Financial Monitoring of Subgrantees

AmeriCorps State and National 2015 Symposium

Corporation for National & Community Service
Financial Monitoring of Subgrantees
You need to know . . .

The information in this session is based on CNCS and Federal laws, rules, and regulations; CNCS grant terms and provisions; and generally accepted accounting and financial principles and practices.

As a state commissions, national grantees, or parent organizations you may impose additional requirements.
Welcome . . .

- Introduction of trainer and CNCS staff
- Program types represented
  - State Service Commissions – National Directs
- Questions
  - As we go . . . ask clarifying questions and provide your experiences
  - Questions at the end as time permits
- We will do small group activities as time permits
Session Objectives

1. Understand monitoring purposes and grantee’s responsibilities
2. Increase knowledge of monitoring principles and key review areas
3. Understand risk-based approach to monitoring
4. Identify and understand frequently found issues
5. Understand various methods, tools, and available resources
Session Outline

• Purpose of monitoring
• Grantee responsibilities
• Keys to effective monitoring
• Risk assessments
• Monitoring methods and tools
• Basic areas to review
• Frequent issues
• Small group activities
• Monitoring resources
Purpose of Financial Monitoring

- Ensure compliance with rules, regulations, and requirements
- Safeguard Federal funds against fraud, waste, and abuse
- Help identify actual and potential issues
- Identify technical assistance and training needs
- Ensure follow-up on issues and corrective actions
Grantee Responsibilities

Even though grantee is subgranting Federal funds

Grantee Retains Overall Responsibility

- Appropriate award documents and requirements
- Program, financial, and management oversight
- Award monitoring and compliance
- Issue identification, reporting, and resolution
- Possible liabilities and cost disallowances
- Possible repayment of unallowable or disallowed costs
Keys to Effective Monitoring

- **Subgrant** – Develop detailed agreement that defines expectations and roles of both parties
- **Accountability and reporting** – Clarify expectations on frequencies and requirements
- **Training and technical assistance** – Identify needs and invest time to orient and train subgrantees; provide assistance as needed
- **Best practices** – Identify and share effective practices with others to increase effective management
- **Risk assessment** – Conduct pre-award and post-award assessments to identify levels of risk and monitoring priorities
- **Monitoring methods** – Conduct continuous and scheduled monitoring using appropriate methods and tools
Assessment of Risk

- A careful, consistent process to examine factors that could cause financial or other harm to your programs
- Consider risk factors and identify level of risk or monitoring priorities
- Consider factors in: organizational, award, financial, compliance, program, and other areas
- Consider risks prior to making award and during award period
- Consider appropriate methods/techniques to minimize and monitor risks through a risk-based monitoring system
Risk-Based Monitoring System

A written approach for assessing risks of subgrantees and determining appropriate strategies for monitoring them

- Establish appropriate risk factors to be considered
- Assign weights to various factors
- Review factors for each subgrantee
- Establish risk level for each subgrantee, e.g., H, M, L or 1, 2, 3
- Review and adjust risk levels as changes occur
- Consider need, priorities, available resources, and frequency for monitoring
- Determine appropriate monitoring strategy and develop a plan for each subgrantee
Assessment Factors (examples)

- Organization, key financial and management experience with CNCS grants – staff & other changes
- Results of financial system survey/assessment
- Timeliness & accuracy of financial reports
- Meeting budgeted and minimum match
- Date and results of prior monitoring & compliance
- Appropriateness/timeliness of corrective actions
- Results of A-133 or other audits
- Programmatic factors
Monitoring Methods & Plan

Methods

• Desk Reviews – office-based
• Site Visits – on-site monitoring at subgrantee
• Other – phone calls, emails, financial reports, audit and other report reviews, approval requests, memos, letters, meetings, conferences, trainings, technical assistance

Monitoring Plan

• Identifies monitoring method(s) and tools to be used for each subgrantee, as well as frequency and emphasis, if any
Monitoring Tools

- Written checklist/questionnaire grouped by subject area with specific review items or elements
- Standardized, used consistently, updated as needed
- Includes: name of subgrantee, date, name of reviewer, items reviewed, and results of review
- Identifies needed or recommended actions and due date based on review findings
- Copy of completed tool and results provided to subgrantee and maintained by grantee in file and used for follow-up
Basic Financial Areas to Review

- Financial reports from subgrantees
- Identification of expenses to support reimbursement requests
- Supporting or source documentation for specific expenses and match
- Internal Controls – written policies and procedures, e.g., grievance procedures, criminal background check procedures, general organizational controls
- A-133 and other audit reports
- Other reports, emails, correspondence, files
Review each document for:

- Appropriateness
- Accuracy
- Timeliness
- Expected content and format and meeting requirements
- Appropriate approvals
- Other relevant, current or frequent issues
- Identification of follow-up monitoring needed
Key Site Visit Review Areas

- **Financial accounting system** — Adequate, generally accepted principles
- **Award and regulatory requirements** — Awareness of, understanding, compliance
- **Grantee policies and procedures** — Written, adequate, followed
- **Internal controls and separation of duties** — Written, adequate, followed
- **Expenditures** — Appropriately documented, recorded, allocated, allowable
Key Site Visit Review Areas (cont’d)

- **Personnel time and activities** – Appropriately documented and allocated
- **Match (cash and in-kind, if applicable)** – Appropriately documented, recorded, allocable
- **Financial reports** – Internal and external; supported by accounting records
- **Participant files, if applicable** – Complete, eligibility, time records, service, forms, prohibited activities, other
- **Source documentation** – Clear, retained, sufficient audit trail
Additional Review Areas

- **Serve America Act** – Grantee’s FFR (AmeriCorps only) must include:
  - Amount and source of other Federal funds used under grant, including subgrantees
    - Need to obtain/verify this information from subgrantees

- **Host Sites/Placements** – Check participant files, including participant and supervisor timesheets to confirm accuracy in reporting and appropriate participant activities
Categories of Monitoring & Audit Issues

• **Questioned costs**
  – Check for unallowable, unnecessary, and unsupported costs or participant costs before or after service begins/ends

• **Compliance**
  – Check for non-compliance with grant and regulatory requirements, policies, and procedures

• **Internal controls**
  – Check for weaknesses that affect safeguarding of funds and grant compliance such as in systems, policies, procedures, and practices
Frequent Issues

**Budgets and Reports**
- Difference between financial reports and accounting records (don’t track back or reconcile)
- Costs not included or approved in budget
- Duplicative costs
- No periodic comparison of budgeted to actual expenditures
- Major variances between budgeted to actual expenditures

**Questioned or Unallowable Costs**
- Missing or improper documentation
- Costs paid before or after grant period
- Non-compliance with applicable cost principles

**Expenditures**
- Costs not properly documented, recorded, or tracked

See Handout 1
Frequent Issues (cont’d)

**Travel, Contractor, and Consultant Costs**
- Not justified or supported
- Consulting rate exceeds maximum allowed
- Reimbursement inappropriate

**Separation of Costs**
- Not separated by direct/administrative, by grant, or by grant year

**Administrative Costs**
- Exceeded 5%, if applicable
- Charged to program costs
- Indirect costs charged at unapproved, outdated, or inappropriate rate
Frequent Issues (cont’d)

**Accounting System**
- Entries, transactions, and amounts not supported by source documentation or appropriately approved

**Audit Reports**
- A-133 and other subgrantee audits not received, tracked, reviewed, or followed-up

**Non-Compliance**
- Federal rules, regulations, and requirements
- Grant requirements and provisions
- Own policies and procedures

**Systems and Controls, Separation of Duties, Internal Controls**
- Inadequate

**Reconciliations**
- Not performed or not performed on a timely basis
Frequent Issues (cont’d)

Personnel Costs
- Staff timesheets/records not signed/certified by individual or supervisor
- Staff time not properly documented and allocated to various activities
- Charges and costs not based on actual after-the-fact records, but on budgeted or pre-established amounts or percentages (not allowed for non-profits)
- Timesheets do not comply with applicable OMB/CFR cost principles

Match (Cash and In-kind)
- Shortfall
- Source not identified
- Not properly documented, recorded, or tracked
- Missing or improper source documentation
- Allocation – systems did not track
- Valuation – reasonableness – relation to award
- Inadequate system of tracking match expenditures
Frequent Issues (cont’d)

Financial Reports

• Examples: financial reports, expense reports, reimbursement requests
• Delinquent – not submitted or late
• Inaccurate – math errors, mistakes from previous periods, needed revisions
• Don’t reconcile with or track back to accounting records
• Report budgetary data rather than actual expenditures
• Report same amount each month as $\frac{1}{12}$ of one year’s budget
Frequent Issues (cont’d)

- Eligibility for service is missing: citizenship, education attainment, age verification
- Criminal history checks not completed or improperly documented
- Missing, incomplete, or improper timesheets
- Timesheets not signed and dated by participant and supervisor (AmeriCorps)
- Improper living allowances – excessive payments, paid on an hourly basis, paid after exiting
- Failure to pay at current rate (below the minimum for full-time or above the maximum for any term type)
- Misapplication of FICA
- Service hours – unsupported, insufficient, before or after award member agreement was signed or after completion of term of service
- Incomplete or missing records, documentation, or forms
- Exceeded 20% of total hours spent on training and education activities – AmeriCorps only
Frequent Issues (cont’d)

Documentation

Needed for systems, policies, procedures
Needed for all financial transactions, entries

Common problems:
– Does not support charges or transaction
– Missing
– Inadequate
– Improper
– Records or files not retained
AmeriCorps Monitoring Approach

Three stage approach:

• **Prevent** – focus on information, training, understanding to avoid issues

• **Detect** – develop early and more thorough ways to find or identify issues

• **Enforce** – develop ways to correct or resolve issues, or apply possible sanctions

Approach applies to all monitoring areas, but with specific emphasis on **Prohibited Activities** by members
AmeriCorps Monitoring – Prohibited Activities (cont’d)

Example . . . Prohibited Activities By Members

Prevent:
– Identify and list prohibited activities in various documents
– Include in position descriptions
– Require specific training on

Detect:
– Require an annual certification of monitoring
– Review position descriptions
– Interview members and supervisors
– Use more in-depth and open ended questions
– Identify actual issues and questionable situations

Enforce:
– Follow-up on findings
– Stop prohibited activities
– Resolve questionable situations
– Correct situation that led to issue
– Report situation; consider appropriate sanctions
Activity

Site Visit Monitoring

1. Break into small groups (3-5)
2. Review 1 or 2 assigned scenarios and findings
3. Identify issues (if any) and discuss:
   1. Why are these issues?
   2. What actions, if any should be taken – and by whom?
4. Group spokesperson reports out
5. General discussion by all
Activity

True – False Activity

See Activity 2
Financial Monitoring – Handouts

• EXAMPLE – Financial Site Visit Review Items

• Overview of Site Visit Monitoring Process

See Handouts 2 & 3
Additional Resources

On the Web

– National Service Knowledge Network: http://www.nationalservice.gov/resources/financial-management

Colleagues & Peers

– Network and share best practices with others
– Risk-Based Monitoring Systems (examples)
– Monitoring Tools, Checklists (examples)
Activity

Financial Monitoring

• True/False Activity – review answers
Taking it Home!

1. Create a risk-based monitoring system
2. Establish a monitoring plan for each subgrantee
3. Develop/use appropriate desk, on-site, and other tools for financial monitoring
Questions?

Open

Wrap-Up

Evaluation