

# **Policies and Procedures: Bare Minimum vs. Best Practice**

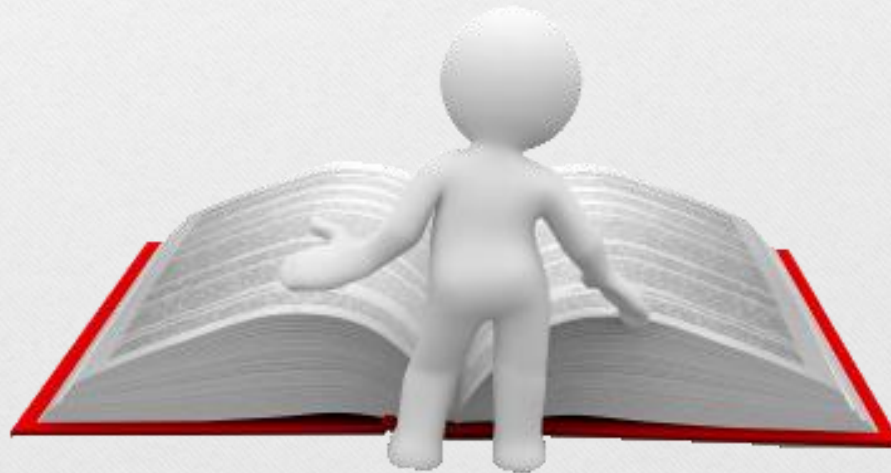
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**AEFFA 2017 Conference**  
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# Policies vs. Procedures

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- Policies – goals for your organization
- Procedures – steps to achieve your goals





# Bare Minimum



# Uniform Grant Guidance

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- Written policies and procedures are required!
  - Written Cash Management Procedure - 200.302(b)(6) & 200.305
  - Written Allowability Procedures - 200.302(b)(7)
  - Written Conflicts of Interest Policy - 200.318(c)
  - Written Procurement Procedures - 200.319(c)
  - Written Method for Conducting Technical Evaluations of Proposals and Selecting Recipients - 200.320(d)(3)
  - Written Travel Policy - 200.474(b)
  - Written Indirect Cost Rate Development Procedures - 200.414(e), 200.331(a)(4), Appendices (Pass-through entities)
    - LDE develops ICRs for LEAs
  - \*\*Procedures for managing equipment - 200.313(d)



# Compliance Supplement, Part 6: Internal Controls, Section M. Subrecipient Monitoring

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- ▶ Written policies and procedures exist establishing:
  - ▶ Communication of Federal award requirements to subrecipients
  - ▶ Responsibilities for monitoring subrecipients
  - ▶ Process and procedures for monitoring
  - ▶ Methodology for resolving findings
  - ▶ Requirements related to subrecipient audits, including appropriate adjustment of pass-through's accounts

# Best Practice





# Staff Changes and Transitions

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- Training tool
- Maintain consistency



# Single Audits

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- ▶ Compliance Supplement, Part 6: Internal Controls
  - ▶ “Control activities are the policies and procedures that help ensure the management’s directives are carried out.”
    - ▶ Clearly written
    - ▶ Clearly communicated



# Monitoring

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- Policies and procedures are evidence of compliance under all program monitoring tools
  - E.g., OSS Fiscal and Program Administration Self-Assessment asks for 26 procedures!

# Current Status?

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- No policies and procedures
- Some policies and procedures
- Existing policies and procedures need updating
- Started updating existing policies and procedures, but got sidetracked...



# Moving toward Best Practice

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**There's always  
room for  
improvement.  
And pizza.**

# Where to Start?

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- Determine goal
  - Internal for your own organization?
  - For subgrantees?
  - Grant specific or cross cutting?
- Create a team – include both fiscal and programmatic personnel (very important)
- Create a table of contents
- Assign subjects
- Create timeline for completion



# Where to Start?

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- Review & collect existing documentation
  - Policies & procedures from different offices and websites
  - Memos
  - Emails
  - Forms
  - Job descriptions
- Directly from the source – the staff member(s)

- ▶ How long does it take?
  - ▶ Depends on need
  - ▶ Review of existing policies and procedures is less time than starting from scratch
  - ▶ Set deadlines for actions

*Don't get overwhelmed!*





# Things to consider:

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- Buy-in from those who will be using the policies and procedures
- Review for accuracy, completeness and compliance
- Adoption by board or other governing body



# Key Resources

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- Uniform Grant Guidance
- Education Department General Administrative Regulations (EDGAR)
- Authorizing statute
- Program regulations
- Program guidance
- State and agency rules, regulations, policies and procedures



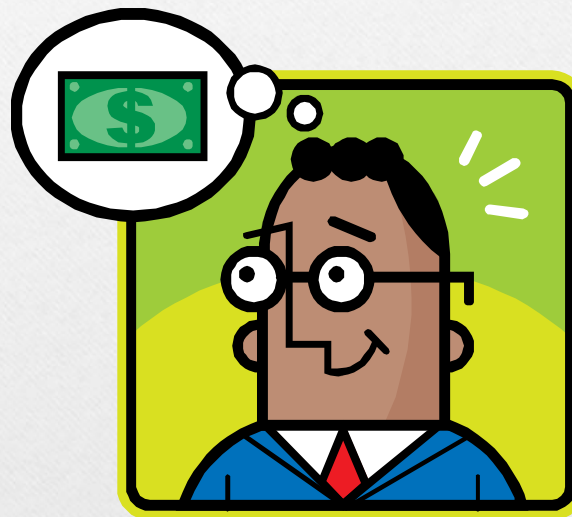
# Suggested Sections

- Organization, Structure and Function
- Grant Application Process
- Financial Management System
- Procurement
- Inventory/Property Management
- Time and Effort
- Record Keeping/Record Retention
- Monitoring
- Audit Resolution
- Programmatic Fiscal Requirements
- Programmatic Requirements
- Notice of Nondiscrimination and Grievance Procedures



# Financial Management System

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# Financial Management Procedures

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- Overview of financial management / accounting system
- Budget control, amendments
- Maintaining accounting records
- Journal voucher process
- Cash management and interest remittance
- Spending funds, determining allowability

# Financial Management System

## 2 CFR § 200.302(b)

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1. Identification of Awards
2. Financial Reporting
3. Accounting Records (Source Docs)
4. Internal Control
5. Budget Control
6. Written Cash Management Procedures
7. Written Allowability Procedures



# Identification of Awards

## § 200.302(b)(1)

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All federal “awards” received and expended

- The name of the federal “program”
- Identification # of award
  - CFDA Title and Number
  - Federal Award I.D. #
  - Fiscal Year of Award
  - Federal Agency
  - Pass-Through (If S/A)



# Where do we put financial identification information?

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- “All grant recipients must have the Federal award information in their financial systems and not just on the SEFA [Schedule of Expenditures of Federal Awards].”
  - Letter, dated June 5, 2015



# Budget Control

## § 200.302(5)

- Comparison of expenditures with budget amounts for each award

# Written Cash Management Procedures

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- Must have written cash management procedures to implement requirements of § 200.305 Payment





# Payment

## § 200.305(b)(1)-(4)

- Written procedures must describe whether non-federal entity uses:
  - 1) Advance Payments (preferred)
    - Limited to minimum amounts needed to meet immediate cash needs
  - 2) Reimbursement
    - Pass through must make payment within 30 calendar days after receipt of the billing
  - 3) Working Capital Advance
    - The pass through determines that the nonfederal entity lacks sufficient working capital. Allows advance payment to cover estimated disbursement needs for initial period

# Payment (cont.)

## § 200.305(b)(7)-(8)

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- Advances must be maintained in insured accounts
- Pass through cannot require separate depository accounts
- Accounts must be interest bearing unless:
  1. Aggregate federal awards under \$120,000
  2. Account not expected to earn in excess of \$500 per year
  3. Bank require minimum balance so high, that such account not feasible
  4. A foreign gov't or banking system prohibits or precludes interest bearing accounts.



## Payment (cont.)

### § 200.305(b)(9)

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- Interest amounts up to \$500 may be retained by non federal entity for administrative purposes
- Interest earned must be remitted annually to HHS Payment Management System.

# How do we calculate \$500 of interest?

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- Any additional interest earned **over \$500** must be remitted annually to HHS.
- The \$500 is typically **applied to all grants, not applied individually per grant.**
  - Letter dated, June 11, 2015



# Cash Management (cont.)

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- Timely Obligation of Funds
  - When Obligations are made
- Period of performance of federal awards
- Carryover
- Program income

# When Obligations Are Made

## § 76.707

Type of Obligation	When Obligation Occurs
Acquisition of Property	Date of binding written commitment
Personal Services by Employee	When services are performed
Personal Services by Contractor	Date of binding written commitment
Travel	When travel is taken
Approved Pre- Agreement Cost	On the first day of the grant or subgrant performance period.



# When May Begin to Obligate

## § 76.708

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- Formula Grants:
  - Grantees and subgrantees may begin to obligate funds when:
    - When the awarding agency approves application; or
    - Awarding agency determines application is “substantially approvable”
  - Reimbursement subject to final approval.
- Discretionary Grants:
  - When subgrant is made. However, pre-agreement costs are permissible (reference to 2 CFR Part 200)

# Obligations During Carryover

## § 76.709

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- Funds may be obligated during the carryover period of one additional fiscal year.
- Tydings Amendment
  - Allows extra year to obligate funds
  - Does not apply to all grants
- Under Tydings, funds are available for 24-27 months:
  - 12-15 months under the grant award  
(July 1, 2014 – September 30, 2015)
  - Plus 12 months (carryover period)  
(October 1, 2015 – September 30, 2016)



# Obligations During Carryover

## § 76.710

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- Carryover funds must be used in accordance with the Federal statute and regulation that apply and are in effect for the carryover period and any state plan or application required.

# Spending Grant Funds

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- Classifying costs as direct vs. indirect
- Negotiated indirect cost rate
- Application of indirect rate
- Determining Allowability of costs
  - Written allowability procedures



# Direct v. Indirect Costs § 200.413(c)

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- Salaries of administrative and clerical staff should be treated as “indirect” unless all of following are met:
  1. Such services are integral to the activity
  2. Individuals can be specifically identified with the activity
  3. Such costs are explicitly included in the budget
  4. Costs not also recovered as indirect

# Written Allowability Procedures

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- Not a restatement of Subpart E
- But a roadmap through grant development and budget process
- Training tool for employees





## Cost Principles: “Factors Affecting Allowability of Costs” § 200.403

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All Costs Must Be:

1. Necessary, Reasonable and Allocable
2. Conform with federal law & grant terms
3. Consistent with state and local policies
4. Consistently treated
5. In accordance with GAAP
6. Not included as match
7. *Net of applicable credits (moved to 200.406)*
8. Adequately documented

# Financial Management System

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- Can include Selected Items of Cost section for frequently asked about expenses
  - E.g. Food!!
- EDGAR has 55 specific items of cost - 200.420





# Travel Costs

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- Uniform Grant Guidance § 200.474
- State Rules
- Agency Rules
- Documentation Required to be Maintained

# True or False.

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- Travel paid with federal funds must follow established federal government rates and amounts, even if you have your own written travel policy.



# Procurement

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# Procurement

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- Open competition
- Conflict of Interest
- Solicitation
- Cost/Price Analysis
- Vendor Selection
- P-Cards
- Required Contract Provisions
- Contract Administration
- Protest Procedures





# Procurement

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- States follow their own procurement procedures. 2 CFR § 200.317. Must also comply with:
  - Procurement of recovered materials (200.322)
  - Contract provisions (200.326, Appendix II to Part 200)

# Procurement

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- All other nonfederal entities must have documented procurement procedures which reflect applicable Federal, State, and local laws and regulations.

2 CFR § 200.318(a)





# Conflict of Interest

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- Must maintain written standard of conduct, including conflict of interest policy.

2 CFR § 200.318(c)(1)

# Conflict of Interest

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- A conflict of interest arises when any of the following has a financial or other interest in the firm selected for award:
  - Employee, officer or agent
  - Any member of that person's immediate family
  - That person's partner
  - An organization which employs, or is about to employ, any of the above or has a financial interest in the firm selected for award

2 CFR § 200.318(c)(1)



# Gratuities Policy

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- Prohibition against soliciting or accepting gratuities, favors, or anything of monetary value from contractors or parties to subcontracts
- May set standards in which the financial interest is not substantial or the gift is an unsolicited item of nominal value
  - Consider including examples

2 CFR § 200.318(c)(1)



# Disciplinary Actions

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- Written standards must provide for disciplinary actions for violations of the conflict of interest policies.

2 CFR § 200.318(c)(2)



# Conflict of Interest

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- ▶ If the non-federal entity has a parent, affiliate, or subsidiary organization that is not a state or local government the entity must also maintain written standards of conduct covering organization conflicts of interest. 200.318(c)(2)

# Vendor Selection Process § 200.320

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- ▶ Method of procurement:
  - ▶ Micro-purchase
  - ▶ Small purchase procedures
  - ▶ Competitive sealed bids
  - ▶ Competitive proposals
  - ▶ Noncompetitive proposals

2 CFR § 200.320





# Noncompetitive Proposals

## § 200.320(f)



- Appropriate only when:
  - The item is only available from a single source;
  - There is a public emergency that will not permit delay;
  - The Federal awarding agency or pass-through expressly authorizes noncompetitive proposals in response to a written request from non-Federal entity; or
  - After soliciting a number of sources, competition is determined inadequate.

# Contract Cost and Price

## § 200.323

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- Must perform a cost or price analysis in connection with every procurement action over \$150,000, including contract modifications
- Independent estimate before receiving bids or proposals.
  - Cost analysis generally means evaluating the separate cost elements that make up the total price (including profit)
  - Price analysis generally means evaluating the total price
  - Profit must be negotiated separately for these contracts, and for all noncompetitive awards



# Contract Cost and Price

## § 200.323

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- Q: When must profit be negotiated?
- A: Contracts exceeding \$150k, and all noncompetitive procurements
- Q: How should profit be negotiated?
- A: Districts and states should follow their own contracting rules, which at a minimum meet the federal requirements.
- Q: Will informal product and price comparisons be accepted as competitive comparison (and not be subject to profit negotiations)?
- A: Yes, for micro-purchases and small purchases.

# Inventory & Property Management

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# Inventory Procedure

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- Where is new inventory received?
  - Check for good condition?
  - Receiving report / inventory logged into system
- What property is tagged? (By position /office)
  - Controls for computing devices?
- Physical Inventory
- Maintenance
  - Process when inventory is lost, stolen or broken
- Disposition / replacement

# Inventory/Property Management

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- 2 CFR § 200.313
- Property Classifications
  - Equipment
  - Supplies
  - Computing Devices
- Inventory Procedure
- Loss, Damage or Theft
- Disposition





# Equipment

## § 200.33

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- Equipment: tangible, nonexpendible, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.
- Grantee may also use its own definition of equipment as long as the definition would at least include all equipment defined above.

# Supplies

## § 200.94

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- All tangible personal property other than equipment
  - Computing devices are supplies is less than \$5,000
- Computing devices 200.20
  - Machines used to acquire, store, analyze, process, public data and other information electronically
  - Includes accessories for printing, transmitting and receiving or storing electronic information



# Inventory Records

## § 200.313(d)(1)

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- Serial number or other identification number;
- Source of funding for the property;
- Who holds title;
- Acquisition date and cost of the property;
- Percentage of federal participation in the project costs for the federal award under which the property was acquired;
- Location, use and condition of the property; and
- Any ultimate disposition data including the date of disposal and sale price of the property.

# Use of Equipment

## § 200.313(c)(1) and (2)

- Equipment must be used by the Non-Federal entity in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award.
- When no longer needed, may be used in other activities with the following priority:
  1. Projects supported by Federal awarding agency
  2. Project funded by other Federal agencies
- When used it may be shared (according to the above priorities) provided such use will not interfere with work on the original projects/programs.
- Exception – Private Schools 76.661



# Use of Equipment

## § 200.313(c)(1) and (2)

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- Q: Can equipment be purchased through one project's funds, and be used by a second project?
- A: The project for which the equipment was purchased must have primary access to, and use of the equipment. However, when not being used for that project, it can be used for another Federally-funded project.
  - Allocate costs across two projects
  - Obtain authorization from awarding agencies that equipment serves the same cost objective of both grants, may establish “blended” accounting code for the purchase.

# Disposition of Equipment

## § 200.313(e)

- When property is no longer needed in any current or previously Federally-funded supported activity, must follow disposition rules:
  - Nonfederal entity must request disposition instructions from the federal awarding agency if required by the terms of the grant.
  - Otherwise, may be retained, sold or otherwise disposed as follows:
    - Over \$5,000 – pay federal share
      - If equipment is sold: Federal awarding agency may permit non-Federal entity to deduct and retain \$500 or 10% of the proceeds for selling and handling instructions.
    - Under \$5,000 – no accountability (still must formally dispose)



# Disposition of Supplies

## § 200.314

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If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federal award, must compensate the federal government for its share.

# Time and Effort

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# Time and effort

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- Regulatory standards: system of internal controls
- Semi-annual certifications or PARs?
- Cost Objective
- Reconciliations
- HR Policies
  - Benefits

## “Standards for Documentation of Personnel Expenses” § 200.430

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- NEW: Charges for salaries must be based on records that accurately reflect the work performed
  1. Must be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and properly allocated
  2. Be incorporated into official records
  3. Reasonably reflect total activity for which employee is compensated
    - Not to exceed 100%



# “Standards for Documentation of Personnel Expenses” § 200.430

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4. Encompass all activities (federal and non-federal)
5. Comply with established accounting policies and practices
6. Support distribution among specific activities or cost objectives
7. Budget estimates *alone* do not qualify as support for charges to federal awards

# “Standards for Documentation of Personnel Expenses” § 200.430

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- If records meet the standards: the non-federal entity *will NOT be required to provide additional support or documentation for the work performed* § 200.430(i)(2)
- **BUT**, if “records” of grantee do not meet new standards, ED may require PARs § 200.430(i)(8)
  - PARs are not defined!!



# AEFFA Proposed T&E Flexibility

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1. Certification of Actual Time Worked
2. Blanket Certification
3. Official Record of Employee Activities
4. Electronic Submissions/Approvals
5. Roll-up Time and Effort Tracking
6. Allocation of Effort Using a Basis Other than Time

# Case Study

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- Texas Neighborhood Services v. HHS
  - Issue: Reasonableness of incentive payments and performance bonuses
  - HHS disallowed \$1.3 million in bonus checks



## § 200.430(b)

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- *Reasonableness.* Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity. In cases where the kinds of employees required for Federal awards are not found in the other activities of the non-Federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-Federal entity competes for the kind of employees involved.

## § 200.404

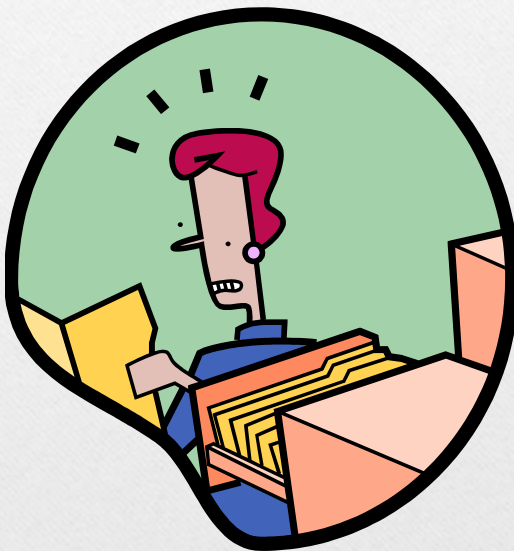
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- A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.



# Record Keeping

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# Record Keeping

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- ▶ 200.333, 200.335
- ▶ Statute of Limitations
  - ▶ ~~3~~ 5 years - GEPA
- ▶ State Policy
- ▶ Agency Policy





# Record Requirements

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- Accounting Records § 200.302(b)(3)
- Property Records § 200.313(d)(1)
- Procurement Records § 200.318(i)
- Allowability requirement – adequately documented § 200.404(g)
- Records related to grant funds, compliance, and performance
  - §§ 75.730, 75.731, and 75.732
  - §§ 76.730 and 76.731

# Record Storage

## § 200.335

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- When original records are electronic and cannot be altered, there is no need to create and retain paper copies.
- When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided they:
  - Are subject to periodic quality control reviews,
  - Provide reasonable safeguards against alteration; and
  - Remain readable.



# Monitoring and Controls

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# Types of Monitoring and Review

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- Subrecipient monitoring
  - Risk-Based Factors
  - Onsite Reviews
  - Desk Reviews
- Internal Controls/ Self-Assessments
- External Reviews
  - Federal monitoring
  - Single Audits
  - OIG Audits



# Subrecipient Risk Assessment

## § 200.331

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- Grantees are required to assess subgrantee risk
  - May be before or after the award
  - Must inform monitoring priorities
  - “Prudent” to assess risk on annual basis
  - Federal Awardee Performance and Integrity System (FAPIIS)

“The procedures for assessing risk should be documented and included as part of a grantee’s written internal controls.”

ED FAQs.

# Subrecipient Risk Assessment

## § 200.331

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- What about contractors?
  - “The Uniform Guidance requires grantees and subgrantees to determine whether each potential contractor has the ability to perform successfully under the terms and conditions of a proposed procurement and consider the contractor’s integrity, compliance with public policy, record of past performance, and financial and technical resources.”
    - 2 CFR 200.318(h)



# Monitoring and reporting program performance § 200.328

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## Monitoring by the “Pass Through”

- Monitor to assure compliance with applicable federal requirements, and performance expectations are achieved
- Must cover each program, function or activity (*see also § 200.331*)
- Must submit “performance reports” at least annually

# Requirements for Pass-Through Entities

## § 200.331

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- Depending on assessment of risk, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
  1. Training + technical assistance on program-related matters
  2. On-site reviews
  3. Arranging for “agreed-upon-procedures” engagements (described in § 200.425)



# Internal Controls

## § 200.303

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- a. Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurances that the entity is managing the award in compliance with federal statutes, regs, and terms of the award.
  - Internal controls “should” be in compliance with:
    - The U.S. Comptroller General’s Standard for Internal Controls in the Federal Government; and
    - Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

# Internal Controls (cont.)

## § 200.303

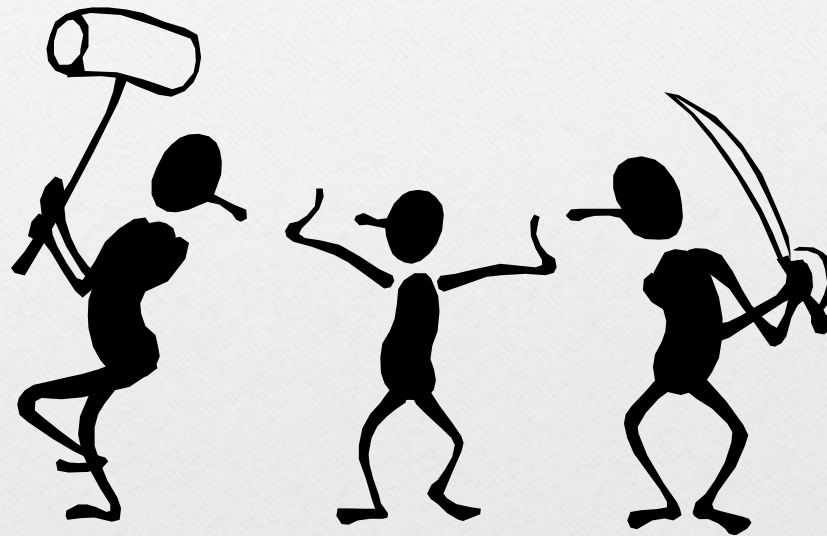
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- b. Comply with Federal statutes, regs, and the terms and conditions of the Federal awards.
- c. Evaluate and monitor the non-Federal entity's compliance with statutes, regs and the terms and conditions of Federal awards.
- d. Take prompt action when instances of noncompliance are identified including in audit findings.
- e. Take reasonable measures to safeguard protected personally identifiable info (PII) and other information designated or deemed sensitive



# Monitoring and Audit Resolution

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# Auditee Responsibilities

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- Arrange single audit
  - Must follow procurement standards
- Prepare financial statements
- Follow up and corrective action on findings
- Provide access (2 C.F.R. 200.508)



# Corrective Action Plan

## § 200.511(c)

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- ***Corrective action plan.*** At the completion of the audit, the auditee must prepare ... a corrective action plan to address each audit finding included in the current year auditor's reports.
- The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.
- If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

# Cooperative Audit Resolution (CAROI)

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- § 200.513: The Federal awarding agency must use cooperative audit resolution to improve federal program outcomes
  - Cooperative Audit Resolution means the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust and developing an understanding between the Federal agency and non-Federal entity (200.25).



# Case Study

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- OIG audits of Illinois, North Carolina and Massachusetts' procedures governing LEA single audit resolution
  - Recommended: CAROI resolution between SEA and LEA

# Programmatic Fiscal Requirements





# Programmatic Fiscal Requirements

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- Supplement Not Supplant
- Maintenance of Effort
- Matching and Cost Sharing
- Hold Harmless

# Programmatic Requirements





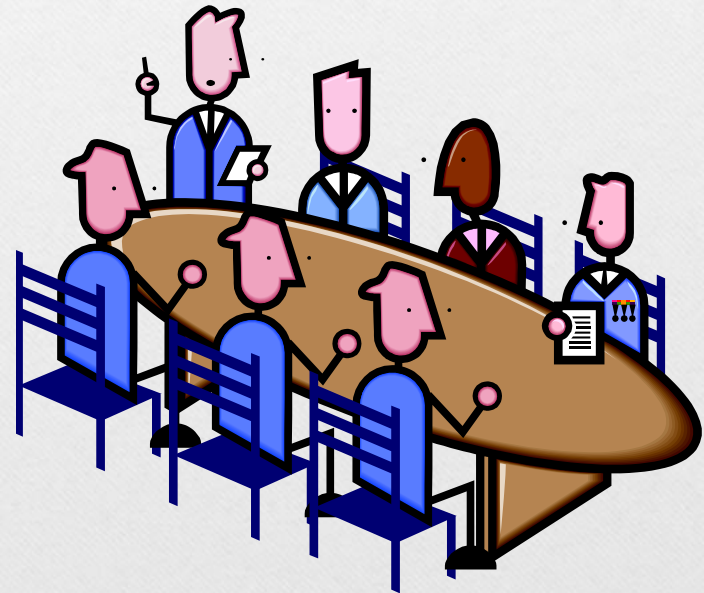
# Programmatic Requirements

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- Programmatic Compliance
  - Application Process
  - Eligible recipients
  - Set-asides
  - Other

# Now What!?!

- Training
- Review and Revise
- Where are Policies and Procedures Located?





# QUESTIONS?

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