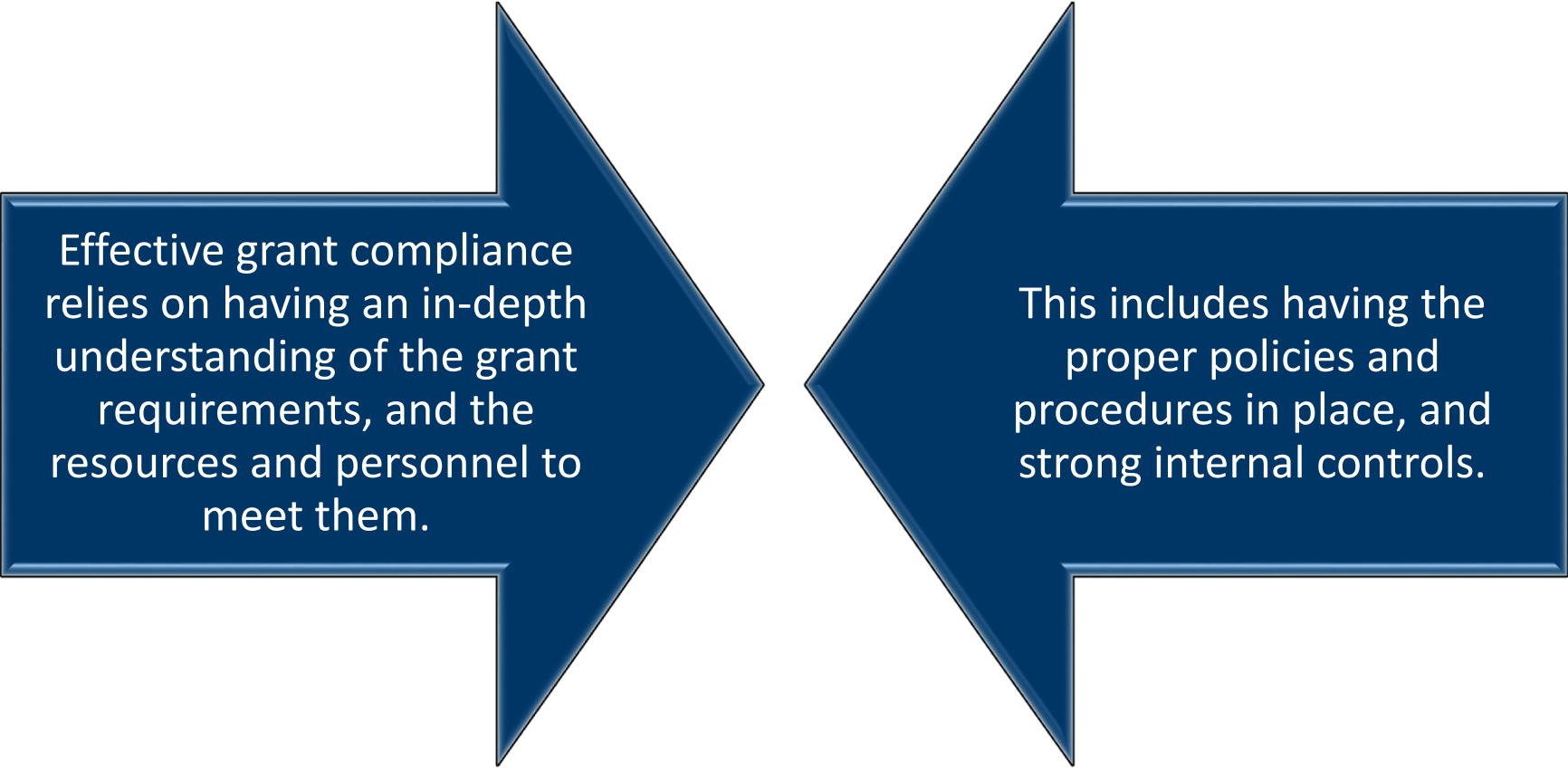


What is Grant Compliance?

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

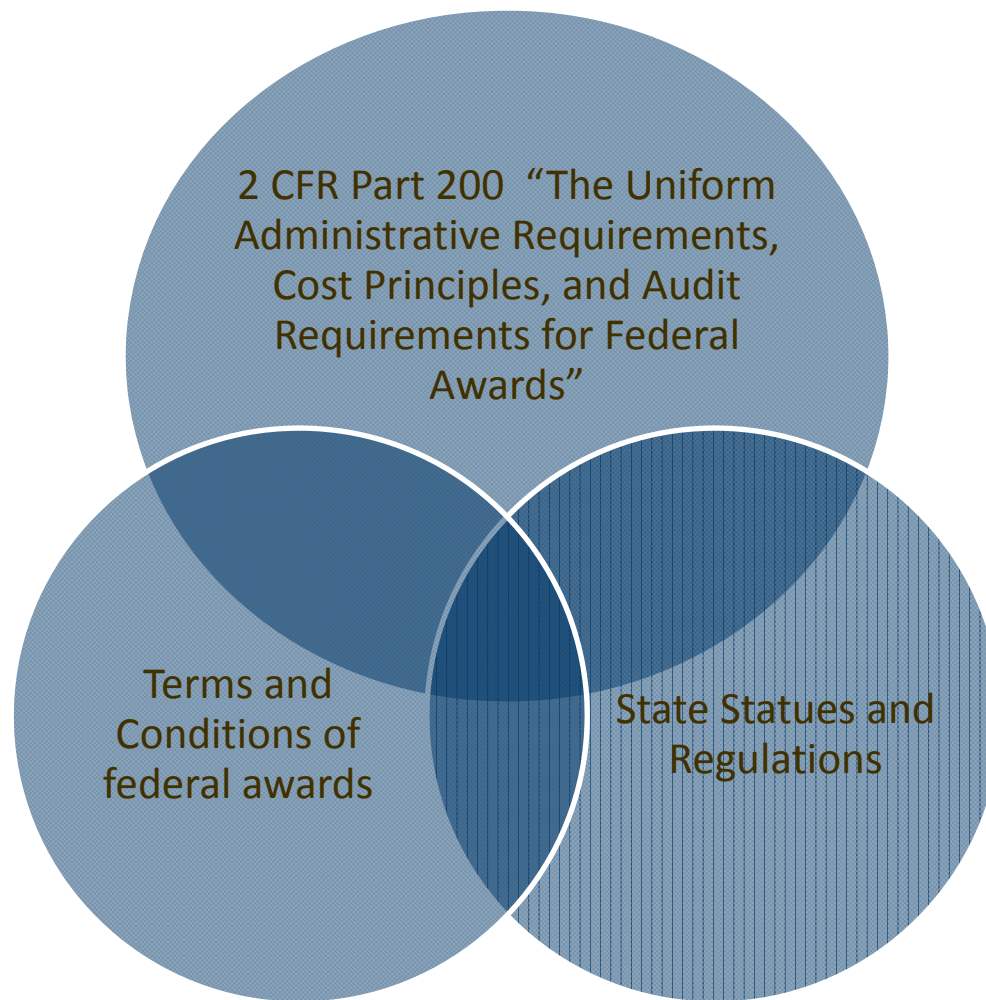


Possible Results of Improper Grant Compliance

- 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



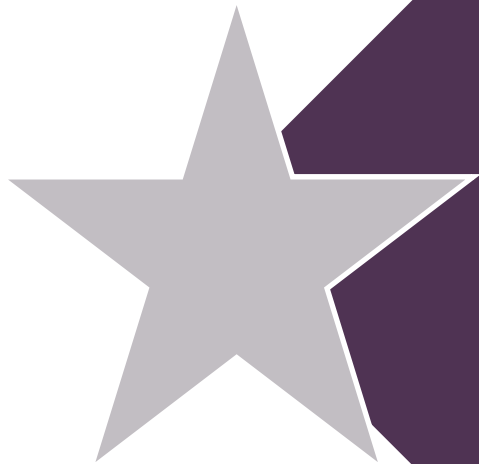
Sources of Grant Compliance Requirements





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 Requirements



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

Non-federal entities must establish and maintain effective internal controls over federal awards.



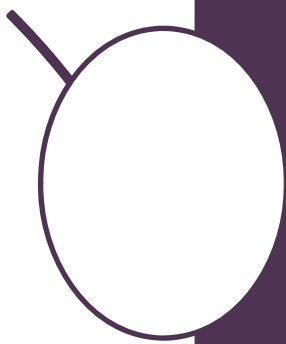
What are Internal Controls over Compliance?

A process implemented by a nonfederal entity designed to provide reasonable assurance regarding the achievement of the following objectives for federal awards:

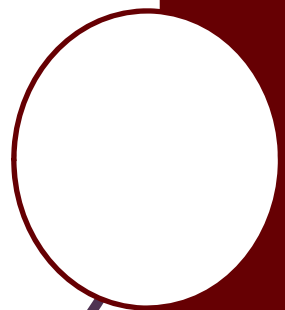
- ◇ Transactions are properly recorded and accounted for
- ◇ Transactions are executed in compliance
- ◇ Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition
- ◇ Awards are being managed in compliance with laws and regulations.



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



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 entity 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

When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds



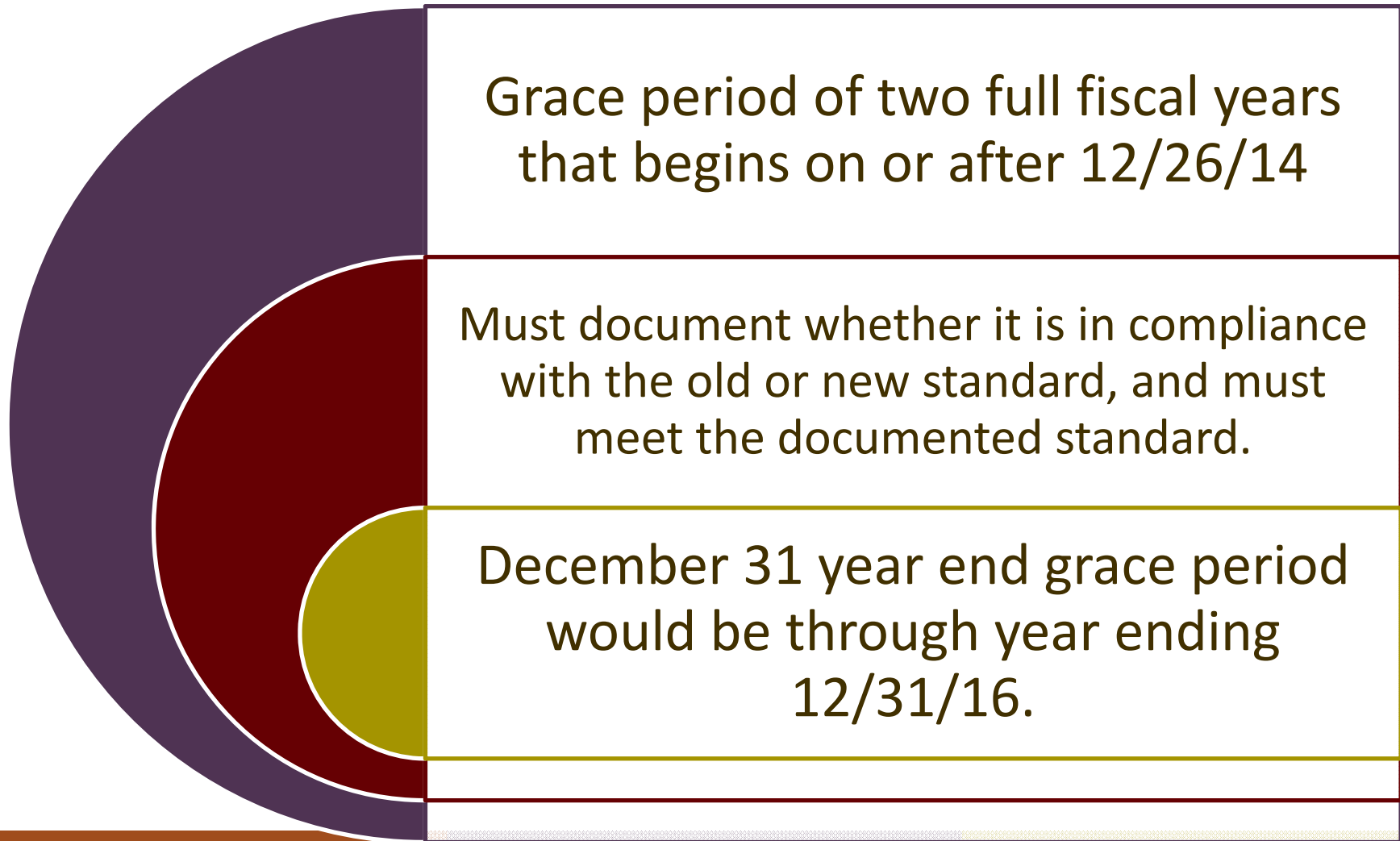
Procurement

All other non-Federal entities, including subrecipients of a state, will follow the following UG provisions:

- **§200.318 General procurement standards.**
- **§200.319 Competition.**
- **§200.320 Methods of procurement to be followed.**
- **§200.321 Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms.**
- **§200.322 Procurement of recovered materials.**
- **§200.323 Contract cost and price.**
- **§200.324 Federal awarding agency or pass-through entity review.**
- **§200.325 Bonding requirements.**
- **§200.326 Contract provisions.**



Procurement



Procurement

Uniform Guidance allows
for 5 acceptable
procurement
methodologies



Procurement

- Question:

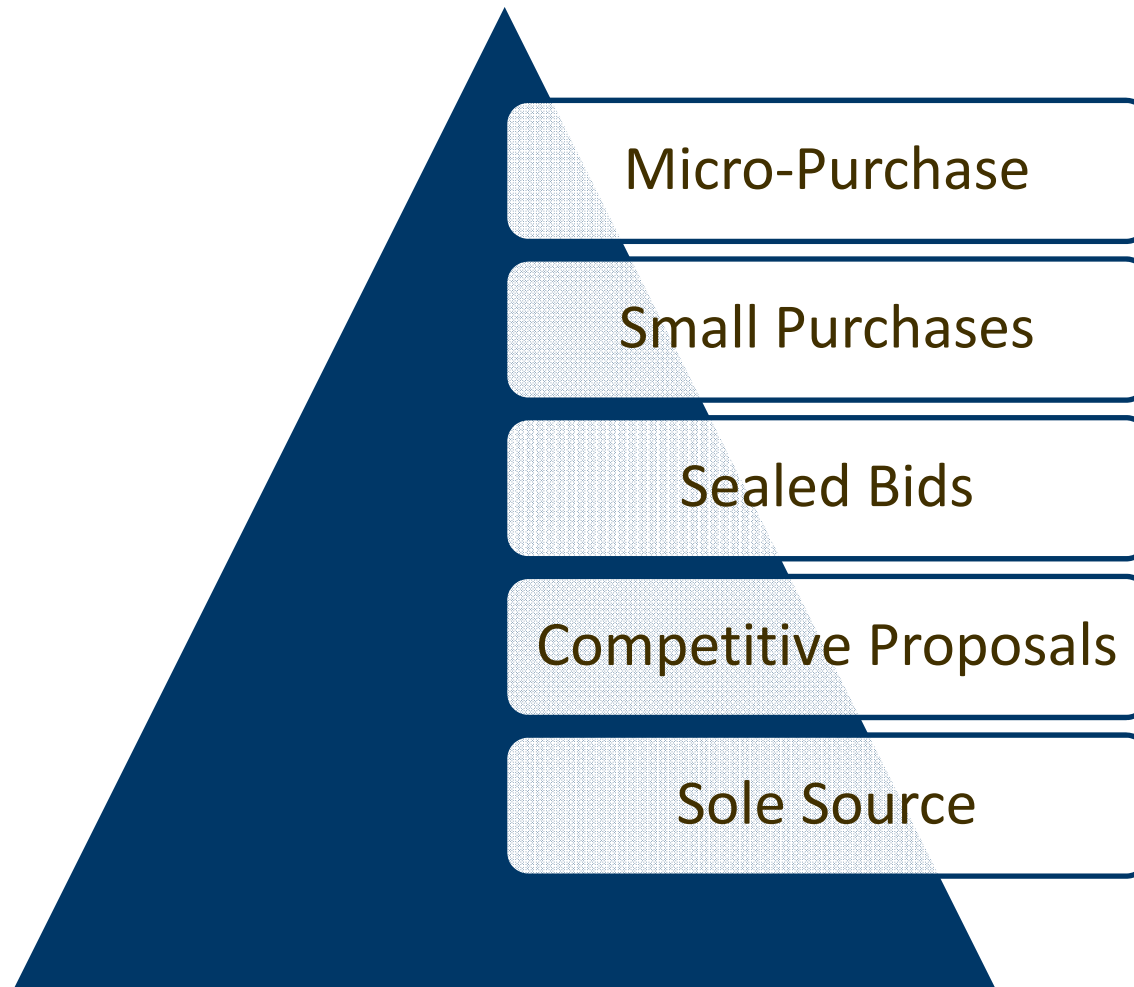
Can/should an entity have different procurement procedures for federal and nonfederal procurements?

- 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



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
- Competition inadequate after soliciting proposals
- Justification needs to be documented

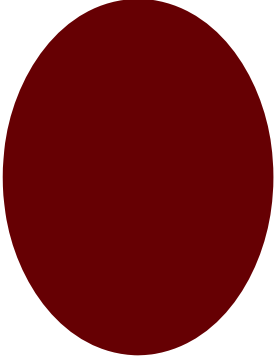


Procurement

Non-federal entities 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


Non-federal entities 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

Non-federal entities 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

-employee,

-officer,

-or agent

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



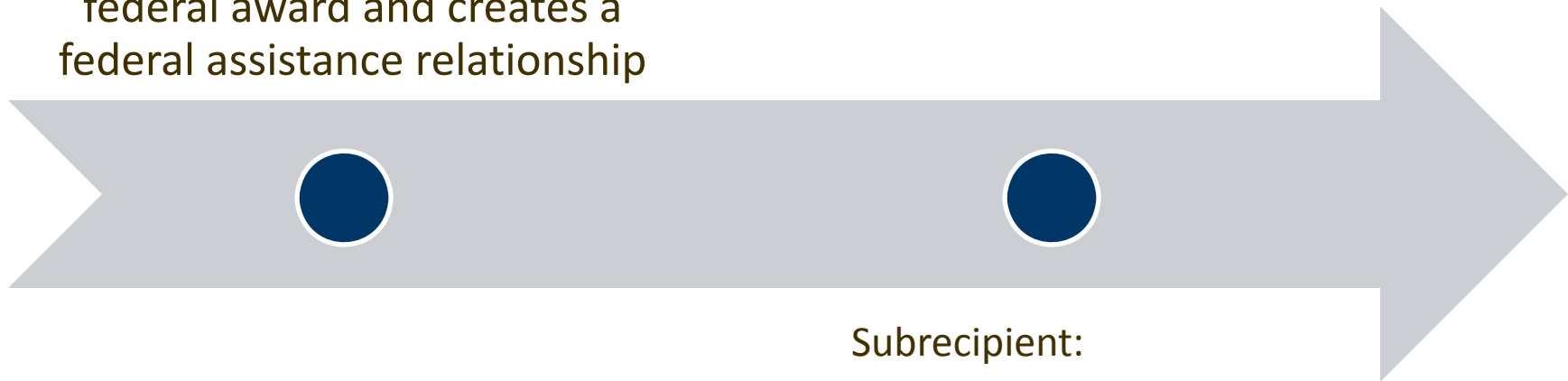


Subrecipient Monitoring

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

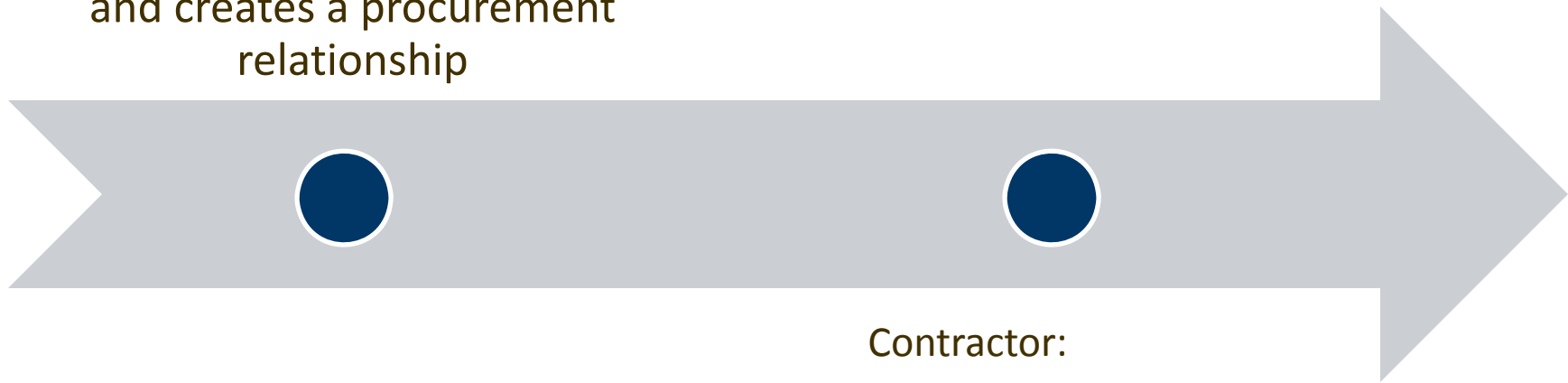


Subrecipient:
determines eligibility,
has performance measured in
relation to objectives of program,
has responsibility for programmatic
decision making;
and uses the Federal funds to carry
out a program for a public purpose



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

- Question:

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

- Answer:

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:

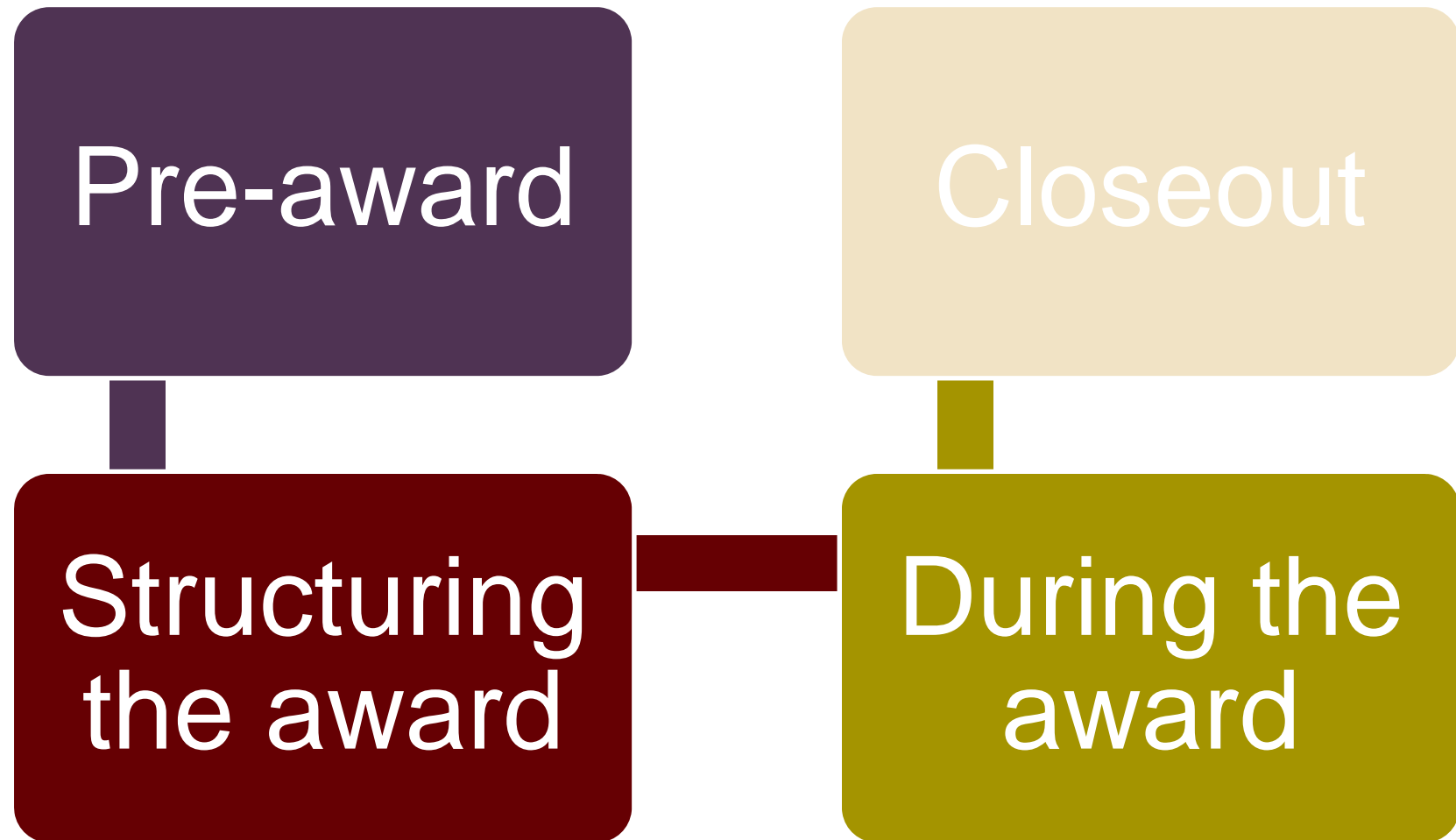
Providing training
and technical
assistance

On-site reviews of
program
operations

Arranging for
agreed upon
procedures



Risk and Monitoring at Various Stages



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



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



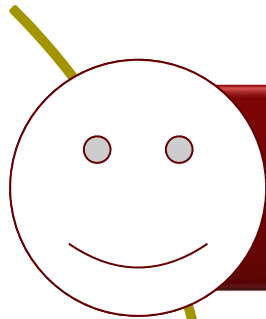
Read through Uniform Grant Guidance



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**



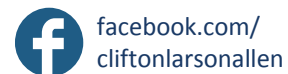
Grant Compliance Services CLA Can Provide

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



Questions?

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