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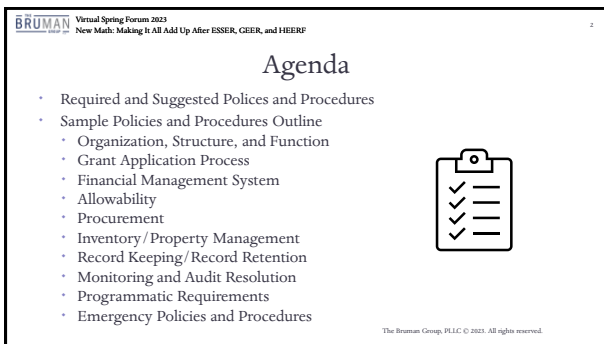
Virtual Spring Forum 2023

Ensuring Compliant Policies and Procedures

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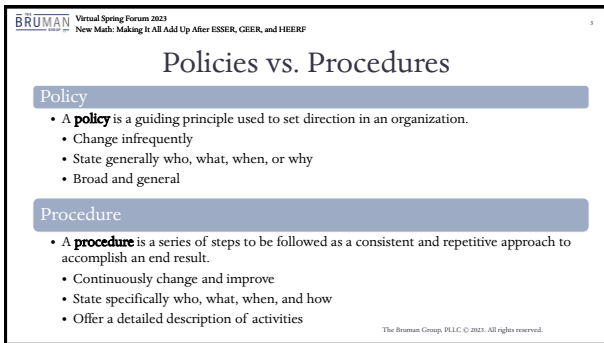
Agenda

- Required and Suggested Polices and Procedures
- Sample Policies and Procedures Outline
 - Organization, Structure, and Function
 - Grant Application Process
 - Financial Management System
 - Allowability
 - Procurement
 - Inventory/Property Management
 - Record Keeping/Record Retention
 - Monitoring and Audit Resolution
 - Programmatic Requirements
 - Emergency Policies and Procedures



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Policies vs. Procedures

Policy

- A **policy** is a guiding principle used to set direction in an organization.
 - Change infrequently
 - State generally who, what, when, or why
 - Broad and general

Procedure


- A **procedure** is a series of steps to be followed as a consistent and repetitive approach to accomplish an end result.
 - Continuously change and improve
 - State specifically who, what, when, and how
 - Offer a detailed description of activities

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Purpose of Policies and Procedures



But also...

- Internal Controls
- Staff Changes and Transitions
- Avoid Audit & Monitoring Findings

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Required Policies

- ✕ Conflicts of Interest Policy – 2 CFR 200.318(c)
- 📄 Accounting Policies – 2 CFR 200.306(h)(2)(i); 200.400; and 200.430(i)(v)
- 🕒 Time and Effort Policies – 2 CFR 200.430(a)(2)
- 👤 Fringe Benefits Policies – 2 CFR 200.431
- ⊕ Employee Health and Welfare Policies – 2 CFR 200.437(a)
- ✈️ Travel Reimbursement Policy – 2 CFR 200.475(a)

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Required Procedures

- 📄 Procedures - Real property sales procedures – 2 CFR 200.311(c)(2)
- 📄 Time & Effort Procedures – ED Cost Allocation Guide
- ✓ Written Allowability Procedures – 2 CFR 200.302(b)(7); 200.403(c)
- 🏠 Written Cash Management Procedures – 2 CFR 200.302(b)(6) and 200.305
- 📄 Written Procurement Procedures – 2 CFR 200.318(a), 200.319(d), and 200.320
- 📄 Procedures for Managing Equipment – 2 CFR 200.313(d)


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Suggested Policies and Procedures

- Record Retention
- Audit Resolution
- For the pass-through entity: Subrecipient Monitoring
 - listed in OMB Compliance Supplement
- Program Specific Requirements



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Process to Draft Policies and Procedures

Determine Goal	Grant specific or cross cutting?
Create Team	Include both fiscal and programmatic personnel (very important)
Create	Create a table of contents
Assign	Assign subjects/ responsibilities
Create	Create timeline for completion
Determine	Determine if required to have adoption by board or other governing body

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Testing Policies and Procedures

Why should we test policies and procedures? It's required!

Internal Controls MUST (200.303):

- Comply with requirements (U.S. Constitution, Statutes, Regulations, etc.)
- Evaluate and monitor compliance
- Take prompt action to correct noncompliance
- Safeguard personally identifiable information (PII)

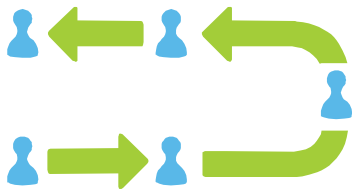
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Suggested Table of Contents

- I. Organization, Structure, and Function
- II. Grant Application Process
- III. Financial Management System
- IV. Allowability
- V. Procurement
- VI. Inventory/Property Management
- VII. Record Keeping/Record Retention
- VIII. Monitoring and Audit Resolution
- IX. Programmatic Requirements
- X. Emergency Policies and Procedures



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I. Organization, Structure, and Function

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Organization, Structure, and Function

 Organization chart and general descriptions	Offices Sections Divisions
 Outside entities with grant administration responsibilities	MOU/MOA

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Organization, Structure, and Function Best Practices

- Include information about all offices, sections, divisions or employees that have responsibility for grant administration
 - Procurement, inventory, cash management
- Describe any entities outside of the agency that have grant administration responsibilities
 - Correctional facilities, secondary/postsecondary agency, partner agency
 - MOU/MOA between the grantee and outside agency

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II. Grant Application Process

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Grant Application Process




- State-Administered Grant vs. Direct Grant
 - What offices makes the decision regarding what grants to apply for?
 - Approvals and Authorizations
 - Process after the grant is awarded
- If Pass-Through Entity:
 - Discuss how subgrantees apply for grants
 - Responsible for risk analysis prior to issuing award! (Uniform Grant Guidance)

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Grant Application Process Best Practices

-  Standardize how the agency determines which grants to apply for and the application process itself.
-  Meet with appropriate parties to be certain you want to accept the grant and have the capacity to administer the program.
-  If grant is awarded, start with grant team meetings.

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
III. Financial Management

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Financial Management

-  Identification of awards
-  Financial reporting
-  Accounting records
-  Internal controls
-  Budget control
-  Written procedures for cash management
-  Written procedures for determining allowability

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Timely Obligation of Funds

- **Period of Performance:** The total estimated time interval between the start of an initial Federal award and the planned end date.
- May have more than one budget period within period of performance; renewal starts a new period of performance (200.1)

Type of Obligation	When Obligation Occurs 34 CFR 76.707
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.

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Cash Management (200.305(a),(b))

- Advance v. Reimbursement Payment System
 - For non-federal entities, payments must minimize time elapsing between draw down and disbursement (not obligation)
- Cash advances must be maintained in insured accounts
- Accounts must be interest bearing, unless an exception applies
- Interest earned must be remitted annually to HHS Payment Management System
- Interest amounts up to \$500 may be retained by non-federal entity for administrative purposes.

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Closeout (200.344)

- Subrecipients must prepare closeout reports and final accounting within 90 days after period; pass-through entities have **120 days**
- Unless federal or pass-through gives extension, all financial obligations must be liquidated no later than **120 days** after period ends
 - Effectively limit subrecipient liquidation to 90 days

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Financial Management System Best Practices

Include information on:

- Your accounting system(s)
- Process for comparing budgets to expenditures
- Process and authorizations for budget revisions
- Period of performance and when obligations are made
- Process for carryover

BEST PRACTICE

*Make sure to incorporate state/agency requirements!

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YES



NO





IV. Allowability

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Basic Factors of Allowability

2 CFR 200.403

To be allowable, a cost must:

- **Be necessary, reasonable and allocable**
- Comply with the cost principles and federal award
- Be consistent with policies and procedures applying uniformly to federal and nonfederal activities and costs
- Be consistently treated as either direct or indirect costs
- Be determined in accordance with GAAP
- Not be included or used to meet cost sharing / match requirements
- Be adequately **documented**
- **Incurred during the approved budget period.**

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Allowability Best Practices

Include:

- Factors on how to address necessary and reasonableness requirements
- Defined terms
- How to document cost-price analysis
- Required approvals, etc.



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V. Procurement

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Procurement Standards (200.318)

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

Open and Full Competition (Maximum Extent Possible)	Conflict of Interest Rules	Mandatory Disclosures (200.112, 200.113)
Specific Thresholds for Purchasing	Domestic preference (200.322); but no local preferences (200.319(c))	Contract Administration System

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Conflict of Interest (200.318(c)(1))


- Must maintain written standard of conduct, including conflict of interest policy, that addresses all conflicts, gratuities, violations, required reporting, etc.
 - Must address organizational conflicts of interest (200.318(c)(2))
- Must address mandatory reporting:
 - Conflict of Interest (200.112)
 - Mandatory Disclosures (200.113)

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Methods of Procurement (200.320)



- Informal
 - Micro-purchases
 - Small purchases
- Formal
 - Competitive sealed bids
 - Competitive proposals
- Noncompetitive proposals

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Informal Procurement (200.320(a)(1))

Micro-purchases

- Thresholds: Determined and documented by grantee, based on internal controls, risk, and procedures
 - Authorized by state, local laws
 - May be higher than threshold in FAR (\$10,000).
 - Nonfederal entity may self-certify threshold up to \$50,000, if:
 - Low-risk auditee for most recent audit (200.520)
 - Annual internal institutional risk assessment to identify, mitigate and manage financial risks; or
 - For public institutions, a higher threshold consistent with state law
 - Over \$50,000, must have approval of cognizant agency indirect costs

Small Purchases

- Thresholds: Established based on internal controls, risk and procedures, and documented
 - Cannot exceed the threshold in FAR (\$250,000) but may be lowered
- Price or rate quotations from "adequate number of qualified sources" as determined appropriate by non-federal entity

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Formal Procurement (200.320(b))

- Purchases that exceed small purchase threshold (\$250,000, or lower, if set by the non-federal entity)
- Require documented procedures and public advertising
- Two options:
 - **Sealed bids**
 - Used when:
 - A complete, adequate, and realistic specification or purchase description is available
 - Two or more responsible bidders are willing and able to compete effectively
 - The procurement lends itself to a firm, fixed-price contract and selection is principally based on cost
 - **Proposals**
 - Used when the exact specifications of the item to be purchased or the services to be rendered are difficult to describe
 - Must have a written method for conducting technical evaluations of proposals and making selections
 - Contract is awarded to offeror whose proposal is most advantageous considering price and other factors

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Noncompetitive Proposals (200.320(c))

- Appropriate only when:
 - Micro-purchase
 - The item is only available from a single source;
 - There is a public emergency for the requirement that will not permit delay resulting from publicizing a competitive solicitation;
 - The Federal awarding agency or pass-through expressly authorizes noncompetitive procurement in response to a written request from non-Federal entity; or
 - After soliciting a number of sources, competition is determined inadequate


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Domestic Preferences for Procurements (200.322)

- “To the greatest extent practicable” must provide a preference for the purchase of goods and materials produced in the U.S.
- Must include this section in all subawards, contracts and purchase orders



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Suspension and Debarment



- For contracts over \$25,000 you must verify that the person with whom you intend to do business is not excluded or disqualified.
- This MUST be done by either:
 - Checking SAM
 - Collecting a certification from that person
 - Adding a clause or condition to the covered transaction with that person

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Procurement Best Practices

- Review breadth of conflict-of-interest policy
 - Separation of duties
 - Service contracts vs. Contracts for goods
 - Contract thresholds and process for entering into contracts within each threshold amount
- *Note: State / agency requirements are often more restrictive than federal rules
- Describe process to ensure that the terms of the contract are met



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VI. Inventory Management

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Inventory Definitions

Equipment:
Tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit

Supplies: All tangible personal property other than equipment

Computing Devices:

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Inventory Procedures (200.313(d))

- Property records
 - Description, serial number or other ID, source of funding, title, acquisition date and cost, percent of federal participation, location, use and condition, and ultimate disposition date including sale price
- Physical inventory at least every 2 years
- Control system to prevent loss, damage, theft
 - All incidents must be investigated
- Adequate maintenance procedures
- If authorized or required to sell property, use proper sales procedures to ensure highest possible return

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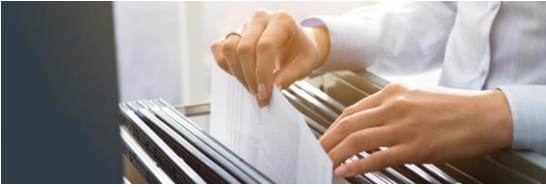
Inventory Best Practices

- Define property classification and internal controls for each classification
- Review inventory records to ensure all required categories are maintained
- Policy regarding lost, stolen or damaged items
- Clear disposition procedures



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VII. Record Keeping and Record Retention

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Documentation Requirements

- Retention Requirements For Records (200.334)
- When original records are electronic and cannot be altered, there is no need to create and retain paper copies. (200.336)
- UGG = **three years**
- BUT... Watch applicable Statute of Limitations!
 - (Example, USDE = 5 years under the General Education Provisions Act)

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Record Keeping and Record Retention Best Practices


- Describe method for collection of records
 - How PII and FERPA are met
- Storage of records
- Disposition of records



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VII. Monitoring and Audit Resolution

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Monitoring

Internal Monitoring of Agency	Monitoring of Subrecipients	Risk-based Factors	Onsite Reviews
Remote Monitoring	Desk Reviews	Self-assessments	Follow-up

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Monitoring and Reporting Program Performance (200.329)

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
- Must submit "performance reports" at least annually
- Monitoring tools utilized (*see also* 200.332)

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Monitoring Best Practices

- **Risk-based monitoring system**
- Common factors:
 - Amount of grant
 - Timeliness of reports
 - Transition in staff
 - History with grants
 - Recent audit findings
- **Process for monitoring subrecipients**
 - From notification to issuing report and timeline
 - Site visits, desk reviews, self-assessments
 - Fiscal and Programmatic reviews
- **Ensure findings are resolved**
 - Corrective action plan, closeout letter, future monitoring


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Audit Resolution

- Single Audit
- Uniform Grant Guidance – Subpart F
- Resolution of Findings
- Review of Subrecipients’ Single Audits



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Audit Resolution Best Practices

- Assign responsibilities for managing audit requests
 - Assign main contact
- Create process for resolution of findings
 - Corrective Action Plan, Timeline
- Process for reviewing subrecipients’ single audits

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IX. Programmatic Requirements and Program Fiscal Requirements

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Programmatic vs. Fiscal Requirements

✓	✗
Programmatic Requirements	Programmatic Fiscal Requirements
<ul style="list-style-type: none"> Eligibility of Participants Allowable Items of Cost Notification Requirements 	<ul style="list-style-type: none"> Supplement Not Supplant Maintenance of Effort Matching and Cost Sharing Hold Harmless Excess Costs Comparability Rank and Serving Requirements

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Program/Fiscal Requirements Best Practices

- Describe requirement and how the agency complies with the applicable requirement
- Allowable use of funds
- Required approvals, etc.

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X. Emergency Policies and Procedures

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Emergency Policies and Procedures



- What is process for addressing emergency situations?
- Changes to:
 - Compensation / benefits procedures
 - Time and effort procedures
 - Travel reimbursements
 - Allowability procedures
 - Inventory management procedures, etc.


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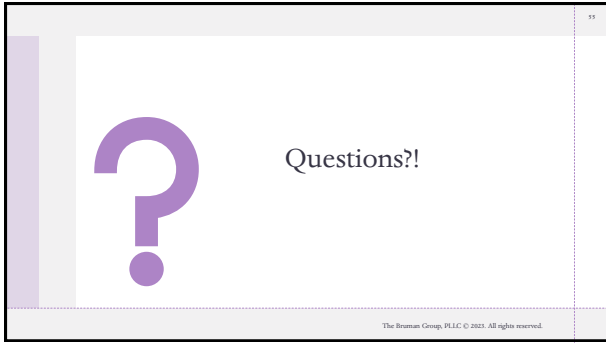
After Your Policies and Procedures Are Done...

- Make policies and procedures easily available to staff!
- Training!!!!
- Review and Revise (annually/as-needed)

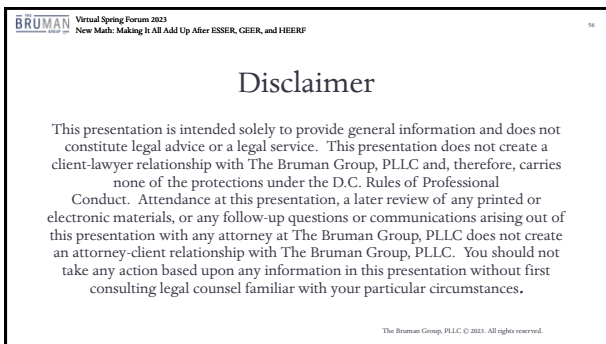


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