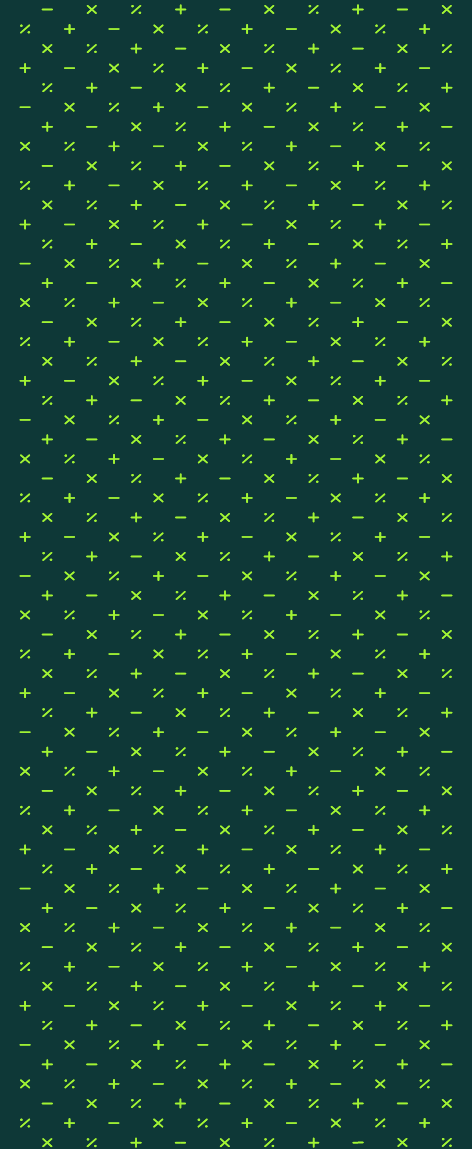# Key Elements of a Successful Grant Compliance Program

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Presenters

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Manager

Agenda

Learning Objectives

AFTER THIS SESSION YOU SHOULD:

- Understand the basic concepts of grant compliance, its key terms and definitions, and why its important to your organization

- Identify the key elements of a successful grant compliance program

- Better understand what your external audits will look like and how you can be ready

- Know some of the most common findings to be mindful of in your own organization

What Is Grant Compliance?

- Compliance requirements regulate how funds are being spent

- Requirements include the spending and use of funds, programmatic and financial expenditure reporting, and the frequency of recipient and subrecipient audits

- Proper compliance will ensure you and your subrecipients are good stewards of funding received and continued eligibility for future funding

Community Support

Program Execution

Compliance

Funding Source

Requirements

Common Terms and Definitions

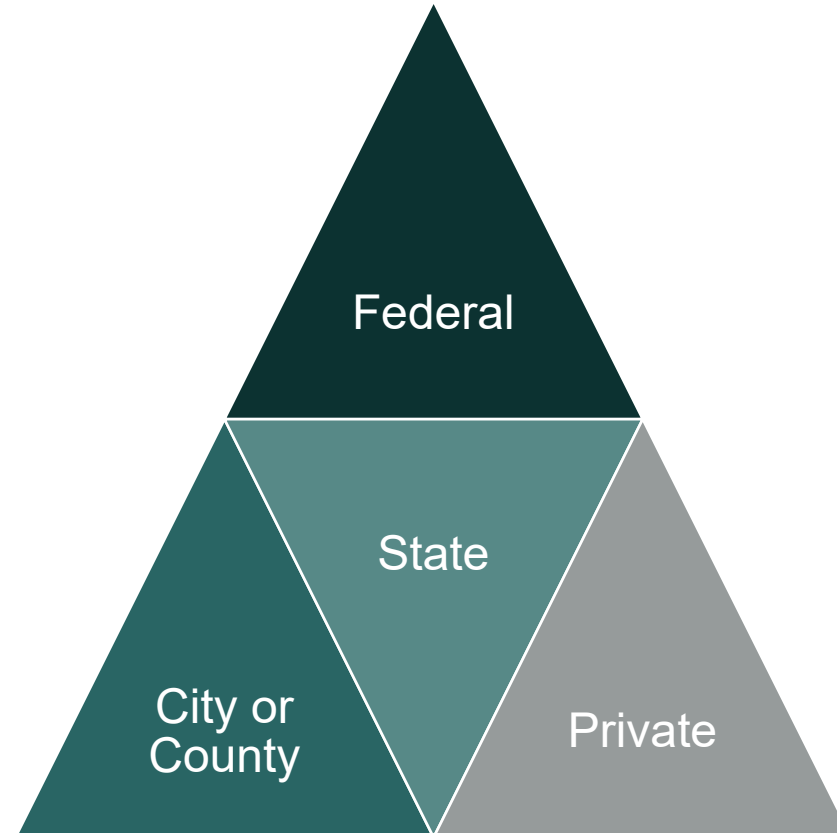|	
Subaward (Subcontract)	Award provided by a pass-through entity to a subrecipient to carry out part of the government award received by the pass-through entity. A subaward is characterized by performance measures related to the government grant objects, programmatic decision-making responsibilities, and program requirements related to the government funding and public good. The purpose of a subaward is to regrant funding received to community-based organizations, and other entities, for executing the mission and purpose of the funds received by the pass-through entity.
Subrecipient (Partner)	An entity that receives a subaward from a pass-through entity to carry out part of a government award. A subrecipient may also be a recipient of other government awards. Can also be referred to as a partner.
Pass-Through Entity	An entity that provides a subaward to a subrecipient to carry out a part of a government program.
Prime Agreement	An agreement directly between awarded organization and the government entity.

Common Terms and Definitions (Cont.)

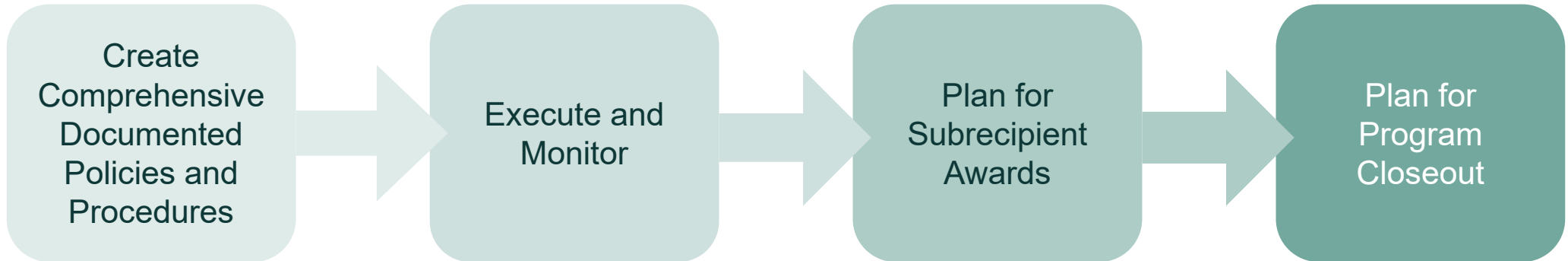|	
Cost Reimbursement	Subrecipients are paid for actual expenses that are already incurred under the award. Organization staff must review detailed financial reports prior to approving payments.
Deliverable-Based	Subrecipients are paid based on meeting contract deliverables, which are typically programmatic and financial in nature. Organization staff should approve payment once deliverables have been submitted and approved.
Forward-Funded	Subrecipients receive a portion of the funds at contract execution and the remaining portion is either paid deliverable base or held until final reporting is received and verified.
Advance Payment	Subrecipients are paid a portion of the funds at contract execution which is subsequently recouped from reimbursement requests.
Initial Payment	Subrecipients are paid a portion of the funds at contract execution which is not repaid during the life of the grant.

Common Funding Sources

Specific compliance requirements will be outlined in your prime funding agreement or contract with the awarding agency.

Common Compliance Requirements

Period of Performance

Specific Costs/ Specific Activities

Eligibility

Financial/ Programmatic Reporting

Matching/Level of Effort

Procurement

Program Income

Suspension and Debarment

Subrecipient Monitoring

How to Prioritize Grant Compliance

Create Comprehensive Documented Policies and Procedures	→	Execute and Monitor	→	Plan for Subrecipient Awards	→	Plan for Program Closeout

- Compliance begins with well developed and implemented processes and procedures
- It's administered by trained organization personnel
- Solidified by well documented and organized programs

Financial Management and Accounting

Chart of Accounts

Documenting the accounting system and organizational structure for each general ledger account.

Journal Entry Preparation, Approval, and Posting

Ensuring manual and automated journal entries are accurate, consistent with all relevant policies and restrictions, and properly documented, as part of the process ensuring the quality and reliability of financial reporting.

Month- & Year-End Close

Establishing month- and year-end financial close procedures to be performed to properly reflect all financial transactions for the month- and year-end.

Financial Reporting and Monitoring

- **Monitoring:** Establishing regular financial reporting and review of activity to identify errors, anomalies, potential compliance issues, and significant budget variances.
- **Reporting:** Defining the timing and presentation of the organizations financial results to ensure accuracy, reliability, and conformity with applicable requirements.

Budgeting

Establishing a process to plan for and project revenues and expenditures of the organization.

Audit Requirements

Defining the process for engaging with and managing applicable audit requirements.

Grant Management

Applying for Funding

Establishing how and when an organization applies for funding opportunities.

Pre-Award

Ensuring that Notices of Award and draft prime agreements are reviewed prior to execution.

Post-Award

Establishing the grant within the organization's accounting system, defining program team roles, verifying award timeline and requirements, and identifying timeline for regranting if applicable.

Monitoring and Reporting

Identifying all reporting requirements and related due dates, ensuring alerts are set up, and establishing procedures to ensure reporting accuracy and document retention.

Applicable Requirements

Derived from your prime funding agreement. If federal or federal passthrough funding 2 CFR §200.332 is applicable.

Note: In some instances non-federal funding will default/refer to the Uniform Guidance, 2 CFR 200. It's important to review your prime funding agreement to ensure you know which requirements re being applied.

Subrecipient Monitoring

Applications

Ensuring the organizations application and award process have a risk rating system for subrecipient applicants.

Budgeting and Expenditure Monitoring

Establishing processes for monitoring subrecipient budgets and expenditures through periodic programmatic and financial reporting.

Monitoring

Developing procedures for executing subrecipient monitoring throughout the program period, including ongoing report monitoring, financial desk reviews/audits, and programmatic site visits.

Applicable Requirements

Derived from your prime funding agreement. If federal or federal passthrough funding 2 CFR §200.332 is applicable.

Procurement

Purchase Requests and Thresholds Required for Due Diligence

Establishing the requirements for purchase requests, including thresholds for approval and mechanisms for purchases.

Formal Request for Proposals and Bids

Defining the criteria required and selection process when requesting proposals or bids from vendors.

Purchasing Exceptions

Establishing approved exceptions to the purchasing process when standard procedures cannot be applied. For example, emergency purchases and sole source procurements.

Receiving

Determining procedures for the receipt of goods and services to ensure proper segregation of duties between the personnel making the purchase and those receiving.

Vendor Management

Establishing requirements for new vendor setup, existing vendor management, and periodic audit/review of vendors. This may include specific state/other requirements such California's AB5 verification.

Use of Grant Funds in Procurement

Ensuring that grant funds used for purchases are within the approved budget and are allowable per the grant agreement.

Applicable Requirements

Derived from your prime funding agreement. If federal or federal passthrough funding 2 CFR §200.317-327 is applicable.

Implement Policies and Procedures

Roles and Responsibilities

Define and document detailed roles and responsibilities by position

Train Personnel

- Internal policy
- Grant management/subrecipient monitoring
- Program/funder specific

Allocate Funds

- Determine how funds are received
- Monitor direct and indirect expenses
- Regranting/subawards
- Ongoing monitoring

Execute and Monitor

Report

- Determine required reporting.
- Track due dates, required reviews and approvals, and any other documentation which may need to be maintained.

Track

- Develop a tracking mechanism for following program and financial progress.
- Track individual award budgets and actual expenditures.
- Monitor budget to actual progress and burn rates.

Document

- Retain all support for expenditures incurred.
- Ensure supporting documentation clearly illustrates how funds were spent, including any allocations to a specific grant. Support may include:
    - Purchase orders and receiving documentation
    - Vendor invoices and receipts
    - Timesheets and pay stubs
    - Subrecipient and subcontract agreements

Monitor

- Monitor how funds are spent.
- Develop an ongoing compliance monitoring function to internally monitor applicable compliance requirements and identify potential noncompliance prior to an external audit or funder review.

Plan for Subrecipient Awards

Plan for Subrecipients

- Plan for how you will monitor subrecipients during the life of the grant
- Understand compliance requirements related to subrecipient monitoring—your organization will be responsible for any subrecipient's performance and spending

Monitor Subrecipients

- Requests for applications
- Scoring and awarding criteria
- Pre-award risk assessment—a federal funding requirement
- Minimum insurance requirements verification
- Subrecipient agreement and contract templates
- Programmatic and financial reporting
- Subrecipient desk reviews and audits

Plan for Program Closeout

Plan for Close-Out

- Ensure all programmatic and financial reporting can be completed timely
- Ensure all final payments to subrecipients and subcontractors have been made
- Perform final financial reconciliations

Final Reporting

All final programmatic and financial reporting, including the roll-up of any subrecipient reporting and monitoring, is presented to the funding agency in a reporting package.

Record Retention

Ensure that your organization has a process for retaining all program documentation based on the requirements of your funder.

What Will Your Single Audit Look Like

1) Determine if FS are fairly presented

2) Determine if SEFA is complete

3) Gain understanding and test internal controls

4) Determine if federal regulations and terms and conditions of award were followed

5) Follow up on prior year audit findings

6) Obtain evidence to form and support opinions on financial statements and program compliance

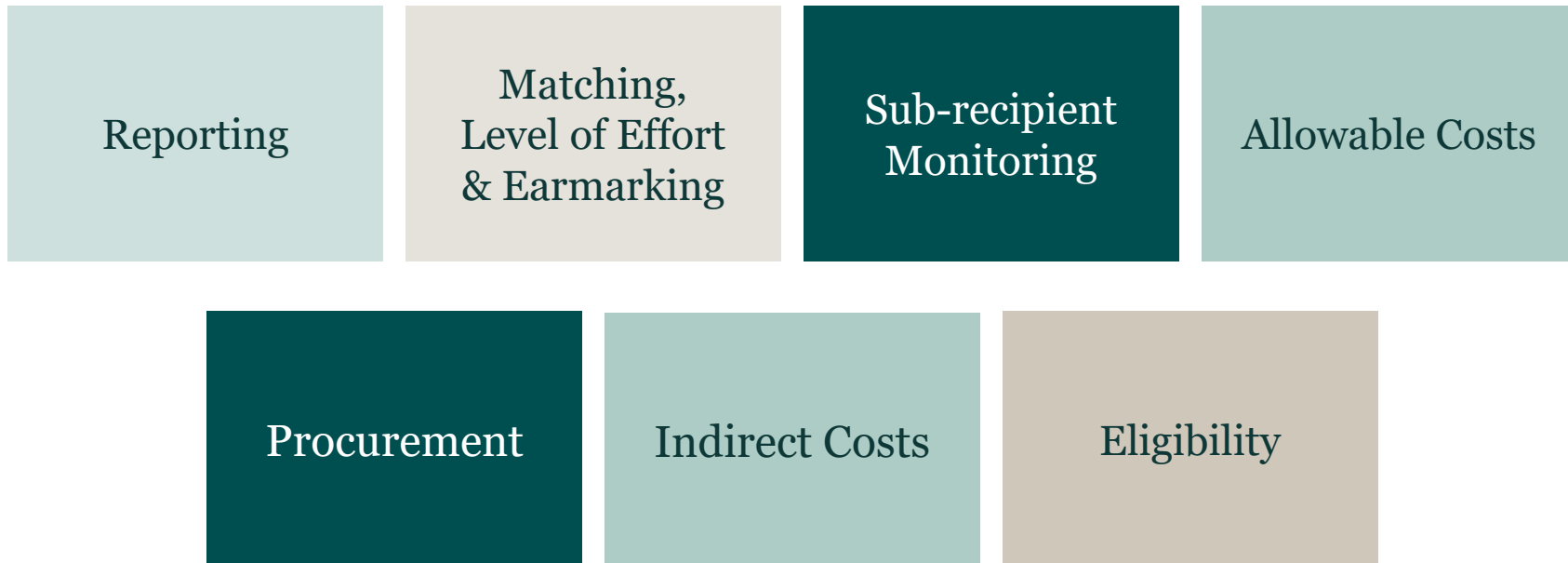7) Develop and report internal control and compliance findings for Single Audit report

How to Prepare

___

Prior to the audit there are actions your organization needs to take. Be sure you review your specific responsibilities in the Uniform Guidance (2 CFR SS 200.508) and GAAS (AU-C 935B.08).

1) Gather and summarize all federal grant information

2) Prepare financial statements and notes

3) Prepare a detailed draft of the Schedule of Expenditures of Federal Awards (SEFA)

4) Ensure policies are up to date, in place, and comply with federal requirements

5) Provide the auditor with access to information

6) Review prior Single Audit findings

7) Prepare the Schedule of Prior Audit Findings

8) Review and update internal controls

Common Pitfalls Seen in Single Audits

Reporting

Matching, Level of Effort & Earmarking

Sub-recipient Monitoring

Allowable Costs

Procurement

Indirect Costs

Eligibility

Reporting

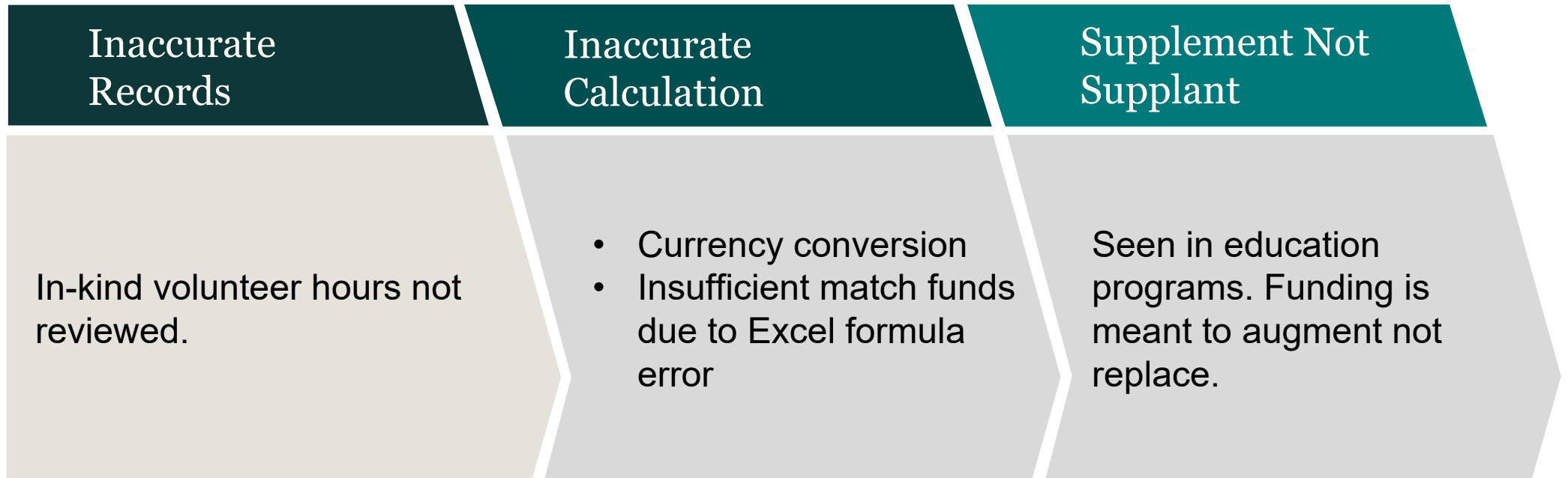| Inaccurate Reports	Unsupported Report Data	Late Reports
Time and Effort Reporting • Inconsistent application of requirements across all funding sources • Time charged across all sources exceeds 100%	Point-in-time system reports not retained	• Delinquent report submissions • Unsubmitted project close-out reports

Matching, Level of Effort, and Earmarking

Inaccurate Records	Inaccurate Calculation	Supplement Not Supplant
In-kind volunteer hours not reviewed.	• Currency conversion • Insufficient match funds due to Excel formula error	Seen in education programs. Funding is meant to augment not replace.

Subrecipient Monitoring

- CFDA's not communicated to subs
- DUNS number verification not completed
- Risk assessments not being completed regularly
- Monitoring not being completed and/or completed timely
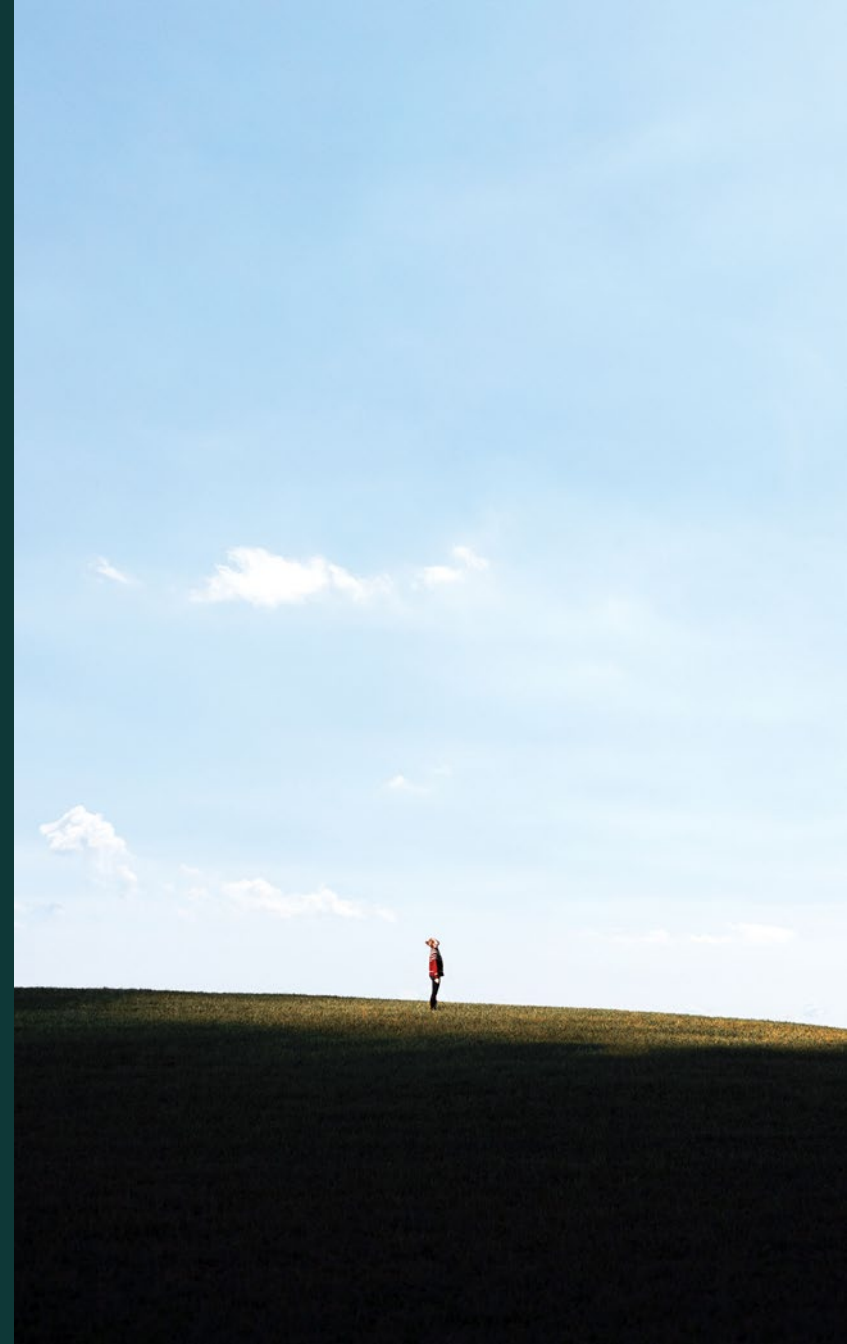
Eligibility

INACCURATE DETERMINATION

- Program participants didn't meet the age/income/geographic thresholds
- Minimum requirements not met (i.e. meet one criteria but not another)
- No process in place for eligibility determination

RECORD RETENTION

Process doesn't ensure consistent retention of documentation

Allowable Costs

- Payroll allocations are based on an estimate rather than actual

- Time related to program payroll isn't contemporaneously documented

- Time related to program payroll isn't reviewed and properly approved

- Program expenses aren't reviewed and approved by grant manager

- Costs not allowable

- Costs not properly supported
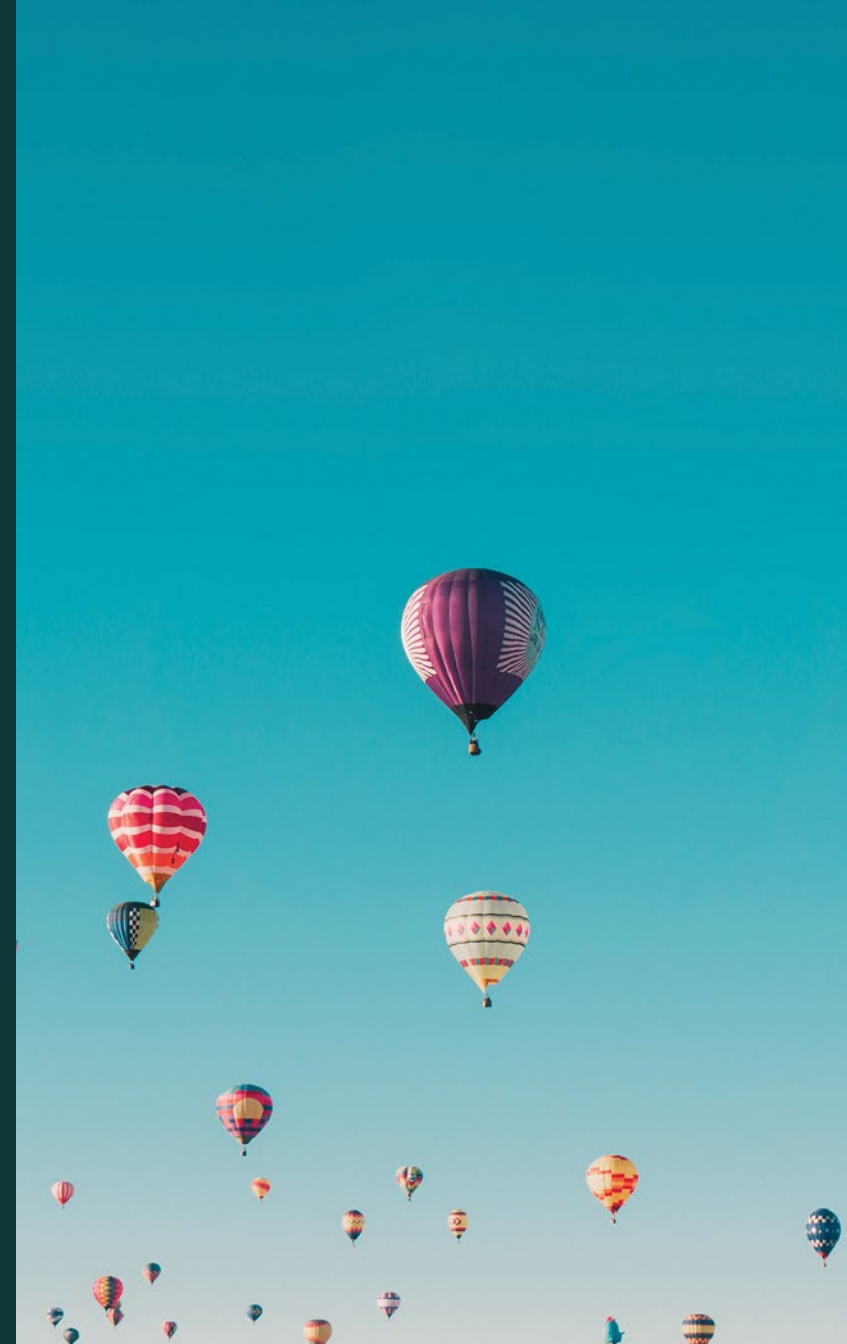
Indirect Costs

- Indirect costs include unallowable costs
- Indirect rate is misapplied

Procurement

- A procurement policy exists, but the organization doesn't enforce it

- The organization has appropriate procedures but didn't update its policy

- The organization cannot prove that a vendor was checked for suspension and debarment
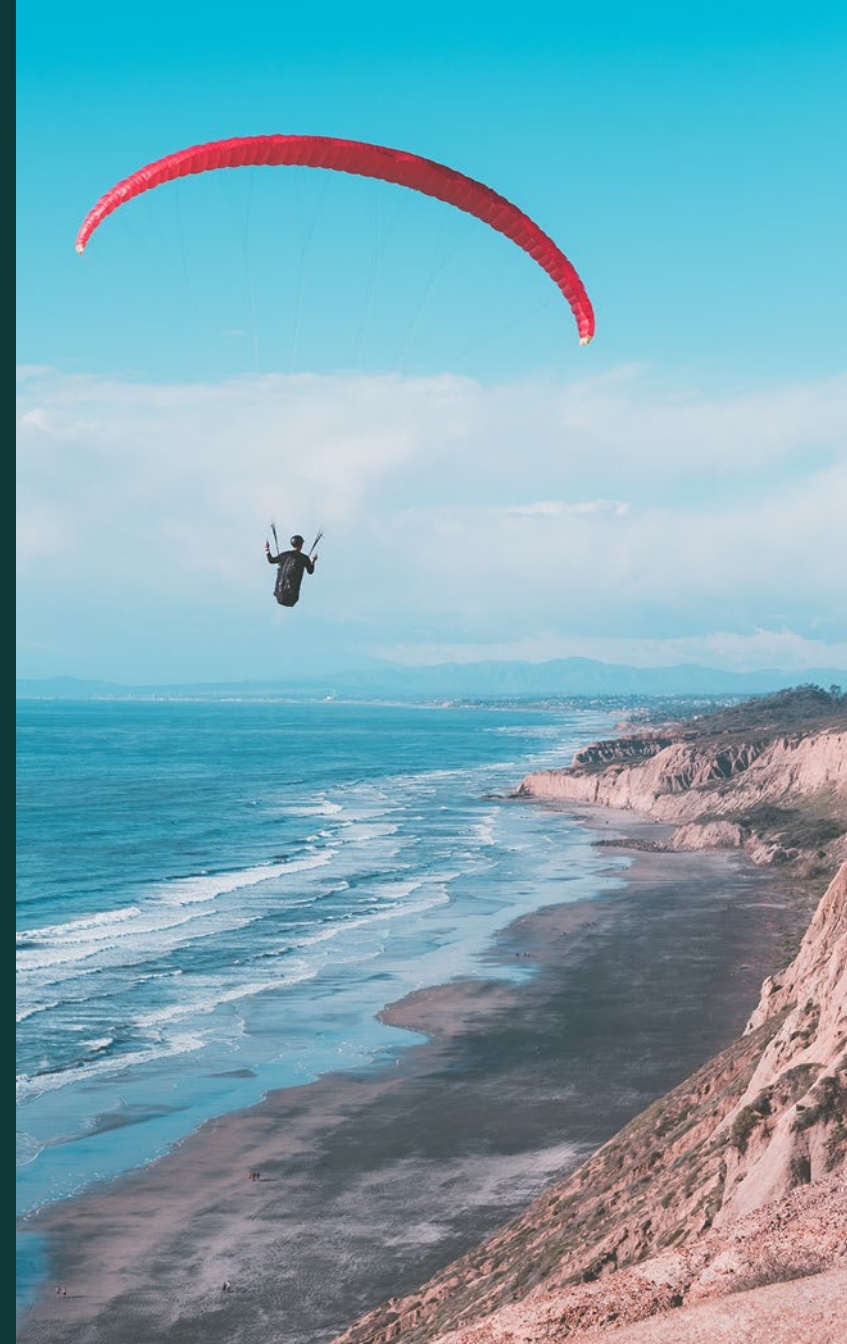
Remember to Follow Up!

- Check status of corrective actions per the targeted completion dates
- Confirm successful implementation of corrective actions
- If not corrected, define revised dates of completion for open recommendations
- Report follow-up status to your board or audit committee

Questions?

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