NEVADA GRANT LAB

An Auditor's Perspective:
Quick Guide to Being an
Excellent Federal Grant Manager

4 Major Post-Award Compliance Requirements

About Nevada GrantLab
Nevada GrantLab supports nonprofit organizations and their government partners to access and administer federal grants that benefit Nevadans. Our work is backed by a network of passionate experts who provide guidance and technical assistance, and is made possible by generous philanthropic support.

In addition to helping your organization grow and sustain, obtaining a federal grant can also provide much-needed funding for community programs and services that benefit Nevadans. Securing and managing a federal grant comes with significant responsibilities. **All organizations applying for and managing federal grants should be aware of the following four major post-award compliance requirements:**

1 ▶ Single Audit

An organization expending $750,000 or more in federal funds during a fiscal year must conduct a rigorous organization-wide audit.

2 ▶ Overall Compliance

Adhering to federal award requirements involves a blend of financial management and programmatic reporting.

3 ▶ Internal Controls

A high-functioning internal controls environment ensures efficient operations, transparent reporting, and good overall compliance.

4 ▶ Financial Management

A robust financial management system ensures accurate and timely dissemination of information related to federal grant expenditures

About the Experts

Prepared by: Houldsworth, Russo & Company, P.C. (HRC)

At HRC, we have served the nonprofit community for over 20 years. We believe in sharing our expertise and partnering with our nonprofit clients to ensure financial and programmatic success. Contact us at admin@trusthrc.com or 702-269-9992.

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1 ▶ Single Audit

Grantees expending $750,000 or more in federal dollars during a single fiscal year are required to conduct and submit a Single Audit. **A Single Audit is an independent examination to determine if the organization used all funds in compliance with federal rules and regulations.**

The Single Audit includes a comprehensive review of the organization's financial statements and records, expenditures, and internal controls, along with various tests designed and conducted to verify that policies and procedures are in place and functioning adequately. In addition to standard financial records, the audit reviews programmatic records, such as:

- **Documented minutes of federally funded program team meetings about risk assessment**
- **Intake forms to document eligibility of program participants**
- **Checklists documenting proper paperwork filing and maintenance**
- **Notes, authorizations, and activities undertaken by individuals who prepare, review, and monitor programs and files**

The auditor may correspond with the funding agency and your personnel, as well as review other grant-related documents to collect information. If the auditor determines that you are out of compliance with requirements or identifies deficiencies in your internal controls, the deficiencies may be documented as "findings" in your Single Audit Report. Organizations that have documented findings may be required to prepare a corrective action plan that details their response to the findings. Moreover, audit findings can harm an organization's eligibility and competitiveness for future awards.

The Single Audit Report must be submitted to the Federal Audit Clearinghouse annually, no later than 30-days after receipt of the Single Audit Report (or 9-months after the entity's year-end).

For more information, visit www.singleaudit.org.

Is Your Organization Prepared for Post-Award Management?

Prior to applying or accepting a federal grant, organizations must be prepared for all required auditing, overall compliance, internal controls, and financial management responsibilities. Organizations should ask:

Single Audit
- Have we conducted a Single Audit recently? Do we know what that entails?
- As a result of a new award, will we expend $750,000 or more in federal funds (including all grants, not just the new award) in a single fiscal year?
- Have we budgeted for the cost of a Single Audit, or did we request full funding for it in the grant budget?

Overall Compliance
- Have all appropriate personnel been trained on federal grant compliance?
- Have we carefully reviewed the applicable federal grant agreement(s) and understand the compliance requirements for each specific award?
- Do we have policies and procedures, technology, and personnel in place to support ongoing compliance?

Internal Controls
- Are current processes and procedures sufficient to ensure compliance with reporting and record keeping?
- Have we had internal control deficiencies reported in previous audits?

Financial Management
- Do we have accounting personnel and processes in place for tracking federal award expenditures?

2 ▶ Overall Compliance

As a condition of accepting and expending federal dollars, grantees must comply with strict rules and regulations and maintain internal controls that provide reasonable assurance of compliance.

There are 12 areas of required compliance and assurances, including: activities and costs that are allowed or unallowed, cash management, procurement, beneficiary eligibility, reporting, and subrecipient monitoring.

There is no one-size-fits-all approach to planning for and maintaining overall federal grant compliance, so it is critical that your organization:

1. **Review and understand** the Federal Government's Uniform Guidance, located in title 3 of the Code of Federal Regulations (2 CFR 200), prior to applying for and accepting a grant.
2. **Plan and test** policies, procedures, and internal controls that will ensure compliance in all required areas.
3. **Train** all personnel involved in grant-funded programs so they understand and can perform their role(s).

For more information on overall compliance, visit the Compliance Supplement:

https://www.whitehouse.gov/wp-content/uploads/2020/08/2020-Compliance-Supplement_FINAL_08.06.20.pdf

[1] Awards from certain Federal agencies (e.g. HHS) are regulated under different sections of the CFR. 2 CFR Part 200 is the most common and, therefore, will be the focus of this practice aid.

3 ▶ Efficient Internal Controls

Internal Controls are defined as "a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance." Efficient internal controls ensure an organization's assets are safeguarded, and that its reporting is reliable.

Federal grant recipients must maintain an appropriately designed, high-functioning, and continuously monitored internal control environment to ensure compliance with federal grant regulations.

Best practices include:

1. **Control Environment (aka the "Tone at the Top")** – leaders at all levels modeling positive attitudes, actions, standards, and processes.
2. **Risk Assessment** – continuous monitoring of risks to internal controls and compliance.
3. **Control Activities** – proactive efforts to eliminate or mitigate identified risks.
4. **Information and Communication** – reliable internal and external reporting of financials, internal controls, and other compliance information.
5. **Monitoring Activities** – periodic or ongoing reviews of each of the components above, modifying as needed.

For more information about internal controls, view the COSO Internal Control-Integrated Framework at https://www.coso.org/pages/ic.aspx
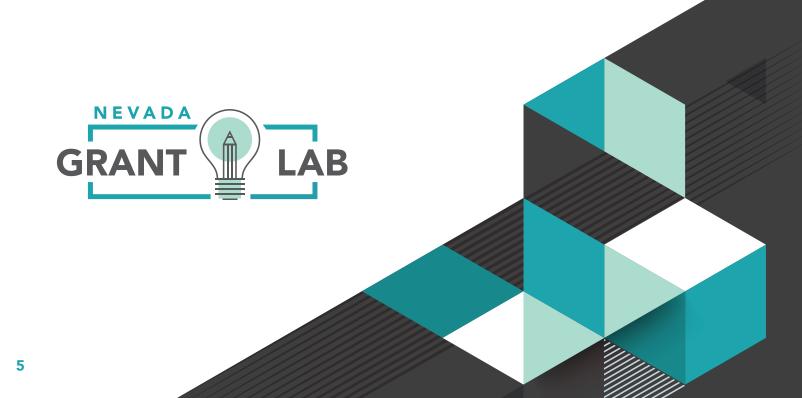
4 Financial Management

Your organization must have a financial management system capable of providing accurate and timely information on federal grant expenditures. An organization's financial management system typically consists of general ledger software (e.g. QuickBooks), spreadsheets (e.g. Excel), and grant reports.

3 best practices for setting up an efficient financial management system:

1. Use classifications within your software to track federal grant expenditures.

2. Ensure federal grant expenditures are only allocated to one program/grant award to avoid "double dipping" expenditures.

3. Utilize a consistent methodology for allocating indirect program costs, such as calculating the percentage of a facility that is being utilized for the federal program.

Key Terms

2 CFR Part 200 (aka "Uniform Guidance") – comprehensive regulatory guide for receipt and use Federal awards.

Catalog of Federal Domestic Assistance (CFDA) Number – unique federal award number assigned to each program.

Direct Cost – an allowable cost that is directly tied to the execution of a federal award program.

Federal Award – award of federal financial assistance to a non-federal entity, often in the form of a cost-reimbursement arrangement.

Federal Grant – a grant sourced from federal funds; an entity may receive multiple grants under one federal award.

Indirect Cost – allowable costs that benefit more than one cost objective, such as facilities and administrative costs.

Office of Management and Budget (OMB) Compliance Supplement – an annual guide that provides guidance to auditors on the relevant compliance and auditing requirements of federal awards.

Pass-through Entity – a non-federal "pass-through" entity that passes federal award funding to a subrecipient.

Schedule of Expenditures of Federal Awards (SEFA) – a schedule prepared by a federal award recipient in accordance with 2 CFR 200.510.

Single Audit – type of audit required when federal award expenditures exceed $750,000 in any given year. A Single Audit is comprised of both a financial statement audit and a Uniform Guidance audit.

Subrecipient – a non-federal entity that receives federal award funding through a pass-through entity.

Reimbursable Grants (aka "Drawdown" Grants) - grants in which the recipient must make expenditures in line with allowable costs of the grant award, then submit evidence of these expenditures for reimbursement.

Federal Award Recipient Requirements – located in 2 CFR 200 Subpart D are the requirements for recipients of federal awards. These include details about appropriate financial management, internal controls, compliance requirements, and other important guidelines for managing federal grants.