

# **Good to Know: Federal Grants Management Fundamentals**

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# How Did We Get Here and Why?

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- Existing multiple grants management policies affecting different types of performers
- Experience under ARRA (*aka* The Stimulus)
- Presidential direction on regulatory reform and burden reduction
- A long process of rulemaking aimed at grant reform (2/28/12-12/26/14)
- Engagement of federal agencies, recipients, and auditors

# What Policies Do We Follow Now?

- Attempted “good-bye” to OMB Circular terminology
- Say “hello” to Uniform Administrative Requirements, Cost Principles and Audit Requirement for Federal Awards (2 CFR 200)—([www.ecfr.gov](http://www.ecfr.gov) or [www.gpo.gov](http://www.gpo.gov))
  - The “Super Circular”
  - The “Omni-Circular”
- Say “hello” to separate federal agency implementing regulations
- Say “hello” to the COFAR and FAQ’s
- Then say “good-bye” to the COFAR

# Now that We've Arrived, What's the Verdict?

- Some policies that have worked have been retained
- Some policies that needed reinforcement have been reinforced
- Some policies that have imposed burden on recipients and subrecipients have been dumped
- Some new policies are causing “heartburn” for recipients and subrecipients
- Some mistakes have been made

# An Orientation to the Award Process, Recipient Systems and Grant Budget

## ► Grant Life Cycle

- Pre-award
- Post-award
- After-the-award

## • Systems Standards

- Financial management
- Procurement
- Property management
- Subrecipient management

## • Budget Structure

- 8 Direct cost categories (line items)
- Indirect costs

# Pre-award--Solicitation

- ▶ Federal choice of instruments
  - Grants, cooperative agreements, fixed amount awards
    - Public notice and funding opportunities
  - Grants.gov
  - RFA, NOFA, FFO, PA
  - Standard solicitation template (Appendix I)

# Pre-award--Application

- SF 424 Series
  - Cover sheets
  - Certification
  - Budget format
  - Statement of assurances
- Paperwork Reduction Act and its regulations (5 CFR 1320)

# Pre-award—Awarding Agency Review

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- Merit-based selection for discretionary awards
- Federal awarding agency risk assessment (2 CFR 200.205)
- Pass-through agency risk assessment (2 CFR 200.331(b))
- Criteria
  - Financial stability
  - Management systems
  - Performance history
  - Audit history
  - Compliance capacity



# Pre-award--Agreement

- ▶ Standard federal template (2 CFR 200.210)
  - Data elements
  - Obligation of funds
  - Time for performance
  - Applicable requirements
- ▶ Standard pass-through entity template (2 CFR 200.331(a))
  - Data elements
  - Flow-through of primary award
  - Supplemental requirements
  - Indirect cost recognition

# Post-award—Incur Cost

- Approved budget
- Budget flexibility
- Cost principles (2 CFR 200, Subpart E)
  - General tests of allowability
    - “Sound business practices”
  - “Selected” items of cost
  - “Failure to mention...”

# Post-award--Cash Management

- 2 CFR 200.305
- Advances required for recipients and subrecipients
- Timing of drawdown
- Amount of drawdown
- Cash depositories
- Interest remission

# Post-award—Document Transactions

- Auditor's standard of evidence
- Key areas
  - Effort reporting (2 CFR 200.430)
  - Travel justification (2 CFR 200.474)
  - Procurement transaction “history” (2 CFR 200.318(i))
  - Property management standards (2 CFR 200.313(d))

# Post-award--Reporting

- Financial—SF425 and the Paperwork Reduction Act (2 CFR 200.327)
- Performance (2 CFR 200.328)
  - Routine
  - Extraordinary
    - New disclosures (2 CFR 200.112-113)
    - Real property (2 CFR 200.329)
    - FFATA reporting (2 CFR 170)
    - Audit reporting package (2 CFR 200.512)

# After-the-award

- Close out (2 CFR 200.343)
  - Submission of final reports
  - Settlement of claims and cash
  - Disposition of property
- Continuing accountability (2 CFR 200.344)
  - Record retention and access
  - Custody of retained property
  - Awarding agency audit rights

# System Standards— Financial Management

- 2 CFR 200.302-3
- Financial management
  - Accounting records
  - Fund accounting
  - Internal controls
  - Budgetary controls
  - Reporting
  - Cash management
  - Cost allowability determination
  - Source documentation

# System Standards— Procurement

- 2 CFR 200.317-326
- Code of conduct
- Acquisition planning
- Solicitation and competition
- Acceptable methods of procurement
- Source evaluation and selection
- Contract award (Appendix II)
- Contract administration (oversight)
- Procurement records



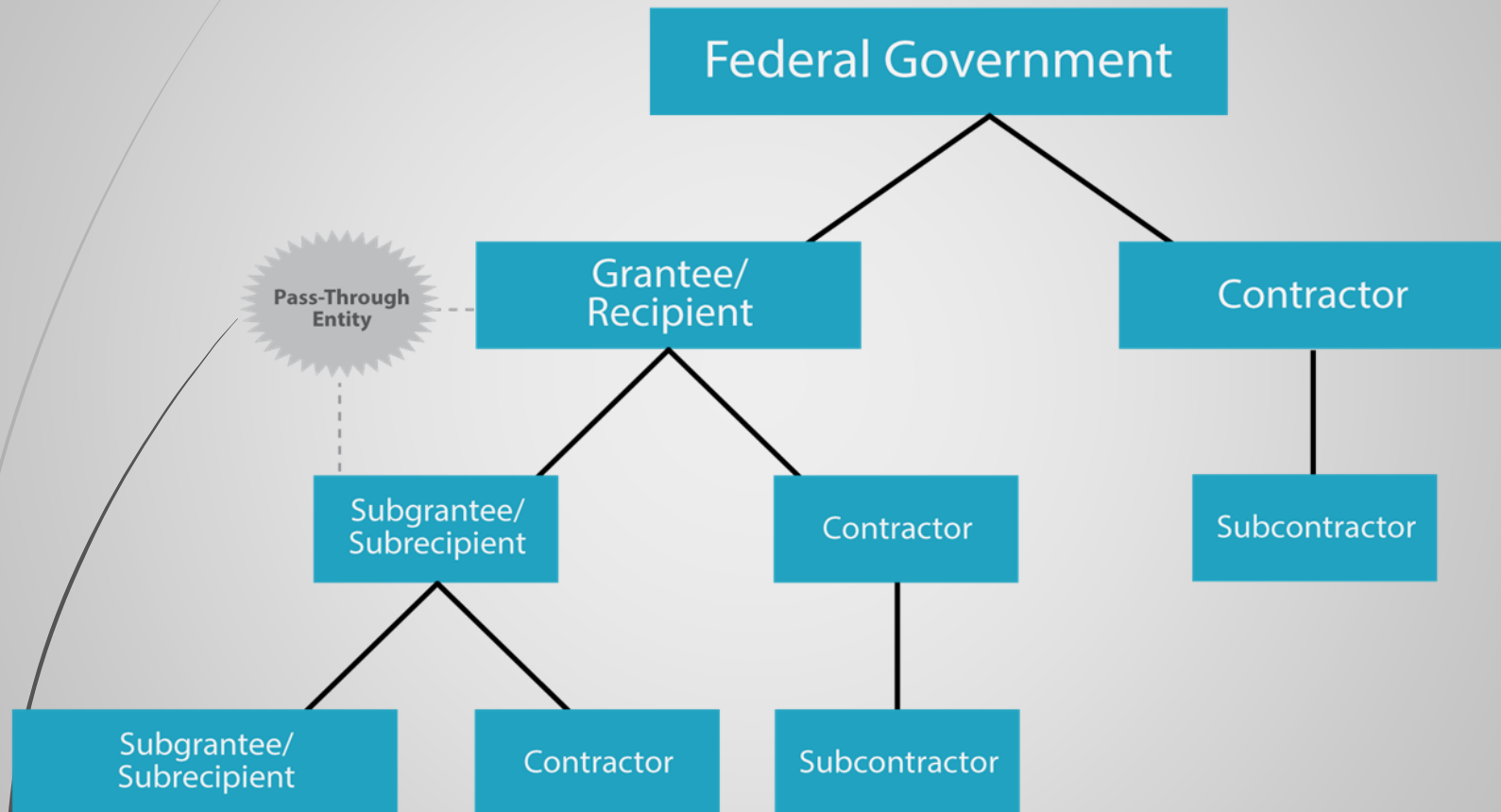
# System Standards— Property Management

- 2 CFR 200.310-316
- Property types
  - Real
  - Equipment
  - Supplies
  - Intangible
- Administrative issues
  - Title
  - Use
  - Management
  - Disposition

# System Standards— Subrecipient Management and Monitoring

- Determine relationship (2 CFR 200.330)
  - Subrecipient vs. contractor
  - Say “good-bye” to “vendor”

# FEDERAL AWARD RELATIONSHIPS CHART



# System Standards—Subrecipient Management and Monitoring

- Conduct risk assessment (2 CFR 200.331(b))
- Form the subaward agreement (2 CFR 200.331(a))
- Monitor subrecipients, as necessary (2 CFR 200.331(d-f))
- Mandatory steps
- Discretionary steps
- Approval of limited use of fixed amount subawards (2 CFR 200.332)

# Cost Allowability of the Grant Budget

- Consolidated Cost Principles (2 CFR 200, Subpart E) (200.400-475)
- Tracking the SF 424A
  - Personnel
  - Fringe benefits
  - Travel
  - Equipment
  - Supplies
  - Contractual
  - Construction
  - Other
  - Indirect costs
  - 55 “Selected items of cost”
  - Remember “Failure to mention...”

# Key Cost Principle Changes

## ► Compensation for Personal Services (2 CFR 200.430)

--- Effort reporting

----- Key principles remain: “after-the-fact”; full disclosure

----- No prescription for timing and signature but...

----- Internal controls

- Conferences (2 CFR 200.432)
- Contingency provisions (2 CFR 200.433)
- Depreciation (2 CFR 200.436)
- Employee Health and Welfare/Entertainment (2 CFR 200.437-438)
- Equipment (2 CFR 200.439) and Materials and supplies (2 CFR 200.453)
- Proposal costs (2 CFR 200.460)
- Training (2 CFR 200.472)
- Travel (2 CFR 200.474)

# Indirect Cost Recovery

- Mandatory federal recognition of federally negotiated rates
  - Limited exceptions
    - Mandatory pass-through entity recognition of federally negotiated rates
  - No exceptions
    - Pass-through entity negotiation of rates
    - Subrecipient election of *de minimis* rate (10% of MTDC)

# Single Audit

- Increased threshold (\$750K expenditures in auditee FY beginning after 12/26/14)
- Scope (financial accuracy, internal control, compliance)
- Audit readiness
  - OMB's *Compliance Supplement for Single Audits*
- Audit results
  - Audit findings content
  - Audit reporting package
  - Submission
- Audit resolution
  - Timely management decisions



# Some Suggested “Take Aways”

- Keep OMB’s intentions in mind
  - Keep the primary source documents handy and consult them
  - What does your agreement say?
  - Review your...
    - Grant application budgeting procedures
    - Existing internal controls and identified guidance sources
    - Procurement procedures
    - Subgranting procedures
- ... and document your review and any changes you make
- Recognize that everyone is still on the “learning curve”
  - “Circle your organizational wagons ”

# Questions

► Now

► Later

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