




Internal Controls: Providing an Effective Control Environment






Why This Session Is Needed

Uniform Guidance has expanded the requirements and increased the focus on internal controls	Internal controls are key to protecting and safeguarding grant assets
Internal controls help ensure compliance	Policies and procedures reduce risk that can impede the accomplishment of objectives

Internal Controls 2



Lesson Overview & Module Objectives

Internal Control Requirements	• Identify the Uniform Guidance's internal control requirements
Control Framework	• Describe the components and activities of an effective internal control framework
Key Control Activities	• Identify the functions and operations that must have written policies and procedures
Exposures to Risk	• Identify some key financial and program areas that need strong internal controls
	• Identify potential consequences of not having strong internal controls

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Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the middle column of the sheet, labeled Pre-Training, for each of the statements.

?

- Uniform Guidance's new internal control requirements
- Five integrated components of internal controls per the COSO Framework
- Effective Internal Control practices
- Requirements for written policies and procedures
- Policies and procedures needed by an organization

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Internal Control Requirements

Learning objectives for this section

- Identify the Uniform Guidance's internal control requirements

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Increased Emphasis on Internal Controls

Uniform Guidance

- 2 CFR 200.400 Policy Guide for Cost Principles
 - "Sound Management Practices"
- 2 CFR 200.303 Internal Controls Requirement
- 2 CFR 200.61 Definition - Internal controls
- 2 CFR 200.62 Definition - Internal Control over Compliance Requirements

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Sound Management Practices (1 of 2)

2 CFR 200.400

Policy Guide

- Non-Federal entity is responsible for efficient and effective administration of award through use of **sound management practices**, and administering Federal funds **in compliance** with agreements, program objectives, and the terms and conditions of Federal award.




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Sound Management Practices (2 of 2)

2 CFR 200.400




- Employing sound organization and management techniques to assure proper and efficient administration of award, in recognition of non-Federal entity's **own unique combination of staff, facilities, and experience**.
- In other words, the grantee must establish an effective internal control structure.



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Seven Financial Management Standards

 Identify all Federal receipts and expenditures	 Comparison of expenditures to budgets
 Accurate, current, and complete disclosure	 Written procedures for payments
 Records that identify source and application of funds	 Written procedures for allowable costs
 Effective control over and accountability for assets	

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Seven Financial Management Standards

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Effective Management Systems (1 of 2)

Effective financial management systems include:

- Responsibilities: Clear delineation of roles and responsibilities
- Policies: Written policies and procedures
- Training
- Internal controls
- Effective oversight
- Effective communication and information sharing

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Effective Management Systems (2 of 2)

Financial systems that provide reliable and current information:

- Accounting controls
- Accurate, timely reports
- Budget controls
- Asset management
- Record retention/access controls

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Uniform Guidance Requirements for Internal Controls

2 CFR 200.303 Internal controls

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Uniform Guidance Requirements for Internal Controls

2 CFR 200.303 Internal controls

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Internal Controls Defined

2 CFR 200.61 Internal Controls

A process designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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Internal Control over Compliance Requirements (1 of 2)

200.62 (a) Transactions properly recorded/accounted to:

- Permit the preparation of financial statements and reports
- Maintain accountability over assets
- Demonstrate compliance with Federal statutes, regulations, and terms and conditions of the Federal award



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Internal Control over Compliance Requirements (2 of 2)

(b) Determine that transactions executed in compliance with:

- Federal statutes, regulations, the terms and conditions of the Federal award
- Any other Federal statutes and regulations identified in the Compliance Supplement

(c) Ensure funds, property, and other assets are safeguarded.



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Compliance: Hierarchy

<p>Program Statutes</p>	<ul style="list-style-type: none"> • Authorization and Appropriation
<p>OMB Uniform Guidance (UG) 2 CFR Part 200</p>	<ul style="list-style-type: none"> • Government-wide
<p>Drug Free Workplace; Suspension or Debarment; Lobbying; FFATA; Non-Discrimination; Whistleblower Protections</p>	<ul style="list-style-type: none"> • Government-wide
<p>UG DOL Exceptions 2 CFR Part 2900; Program Regulations; Guidance; Policy Manuals; Grant Terms and ConditionsProgram</p>	<ul style="list-style-type: none"> • Agency and Programs

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Resources for Internal Control Guidance



“Standards for Internal Control in the Federal Government,” also known as the **“Green Book,”** issued by the Comptroller General of the United States

<http://www.gao.gov/assets/670/6657/12.pdf>



“Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)


http://www.coso.org/documents/990025P_Executive_Summary_final_may_20_e.pdf

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Status Check

Are the statements true or false?



Internal controls provide reasonable assurance that operations achieve objectives in the following areas:

- Effectiveness and efficiency of operations
- Reliability external reporting, and
- Compliance with laws and regulations



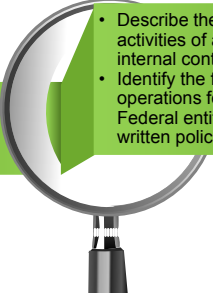
Effective policies and procedures are control activities that provide reasonable assurance to reduce risks against non-compliance or loss of assets.

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Internal Control Framework

Learning objectives for this section



- Describe the components and activities of an effective internal control framework
- Identify the functions and operations for which non-Federal entities **must** have written policies and procedures

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The COSO* View of Internal Control

Internal control is a process:

Effected
Effected by an entity's board of directors, management, other personnel

Designed
Designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

* Committee of Sponsoring Organizations of the Treadway Commission

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Internal Control Framework... Five Inter-Related Components

1 Control Environment

2 Risk Assessment

3 Control Activities

4 Information & Communication

5 Monitoring

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COSO Component 1: Control Environment

- Foundation for all other standards of internal control.
- Pervasive influence on all the decisions and activities of an organization.
- Effective organizations set a positive "tone at the top."
- Factors include integrity, ethical values, and competence of employees, and management's philosophy & operating style.

1 Control Environment

2 Risk Assessment

3 Control Activities

4 Information & Communication

5 Monitoring

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COSO Component 2: Risk Assessment

Risks are internal and external events that threaten the accomplishment of objectives.

Risk assessment is the process of identifying, evaluating, and deciding how to mitigate risks.

- What is the likelihood of the event occurring?
- What would be the impact if it were to occur?
- What can we do to prevent or reduce the risk?
- What is the vulnerability or likelihood of loss?

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Risk Assessment for Equipment

2 CFR 200.313

Equipment

- Secure and restrict access to equipment to reduce the risk of loss or unauthorized use.
- Perform periodic physical inventories to verify existence, quantities, location, condition, and utilization.
- Base the level of security on the **vulnerability** of items being secured, the likelihood of loss, and the potential impact should a loss occur.

These principles apply to other assets as well: cash, credit cards, laptops, supplies, etc.

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COSO Component 3: Control Activities

Tools: Policies, Procedures, and Processes

- ✓ Designed and implemented to help ensure that management directives are carried out.
- ✓ Help prevent or reduce the risks that can impede the accomplishment of objectives.
- ✓ Occur throughout the organization, at all levels, and in all functions.
- ✓ Include approvals, authorizations, verifications, reconciliations, security of assets, reviews of operating performance, and adequate separation of duties.

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Control Activities: Separation of Responsibilities

- Custodian** • A separate person holds or has custody of the asset
- Authorizing** • A separate person authorizes the transaction
- Recording** • A separate person records the transaction
- Reconciling** • A separate person reconciles the transaction

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What Policies and Procedures Does Your Organization Need?

- Organizational Chart**
 - Office responsibilities
 - Interactions between divisions, offices
 - Interactions with external entities
- Job Descriptions**
- Grant Structure**
 - Grant Administration
 - Partners
 - Subrecipients

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What Policies and Procedures Does Your Organization Need?



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Organizational Management and Effective Internal Controls

- Effective Management Control
- Compliance with applicable laws and regulations
- Effectiveness and efficiency of operations
- Considered approach
- Transparency
- Consistency
- Clarity
 - Guidance for staff and subrecipients
 - Training tool for new staff
 - Resources



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Policy vs. Procedure

Policy – Guideline that regulates organizational activities; position statement

vs.

Procedure – Description of the normal method for handling things; protocols, steps



Authority to establish, approve

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Establishing Policies & Procedures

Some are required 

Sound management practices 

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Requirements for Written Policies and Procedures

Required written policies and procedures:

- ✓ Payments 200.302 (b)(6), and 305
- ✓ Procurement 200.318
- ✓ Competition 200.319
- ✓ Method for evaluation and selection 200.320
- ✓ Allowable costs 200.302 (b)(7)
- ✓ Compensation 200.430
- ✓ Fringe Benefits 200.431
- ✓ Employee relocation costs 200.464
- ✓ Travel costs 200.474

- Put these into clearly written policies and procedures
- All relevant parties should have copies



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Requirements for Written Policies and Procedures

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Statutory/Regulatory Requirements for Policies and Procedures

- Policy requirements may be included in the program laws and regulations for:
 - ✓ WIA/WIOA
 - ✓ Trade Adjustment Assistance (TAA)
 - ✓ Older Americans Act (OAA)
 - ✓ Wagner Peyser Act
 - ✓ American Competitiveness and Workforce Improvement Act of 1998 (ACWIA)




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Recommended Policies and Procedures (1 of 3)

- Accounting System
- Budget Controls and Modifications
- Chart of Accounts
- Receivables
- Payables
- Approvals
- Documentation
- Audits and Resolution
- Small Purchase Process – Credit Card, Petty Cash
- Drawdowns and Cash Management



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Recommended Policies and Procedures (2 of 3)

- Bank Reconciliation
- Program Income
- Interest Income
- Human Resources – hiring and selection
- Compensation and Fringe Benefits
- Complaints/Grievances
- Cost Policies - Allowable Costs, Indirect Costs
- Staff Travel
- Participant/Program Services
- Purchasing
- Procurement



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Recommended Policies and Procedures (3 of 3)

- Monitoring
- Incident Reporting
- Property/Equipment Management
- Record Retention
- Match and Leveraged Resources
- Reporting (Financial and Performance)
- Internal Controls, Segregation of Duties
- Policies and Procedures for the Board



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Effective Policies and Procedures

Compliant	• With rules and regulations
Clear	• Precise, easy to understand, unambiguous
Complete	• Addresses the process flow; appropriate level of detail; does not leave major unanswered questions
Current	• Regular review, modify if needed

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Effective Policies and Procedures

- Compliant**
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 - Addresses the process flow; appropriate level of detail; does not leave major unanswered questions
- Current**
 - Regular review, modify if needed

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COSO Component 4: Communication and Information

- Pertinent information must be captured, identified, and communicated on a timely basis
- Effective information and communication systems enable the organization's people to exchange the information needed to conduct, manage, and control its operations.
- Records and information systems must be sufficient to provide reliable reporting and demonstrate compliance with the Federal award.

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Communicating Policies and Procedures (1 of 2)

To be effective, policies and procedures must be understood and used

- Existing policies and procedures
 - Communicated through training to new
 - Board Members
 - Staff
 - Subrecipients

Follow up to ensure implementation

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Communicating Policies and Procedures (2 of 2)

- Newly developed policies and procedures
 - Distributed by official issuance
 - Accompanied by appropriate training
- Important to create ownership
- Be prepared to deal with possible attitudes
- Provide appropriate forums

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COSO Component 5: Monitoring

- Assess their effectiveness... *Are they operating as intended?*
- React to changing conditions... *Have controls become outdated, redundant, or obsolete?*
- Occurs in the course of everyday operations
- Subrecipient compliance and taking appropriate actions

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Status Check

Are the statements true or false?

Written policies and procedures are required for the following:

- Payments,
- Procurement,
- Allowable Costs,
- Human Resources

The five components of the COSO internal structure are:

- Control Environment
- Risk Assessment
- Control Activities
- Monitoring
- Communication

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Key Internal Control Activities

Learning objectives for this section

- Identify some key financial and program areas that need strong internal controls

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Key Financial and Program Areas

Strong internal controls along with adequate separation of duties are needed in the following key financial and program areas:

Budgeting	Cash Management
Cost Allocation	Purchasing & Contracting
Accounting & Payables	Property Management
Financial Reporting	Personnel & Payroll
Information Systems	Participant Related Payments
Travel	

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Effective Internal Controls

- Benefit rather than encumber management
- Encourage adherence to company's policies and procedures
- Are cost-effective
- Promote operational efficiency
- Safeguard assets

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Effective Internal Controls for Small Entities

Same standards as large entities but different implementation

Some small entities have some advantages

- Management more involved in operations
- Direct interaction with staff
- Easier lines of communication
- Use compensating controls
 - Add levels of review, random transaction reviews

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Internal Control Limitations

- Cost Considerations/Cost vs. Benefit
- Judgment
- Breakdowns
- Management Overrides
- Risk of Collusion

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Exposures to Risk

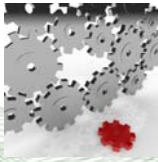
Learning objectives for this section

- Identify potential consequences of not having strong internal controls

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Weak Internal Controls Increase Risk Through ... (1 of 3)




Business Interruption
System breakdowns or catastrophes, excessive re-work to correct for errors.

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Weak Internal Controls Increase Risk Through ... (2 of 3)



Erroneous Management Decisions
Based on erroneous, inadequate, or misleading information.

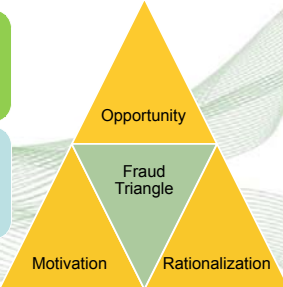
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Weak Internal Controls Increase Risk Through ... (3 of 3)

Fraud, Embezzlement and Theft
By management, employees, customers, vendors, or the public-at-large.

Loss, Misuse or Destruction of Assets
Unintentional loss of physical assets such as cash, inventory, and equipment.



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Common Contributors to Compliance Deficiencies

- Inadequate resources
- Lack of understanding of roles and responsibilities of institutional staff
- Inadequate staff and subrecipient training and education
- Outdated or nonexistent policies and procedures
- Inadequate management systems

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Common Contributors to Compliance Deficiencies

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Findings on Policies and Procedures

Findings

- Inconsistencies in financial operations – audit exceptions
- Lack of, or inadequate, policies
- Invalid procurements

Consequences

- Ineligible participants
- Disallowed costs
- Re-competing awards






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Common Findings and Consequences

Examples of actual findings:

-  No written policies and procedures for subrecipient fiscal monitoring.
-  No supportive services policies and procedures in place; recipient did not document participants' need for provided supportive service.
-  Did not maintain adequate policies and/or procedures for tracking match, preparing bank reconciliations; procurement policy covered only equipment purchases, not other procurement actions.

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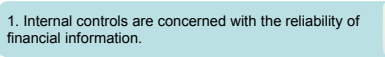

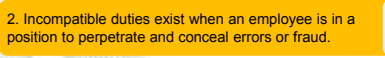

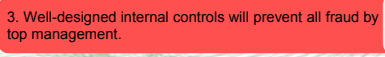

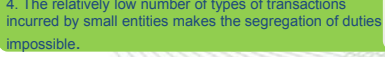

Helpful Tips

-  Hire competent, reliable, and ethical staff
-  Set the control environment including compensating controls
-  Formalize internal control policies and staff responsibilities in writing
-  Entire staff, including the board, can be incorporated into the process

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CLASS QUIZ (1 of 4) True or False

-  1. Internal controls are concerned with the reliability of financial information. 
-  2. Incompatible duties exist when an employee is in a position to perpetrate and conceal errors or fraud. 
-  3. Well-designed internal controls will prevent all fraud by top management. 
-  4. The relatively low number of types of transactions incurred by small entities makes the segregation of duties impossible. 

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CLASS QUIZ (2 of 4)

Which of the following is LEAST likely to be evidence of effective internal controls?

- A. Supporting documents stamped "Processed"
- B. Monthly list of accounts payable
- C. Records documenting users of automated accounting programs
- D. Signatures on authorization forms

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CLASS QUIZ (3 of 4)

Which of the following is NOT considered one of the five major components of an internal control structure?

- A. Risk Assessment
- B. Segregation of duties
- C. Control Activities
- D. Monitoring

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CLASS QUIZ (4 of 4)

Of the following statements about internal controls, which one is not valid?

- A. No one person should be responsible for the custodial responsibility and the recording responsibility for an asset.
- B. Transactions must be properly authorized before such transactions are processed.
- C. Because of the cost/benefit relationship, certain risks may have to be accepted.
- D. Internal Control activities reasonably ensure that collusion among employees cannot occur.

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Key Concepts

-  Effective internal controls are required, and essential, to ensure compliance and to protect and safeguard grant assets.
-  Organizational culture established at the top and communicated to all employees is essential.
-  Policies and procedures are a critical part of an organization's control environment.
-  The failure to have/follow written policies and procedures can result in serious consequence, including disallowed costs.

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Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the column of the sheet, labeled Pre-Training, for each of the statements.

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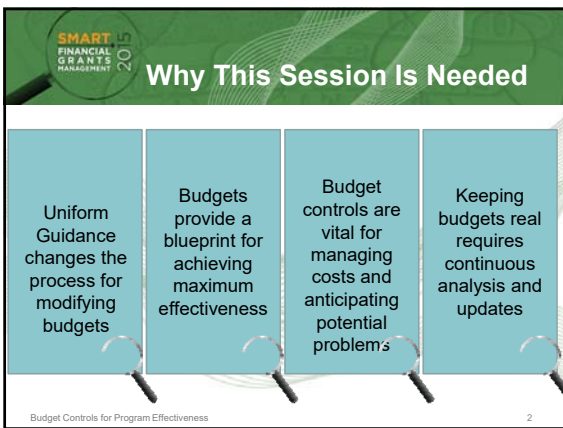
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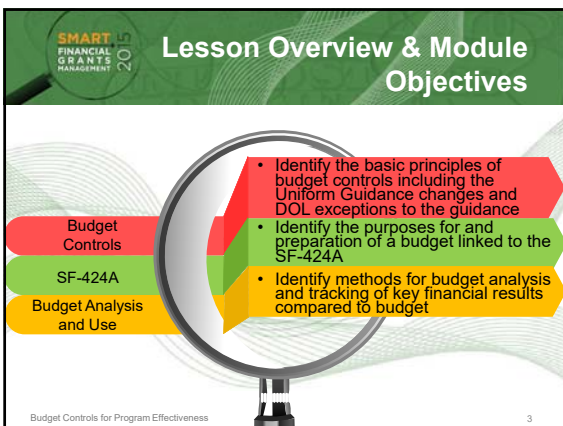
**"If everything seems under control,
you're just not going fast enough."**
~ Mario Andretti

Thank You!

Please Complete Your Evaluations







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Lesson Overview & Module Objectives

Performance Analysis

- Identify methods of program performance analysis
- Describe the link between budget analysis, performance analysis, and program effectiveness
- Identify common mistakes

Budget Controls for Program Effectiveness 4

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Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the middle column of the sheet, labeled Pre-Training, for each of the statements.

?

- I am fully aware of the requirements for budget controls
- I know the format of the Federally required budget and how to obtain data
- I understand the various methods of budget analysis
- I know the grant actions that may result from budget analysis
- I am aware of the consequences that arise from failure to comply

Budget Controls for Program Effectiveness 5

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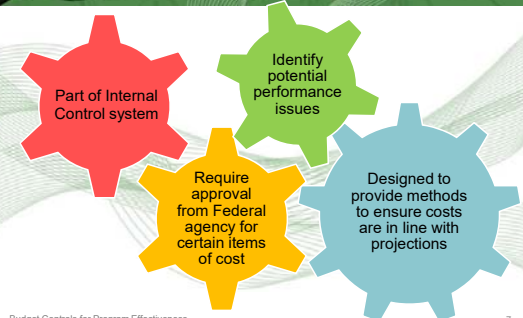
Basic Principles and Uniform Guidance Changes

Learning objectives for this section

- Identify the basic principles of budget controls including the Uniform Guidance changes and DOL exceptions to the Guidance

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What are Budget Controls?



Part of Internal Control system

Identify potential performance issues

Require approval from Federal agency for certain items of cost

Designed to provide methods to ensure costs are in line with projections

Budget Controls for Program Effectiveness 7

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Key Uniform Guidance Changes

2 CFR 200.302

Financial management

- 200.302(b)(5) Financial Standards
 - Comparison of expenditures with budget amounts
- 200.308 Revision of budget and program plans
 - 200.308(e) Authority to restrict transfer of funds

New

Budget Controls for Program Effectiveness 8

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Discretionary Grant Recipients


IMPORTANT CHANGES—BUDGET MODIFICATION & PRIOR APPROVAL PROCESS

- For funds awarded after December 26, 2014, requests for budget modifications must be submitted in writing at **least 30 days** before the effective date of any change
- For grants that exceed the Simplified Acquisition Threshold (\$150,000), ETA requires prior approval if budget changes exceed 10% of the total grant award
 - See 200.308(e), 2900.9, and 2900.10
 - Replaces previous requirement that all changes in salaries and fringe benefits required Grant Officer approval

Budget Controls for Program Effectiveness 9

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Uniform Guidance—DOL Exception (1 of 2)




Several DOL exceptions at 2 CFR 2900.9-12

- 2900.9 Revision of budget and program plans
 - Award does not constitute prior approval of those items requiring prior approval
- 2900.10 Prior approval requests
 - Must request prior approval actions at least 30 days prior to the effective date of the requested action

Budget Controls for Program Effectiveness 10

SMART FINANCIAL GRANTS MANAGEMENT 2015

Uniform Guidance—DOL Exception (2 of 2)



2900.11 and .12 Revision of budget and program plans

- Must request prior approval for an extension to the period of performance
- Unless otherwise noted in the Grant Agreement, prior written approval must come from the Grant Officer (See 200.308(d))

Budget Controls for Program Effectiveness 11

SMART FINANCIAL GRANTS MANAGEMENT 2015

Standard Form 424A (SF-424A)

Required budget form	• As contained in the grant agreement
Assists to ensure budget controls are in place	• By object class as linked to recipient expenditure records

Budget Controls for Program Effectiveness 12

SMART FINANCIAL GRANTS MANAGEMENT 2015

Budget Narrative

- Clearly written narrative
- Links appropriate resources to meet project objectives
- Budget in line with resources requested
- Qualifications of key staff sufficient to assure proper direction, management, and completion of the project

Budget Controls for Program Effectiveness 13

SMART FINANCIAL GRANTS MANAGEMENT 2015

Budget Purposes and Preparation

Learning objectives for this section

- Identify the purposes for and preparation of a budget linked to the SF-424A

SMART FINANCIAL GRANTS MANAGEMENT 2015

Budget Purposes

Quantify planned actions & activities

Facilitate communication including program and fiscal staff and management

Resource allocation

Benchmark in comparing actual results

Basis for evaluating and improving performance

Basis for course correction

Budget

Budget Controls for Program Effectiveness 15

SMART FINANCIAL GRANTS MANAGEMENT 2015

SF-424A Budget Categories

Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY	
		(1)
a. Personnel	\$	175,350
b. Fringe Benefits		17,954
c. Travel		5,000
d. Equipment		297,425
e. Supplies		12,615
f. Contractual		3,000
g. Construction		
h. Other		172,000
i. Total Direct Charges (sum of 6a - 6h)		683,344
j. Indirect Charges		21,315
k. TOTALS (sum of 6i and 6j)	\$	704,659

Budget Controls for Program Effectiveness 16

SMART FINANCIAL GRANTS MANAGEMENT 2015

Additional Items to Track

Administrative costs

Program costs

Other Cost limitations: e.g. Indirect costs

Match requirements

Direct costs

Cost allocation plan



Budget Controls for Program Effectiveness 17

SMART FINANCIAL GRANTS MANAGEMENT 2015

Budget Controls (1 of 2)



Accounting records need to track to budget categories

- Linking spreadsheets or chart of accounts



Spending according to budget estimates




Spending within approved line items

- Awardee level
- Subawardee level

Budget Controls for Program Effectiveness 18


SMART FINANCIAL GRANTS MANAGEMENT 2015

Budget Controls (2 of 2)



Monitor costs and make adjustments

- Pass-through entity level
- Subrecipient levels



Indication of potential modification needs

- To redirect unused funds for more effective utilization
- To make administrative adjustments for unanticipated changes

Budget Controls for Program Effectiveness 19


SMART FINANCIAL GRANTS MANAGEMENT 2015

Manage Obligations

Account for obligations in total, and whether liquidated or unliquidated

Not on SF-424A budget, but required to report

- Critical to manage for budget control purposes



```
graph TD; A[Account for obligations in total, and whether liquidated or unliquidated] --- B[De-obligate when no longer current]; A --- C[Reprogram funds immediately or rate of expenditure will fall below budgeted levels]; B --- D[Trade Act (TAA) training agreements]; B --- E[OJT contracts]; B --- F[Expired subawards and contracts];
```

Budget Controls for Program Effectiveness 20


SMART FINANCIAL GRANTS MANAGEMENT 2015

Encumbrances and Other Commitments

Do not qualify as obligations

- But grantees often treat them as such

Effect is similar to unliquidated obligations when not expended in timely manner



Re-program funds timely

- ITAs
- Vacant staff positions
- Change in purchase plans
- Cost-per variances

Budget Controls for Program Effectiveness 21

SMART FINANCIAL GRANTS MANAGEMENT 2015

Budget Analysis and Use

Learning objectives for this section

- Identify methods for budget analysis and tracking of key financial results compared to budget

SMART FINANCIAL GRANTS MANAGEMENT 2015

Components of Budget Analysis

Compare actual results with budget plan categories

- At least quarterly but for each reporting period
- Identify significant variances and causes
- Identify and take appropriate corrective action

Conduct trend analysis over time

- Compare results from one period to the next
- Track impact of corrective actions

Combine the analysis of financial and program performance indicators

Budget Controls for Program Effectiveness 23

SMART FINANCIAL GRANTS MANAGEMENT 2015

Budget Analysis Worksheet

Object Class Categories	Budget	Qtr 1 Spent	% Expended	Qtr 2 Spent	% Expended	Qtr 3 Spent	% Expended	Qtr 4	% Expended
a. Personnel	\$ 175,350	\$3,500	2.00%	\$22,224	12.62%				0.00%
b. Fringe Benefits	17,054	595	3.49%	\$1,700	9.97%				
c. Travel	5,000	\$1,300	26.00%	\$1,500	30.00%				
d. Equipment	297,425	\$200,000	67.24%	\$200,000	67.24%				
e. Supplies	12,615	\$1,200	9.52%	\$1,650	13.08%				
f. Contractual	3,000	\$0	0.00%	\$1,000	33.33%				
g. Construction									
h. Other	172,000	\$23,000	13.37%	\$76,000	44.19%				
i. Total Direct Charges (sum of a-h)	683,344	\$229,555	33.59%	\$383,574	44.48%				
j. Indirect Charges	21,315	\$2,111	9.90%	\$4,222	19.81%				
k. TOTALS (sum of i and j)	\$ 704,659	\$231,666	32.88%	\$387,796	43.74%				

Budget Controls for Program Effectiveness 24

Total Expenditure Analysis

Grant No: SC-XXXX-YY-ZZ

Federal Funds Available	\$3,250,444	Period of Performance			
Required Match	\$650,088	7/1/13 to 6/30/16			
Administrative Limit	\$325,044				

	9130 Reported	Total Federal	% Expended	% Time Lapse	Federal Funds Remaining
9/30/2013	\$37,660	\$37,660	1.16%	8.33%	\$3,212,784
12/31/2013	\$86,234	\$123,894	3.81%	16.67%	\$3,126,550
3/31/2014	\$155,223	\$279,117	8.59%	25.00%	\$2,971,327
6/30/2014	\$388,000	\$667,117	20.52%	33.33%	\$2,583,327
9/30/2014	\$231,867	\$898,984	27.66%	41.67%	\$2,351,460
12/31/2014				50.00%	\$2,351,460
3/31/2015				58.33%	\$2,351,460
6/30/2015				66.67%	\$2,351,460

Budget Controls for Program Effectiveness 25

Tracking Overall Expenditures

Overall expenditures

? Is the grant "on track"?

? Spending too fast or too slow?

? Are costs proportionate to outcomes?

Where do the data come from?

- Accounting records
- Internal management reports

Budget Controls for Program Effectiveness 26

Administrative Cost Analysis

Grant No: SC-XXXX-YY-ZZ

Federal Funds Available	\$3,250,444	Period of Performance			
Required Match	\$650,088	7/1/13 to 6/30/16			
Administrative Limit	\$325,044				

	9130 Admin	Total Admin	% Expended	% Time Lapse	Federal Admin Remaining
9/30/2013	\$11,755	\$11,755	3.62%	8.33%	\$313,289
12/31/2013	\$14,677	\$26,432	8.13%	16.67%	\$298,612
3/31/2014	\$44,653	\$71,085	21.87%	25.00%	\$253,959
6/30/2014	\$54,333	\$125,418	38.58%	33.33%	\$199,626
9/30/2014	\$42,123	\$167,541	51.54%	41.67%	\$157,503
12/31/2014				50.00%	\$157,503
3/31/2015				58.33%	\$157,503
6/30/2015				66.67%	\$157,503

Budget Controls for Program Effectiveness 27

SMART FINANCIAL GRANTS MANAGEMENT 2015

Tracking Administrative Expenditures

Administrative expenditures

- Are costs appropriately reported?
- Are your costs within limitation?
- Is your expenditure rate "too fast" or "too slow"?

Where do the data come from?

- Accounting records
- Internal management reports

Budget Controls for Program Effectiveness 28

SMART FINANCIAL GRANTS MANAGEMENT 2015

Match Expenditures

Grant No: SC-XXXXX-YY-ZZ

Federal Funds Available	\$3,250,444	Period of Performance	
Required Match	\$650,088	7/1/13 to 6/30/16	
Administrative Limit	\$325,044		

Period Ending	9130 Match Expenditures	Total Match Expenditures	% Expended	% Time Lapse	Federal Match Remaining
9/30/2013	\$2,750	\$2,750	0.42%	8.33%	\$647,338
12/31/2013	\$26,988	\$29,738	4.57%	16.67%	\$620,350
3/31/2014	\$55,876	\$85,614	13.17%	25.00%	\$564,474
6/30/2014	\$76,999	\$162,613	25.01%	33.33%	\$529,479
9/30/2014	\$62,845	\$225,458	34.68%	41.67%	\$424,630
12/31/2014				50.00%	\$424,630
3/31/2015				58.33%	\$424,630
6/30/2015				66.67%	\$424,630

Budget Controls for Program Effectiveness 29

SMART FINANCIAL GRANTS MANAGEMENT 2015

Tracking Match Expenditures

Match expenditures (if required)

- Are you reporting required match?
- Is match generated at an appropriate rate?

Where find the requirement?

- SF-424

Where find the data?

- Accounting records
- Internal management reports
- Not applicable to formula or most discretionary programs

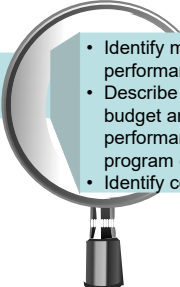
Budget Controls for Program Effectiveness 30

SMART FINANCIAL GRANTS MANAGEMENT 2015

Program Performance Analysis

Learning objectives for this section

- Identify methods of program performance analysis
- Describe the link between budget analysis, performance analysis, and program effectiveness
- Identify common mistakes

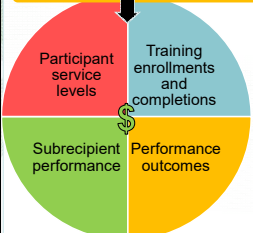


SMART FINANCIAL GRANTS MANAGEMENT 2015

The Program Side of Budget Controls

Budget impacted not only by money matters

Useful to think of the budget as including such factors as:



- Budget staff need to work with program staff
 - Share analysis and jointly adjust plans

Budget Controls for Program Effectiveness 32

SMART FINANCIAL GRANTS MANAGEMENT 2015

Tracking Outcomes

Enrollment or performance outcomes

- ? "On track" to meet service outcomes of grant?
- ? Phased training transitions?
- ? Curriculum development?
- ? Performance standards?

Where do the data come from?

- Data provided on quarterly narrative reports
- Data provided on the quarterly performance reports

Budget Controls for Program Effectiveness 33

SMART FINANCIAL GRANTS MANAGEMENT 2015

Performance Analysis

Grant No: SC-XXXXX-YY-ZZ

Federal Funds Available	\$3,250,444	Period of Performance	
Required Match	\$650,088	7/1/13 to 6/30/16	
Administrative Limit	\$325,044		
Planned Enrollments	1200		
Planned Enter Training	850		

Period Ending	Actual Enrollments	Total Enrollments	% Planned Enrollments	Actual Entered Training	Total Entered Training	% Planned Entered Training
9/30/2013	75	75	6.25%	0	0	0.00%
12/31/2013	150	225	18.75%	35	35	4.12%
3/31/2014	90	315	26.25%	97	132	15.53%
6/30/2014	65	380	31.67%	86	218	25.65%
9/30/2014	133	513	42.75%	114	332	39.06%
12/31/2014						
3/31/2015						
6/30/2015						

Budget Controls for Program Effectiveness 34

SMART FINANCIAL GRANTS MANAGEMENT 2015

Combined Analysis (1 of 3)

Combined analysis of financial and program results at the end of the 5th quarter of a 12-quarter period of performance

41.67%	of grant time elapsed
27.66%	of total award expended
51.54%	of allowable admin costs expended
34.68%	of required match expended
42.75%	of total planned enrollments
39.06%	of planned training enrollments

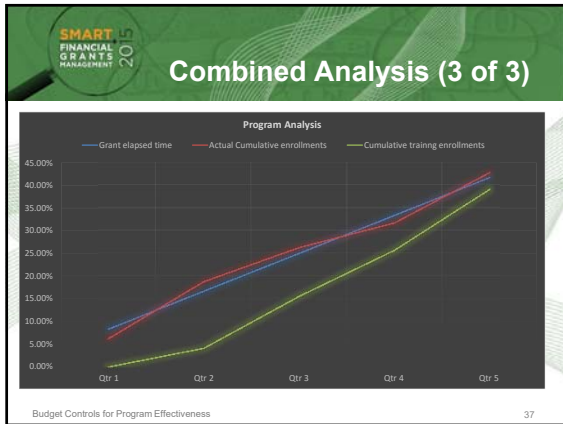
Budget Controls for Program Effectiveness 35

SMART FINANCIAL GRANTS MANAGEMENT 2015

Combined Analysis (2 of 3)

Financial Analysis

Budget Controls for Program Effectiveness 36



SMART FINANCIAL GRANTS MANAGEMENT 2015
Analyze the Results (1 of 2)

- Are expenditures consistent with the budget?
- Have you exceeded any budget line item(s)?
- How?
 - Planned vs. actual analysis
 - Trend analysis over time

Budget Controls for Program Effectiveness 38

SMART FINANCIAL GRANTS MANAGEMENT 2015
Analyze the Results (2 of 2)

- Grant start-up:**
 - Too slow or too fast
 - Single large-item purchases
- Look for trends over time:**
 - Continued under- or overspending
 - Comparisons with performance data
- Analysis should be performed at least quarterly**

Bar chart showing monthly values from Jan to Dec, grouped by quarter (Q1: 25, 24, 29; Q2: 30, 30, 28; Q3: 27, 34; Q4: 37, 39, 44, 37).

Budget Controls for Program Effectiveness 39

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What do you do with results?

Determine compliance with budget control requirements + **Identify if budget modification may be needed**

- Is there a need to move funds between categories?
- Review requirements of 200.308 and 2900.12 to determine if Grant Officer approval is required prior to moving funds among line items

Budget Controls for Program Effectiveness 40

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Common Mistakes

Consequences of Lack of Budget Controls

- Loss of control by failing to compare planned expenditures to actual expenditures
- Failure to have links between budget categories and chart of accounts
- Failure to control expenditures
 - Modifications not timely
 - Over- or under-expenditure
 - Failure to link financial and program performance
- Failure to communicate


Budget Controls for Program Effectiveness 41

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Key Concepts

- Understand how the budget can be used to monitor program and financial activity
- Requirements for budget controls and analysis
- Tools available for use in performing budget analysis
- Compare financial and program performance to achieve overall program effectiveness

Budget Controls for Program Effectiveness 42




Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by circling the appropriate number in the column of the sheet, labeled Post-Training, for each of the statements.

?

- I am fully aware of the requirements for budget controls
- I know the format of the Federally required budget and how to obtain data
- I understand the various methods of budget analysis
- I know the grant actions that may result from budget analysis
- I am aware of the consequences that arise from failure to comply

Budget Controls for Program Effectiveness 43



"Get your facts first, then you can distort them as you please."

-Mark Twain

THANK YOU!

PLEASE COMPLETE YOUR EVALUATIONS

SMART FINANCIAL GRANTS MANAGEMENT 2015

Cash Management



This slide features a green background with a magnifying glass icon over the title. The text 'SMART FINANCIAL GRANTS MANAGEMENT 2015' is in the top left, and 'Cash Management' is centered below it. A small circular seal is in the bottom right corner.

SMART FINANCIAL GRANTS MANAGEMENT 2015

Why This Session Is Needed

Necessary to minimize the timing between receipt and disbursement of Federal funds at the grant and subrecipient levels

Need to understand the types of payments and required payment processes

Need to reduce improper payments and boost efforts in collection of such payments

Bus passes, debit cards, gift cards, and vouchers are subject to the same accountability and safeguarding measures as cash

Cash Management 2

This slide has a green background with a magnifying glass icon. It contains four light blue boxes with text, each with a magnifying glass icon pointing to it. The text explains the need for the session regarding timing, payment types, and accountability for non-cash payments.

SMART FINANCIAL GRANTS MANAGEMENT 2015

Lesson Overview & Module Objectives

General Principles of Cash Management

Payments From DOL to Direct Recipients

Payments from PTEs to Subrecipients

- Identify the standards contained in the Uniform Guidance and DOL exceptions related to managing cash and other assets
- Identify the DOL process for payments to recipients
- Identify the payment options for the pass-through entity's payment system

Cash Management 3

This slide features a green background with a magnifying glass icon. It lists three topics on the left and three bullet points in the center, each in a colored arrow-shaped box. The topics are 'General Principles of Cash Management', 'Payments From DOL to Direct Recipients', and 'Payments from PTEs to Subrecipients'. The bullet points describe identifying standards, the DOL payment process, and payment options for pass-through entities.

SMART FINANCIAL GRANTS MANAGEMENT 2015

Lesson Overview & Module Objectives

Other Cash-Like Items

Common Mistakes

- Identify how to manage other cash-like items
- Identify common mistakes and how to avoid them

Cash Management 4

SMART FINANCIAL GRANTS MANAGEMENT 2015

Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the middle column of the sheet, labeled Pre-Training, for each of the statements.

?

- When to use working capital fund advances
- How to handle interest earnings on uncashed checks
- Cash flow statements by program
- The importance of using Federal cash for authorized Federal purposes
- The system for advances to subrecipients for immediate disbursements

Cash Management 5

SMART FINANCIAL GRANTS MANAGEMENT 2015

General Principles of Cash Management

Learning objectives for this section

- Identify the standards contained in the Uniform Guidance and the DOL exceptions related to managing cash and other assets
- Identify and distinguish among the types of payments


SMART FINANCIAL GRANTS MANAGEMENT 2015

Definitions

2 CFR 200.302

Financial management
Financial management system must provide for:

- (b)(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See 200.303 Internal Controls.
- (b)(6) Written procedures to implement the requirements of 200.305 Payment.



Cash Management 7

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Written Procedures

Cash management procedures must be written

Should address the method for payments issued and received:

- Miscellaneous receipts and petty cash
- Authorized individuals and separation of duties
- Control over cash and other cash-like assets
- Reconciliations
- Forecasting and daily cash balances
- Payment transfers and advances (internal and external)

Cash Management 8

SMART FINANCIAL GRANTS MANAGEMENT 2015

Internal Control Objectives

- Cash requested only for immediate disbursement needs
- Access limited to all cash-related assets
 - Authorized individuals
 - Separation of duties: authorization, receipt, reporting, and reconciliation of cash transactions
- Supporting documentation and justification
- Improper payments avoided
- Interest income and program income are accounted for
- Other cash-like assets are accounted for


Internal Control Objectives

Cash Management 9

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Standards for Cash Depositories

200.305(b)(7) Cannot require separate depositories or establish any eligibility requirements for depositories



Maintained in insured accounts whenever possible

Separately account for receipt, obligation, and expenditure of funds by award or fund source

Cash Management 10

SMART FINANCIAL GRANTS MANAGEMENT 2015

Interest-Bearing Accounts

200.305(b)(8)

Advances must be placed in an interest-bearing account except when:

- Less than \$120,000 in Federal awards per year
- Best available account would earn less than \$500 per year
- Requirement for an average or minimum balance so high that it would be infeasible
- Prohibited by a foreign government

Cash Management 11

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Interest Income

States: Cash Management Improvement Act
https://www.fiscal.treasury.gov/fs-services/gov/rcnColl/cmias/rvnColl_cmia.htm

Recipients and Subrecipients

- Remit annually through the appropriate method specified in 200.305(b)(9)
- Interest amounts up to \$500 per year may be retained for administrative expenses

WIA 20 CFR 667.200(a)(7) and WIOA 194(7)(B)(iii)

- Interest income included in program income

Interest expense is generally not allowable


Cash Management 12

SMART FINANCIAL GRANTS MANAGEMENT 2015

Mandatory Timely Payments to Contractors

200.305(b)(1)

- The non-Federal entity must make timely payments to contractors in accordance with contract terms







Cash Management 13

SMART FINANCIAL GRANTS MANAGEMENT 2015

Status Check

Are the statements true or false?

-  Non-Federal entities receiving Federal funds must have written cash management procedures.
-  Cash on hand must be limited to immediate disbursement needs.
-  Federal funds must, with some exceptions, be deposited in interest-bearing accounts.
-  WIOA recipients and subrecipients must remit interest income to the Federal Treasury.

Cash Management 14

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Advance Payments

2 CFR 200.305(b)(1)

Non-Federal entity must be paid in advance provided it maintains written procedures minimizing time elapsing between receipt and disbursement, as well as financial management standards for fund control and accountability

- Limited to the minimum amounts needed
- Be timed in accordance with the actual, immediate cash requirements of the non-Federal entity

Cash Management 15

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Reimbursement Basis

Specific conditions authorized at 200.207 for reimbursement payments

DOL exception 2900.6 on advance payments

- Due to risk assessment
- Becomes a special condition of the grant

Cash Management 16

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Liquidation of Advances

LIQUIDATION

In addition to Uniform Guidance provision at 200.305(b)(2)

DOL exception at 2900.7

- Non-Federal entity should liquidate existing advances before it requests additional advances and disburse available cash balance of program income prior to drawing down additional grant funds

Cash Management 17

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Working Capital Advance

When to use working capital advance

- Entity cannot meet the criteria for advance payments
- Reimbursement not feasible because entity lacks sufficient capital

Advance process

- Disbursement needs for an initial disbursement cycle
- Advance is liquidated with actual disbursements
- Subsequent reimbursements only for actual cash disbursements of the advance payment

Must not use working capital advances because of unwillingness or inability to provide timely advances

Cash Management 18

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Cash Forecasting System

 <p>Develop disbursement schedule</p>	 <p>Cash on hand MUST be used prior to requesting additional cash.</p>
 <p>Forecast cash needs by fund source</p>	 <p>Include transaction cycle time in the timing of cash request</p>
 <p>Track daily cash balances by fund source</p>	 <p>These systems must be internally and externally monitored and adjusted as necessary</p>

Cash Management 19


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Reimbursement Basis

200.305(b)(3)

Reimbursement

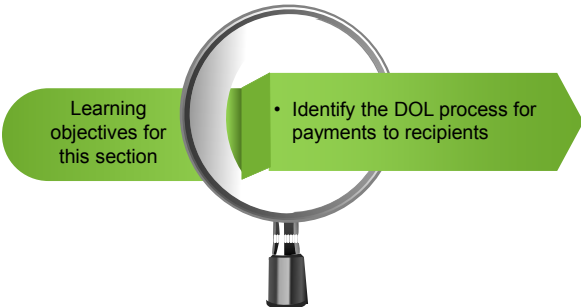
- Possible consequence for failure to comply with cash advance requirements
- Payments must be made within 30 calendar days after receipt of billing
 - Unless request is improper



Cash Management 20

SMART FINANCIAL GRANTS MANAGEMENT 2015

Payments from DOL to Direct Recipients



Learning objectives for this section

- Identify the DOL process for payments to recipients


SMART FINANCIAL GRANTS MANAGEMENT 2015

Payment Management System

HHS Payment Management System (PMS)
<http://www.dpm.psc.gov/>

Funds available by grant number

- If requested by 2 P.M., funds are deposited the next day
- Before grants can be closed out, cash receipts, disbursements and expenditures must equal




Meets the requirement that non-Federal entities must be paid in advance of disbursement [200.305(b)(1)]

Cash Management 22

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States' CMIA Requirements

U.S. Treasury-State Cash Management Improvement Act (CMIA) agreements and default procedures codified at 31 CFR Part 205



- Major programs—meeting a certain dollar threshold (varies state to state)
- Governs transfer of funds between US Treasury and States
- Provides techniques to manage funds
- Interest earned by States


Cash Management 23

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Consolidating Cash for Federal Programs

2 CFR 200.305(b)(2)

- Whenever possible, advance payments must be consolidated to cover anticipated cash needs for all Federal awards made by the Federal awarding agency to the recipient.



Cash Management 24

SMART FINANCIAL GRANTS MANAGEMENT 2015





Payments from Pass-Through Entities (PTEs) to Subrecipients

Learning objectives for this section

- Identify the payment options for the pass-through entity's payment system

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PTE Cash Systems (1 of 2)

-  Should be centralized and secure
-  Subrecipients **must be paid in advance** of disbursement if they **maintain effective** cash management system [200.305(b)(1)]
-  Frequency of payments must coincide with timely disbursement
 - Electronic fund transfer system: no limit
 - No electronic fund transfer system: at least monthly
-  Reimbursement basis possible if failure to comply

Cash Management 26

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PTE Cash Systems (2 of 2)

-  Pass-through entities and subrecipients must separately account for receipt, obligation, and expenditure of funds by award or fund source
-  For subawards, the pass-through entity must identify the dollar amount made available under each award and the CFDA number at time of disbursement (200.331)(a)(1)(xi)

Cash Management 27

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Withholding of Payments (1 of 2)


Payments must not be withheld at any time during the period of performance unless:

- The entity failed to comply
- The entity is delinquent in a debt to the United States
- Reasonable notice

Payments withheld must be released upon subsequent compliance

Suspended awards

Adjustments per 200.342



Cash Management 28

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Withholding of Payments (2 of 2)

200.305(b)(6)(iv)

Payments must not be made to a non-Federal entity for amounts withheld by the non-Federal entity from payments to contractors until satisfactory completion of work

Payments must be made when the non-Federal entity actually disburses the withheld funds to the contractor or to an escrow account established to assure satisfactory completion of the work

Cash Management 29

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Status Check

Are the statements true or false?

- ? Pass-through entities are generally required to advance cash to their subrecipients to meet their immediate disbursement needs.
- ? As a result, pass-through entities may never put their subrecipients on a cash reimbursement basis.
- ? Non-Federal entities must use existing advances and available program income before requesting additional cash advances.
- ? A cash forecasting system is a helpful tool to determine the amount and timing of cash requests.

Cash Management 30

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Other Cash-Like Items

Learning objectives for this section

- Identify how to manage other cash-like items

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Cash-Like Items

- ATM PINS and PINS to checking accounts
- Passwords to sensitive accounts
- Credit cards and/or gas cards
- Debit cards
- Purchase cards
- Blank check stock
- Check-signing machines
- Bus tokens and passes
- Gift cards

Cash Management 32

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Control Over These Assets

<p>Written internal control procedures</p> <ul style="list-style-type: none">- Petty cash- Inventory of tokens, passes, cards, etc.- Monitoring of subrecipients' cash-like assets	<p>Access limited to authorized individuals</p> <ul style="list-style-type: none">- Secure storage- Passwords secured and changed regularly- Separation of duties
<p>Periodic review and reconciliation</p>	<p>Logs for issuing bus tokens, passes, gift cards</p>

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Common Mistakes

Learning objectives for this section

- Identify common mistakes and how to avoid them

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Common Mistakes (1 of 3)

- Inadequate separation of duties
- Cash receipts/deposits recorded in the wrong revenue account or for the wrong amount
- Unreconciled cash balances—cash on hand not identified with particular funding sources and reconciled to bank statements
- Excessive cash on hand and poor forecasting of cash needs

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Common Mistakes (2 of 3)

- Advances of Federal funds used for non-Federal purposes
- Use of temporary checks that are out of the current check number sequence and not reflected in the revenue account or check register
- Delayed deposit or receipts
- Miscellaneous receipts not deposited in a timely manner or accounted for
- No action or closing of long outstanding checks
- Use of Federal funds to pay overdraft fees or other penalties

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Common Mistakes (3 of 3)




-  Excess inventory of bus passes, etc.
-  No logs documenting the issuance of bus tokens and passes, petty cash, etc.
-  Petty cash, blank checks, check-signing equipment, credit and debit cards, passwords, tokens and passes not securely stored
-  Checks issued but never mailed or released
-  Failure to recognize the grant's share of interest earned in joint accounts

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Status Check

Are the statements true or false?

-  The requirement to have written internal control procedures for managing cash does not apply to cash-like items.
-  The WIOA-funded grant's share of interest earned on Federal funds deposited with other non-Federal funds in the same bank or treasury account must be treated as program income to the grant.
-  Since cash is fungible, Federal cash receipts may be used for non-Federal purposes as long as the Federal funds are eventually reimbursed.

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Quiz

- Working capital advances may be used rather than advances to subrecipients in order to save time.
- As long as I only maintain a cash balance below \$120,000, I am in compliance with the Uniform Guidance.
- The Uniform Guidance requires recipients to always keep federal cash in interest-bearing accounts.
- If there have been no problems reported for cash management, I do not have to monitor cash on-site or internally.

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Quiz

5. If misappropriation of funds is found during monitoring, I do not have to report this to the Office of Inspector General.

6. All non-federal entities must have written cash management policies.

7. The safeguarding of and accountability for gift cards, bus tokens and/or gas cards are not required under the Uniform Guidance.

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Key Concepts

 <p>Cash on hand must be limited to the amount needed for immediate disbursement</p>	 <p>All non-Federal entities must have written cash management policies and adequate internal controls over cash and cash-like assets including improper payments</p>	 <p>Identify the situations when payments may be withheld or when advances are not possible</p>	 <p>Subrecipient cash balances should be monitored for compliance with the Federal requirements</p>
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Key Concepts

 <p>Cash on hand must be limited to the amount needed for immediate disbursement</p>	 <p>All non-Federal entities must have written cash management policies and adequate internal controls over cash and cash-like assets including improper payments</p>	 <p>Identify the situations when payments may be withheld or when advances are not possible</p>	 <p>Subrecipient cash balances should be monitored for compliance with the Federal requirements</p>
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Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the column of the sheet, labeled Post-Training, for each of the statements.

- When to use working capital fund advances
- How to handle interest earnings on uncashed checks
- Cash flow statements by program
- The importance of using Federal cash for authorized Federal purposes
- The system for advances to subrecipients for immediate disbursements

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THANK YOU!

Please complete your evaluations.
