Keys to Effective Financial Grants Management
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.

Some organizations may impose additional requirements.
Effective Financial Management
Key Characteristics of Organizations with Highly Effective Financial Management

- Written and followed policies and procedures
- Qualified and trained financial staff
- Effective communications
- Succession planning and cross-training
- Self-assessment and continuous improvement
- Active, knowledgeable and informed Board and finance committee
1. Regulations & Requirements
2. Financial Management Principles
3. Policies & Procedures
4. Internal Controls
5. Administrative Costs
6. Documenting Expenses
7. Match
8. Reporting & Budgeting
9. Audits & Site Visits
10. Grant Closeout

Effective Financial & Grants Management
Regulations & Requirements
## Grant Guidelines

<table>
<thead>
<tr>
<th>Federal Grant Guidelines</th>
<th>Educational Institutions</th>
<th>States, Local, Indian Tribal Governments</th>
<th>Non-Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Requirements</td>
<td>§ 45 CFR 2543</td>
<td>§ 45 CFR 2541</td>
<td>§ 45 CFR 2543</td>
</tr>
<tr>
<td></td>
<td>2 CFR (Subpart D)</td>
<td>2 CFR, (Subpart D)</td>
<td>2 CFR (Subpart D)</td>
</tr>
<tr>
<td>Cost Principles</td>
<td>2 CFR (Subpart E)</td>
<td>2 CFR (Subpart E)</td>
<td>2 CFR (Subpart E2)</td>
</tr>
<tr>
<td>Audit Requirements</td>
<td>2 CFR (Subpart F)</td>
<td>2 CFR (Subpart F)</td>
<td>2 CFR (Subpart F)</td>
</tr>
</tbody>
</table>

**Notes:**

CFR = Code of Federal Regulations

★ = Organization is subject to A-133 if it expends more than $750,000 of Federal funds in its fiscal year
Basics of 2 CFR (Grants and Agreements)

- Cost Principles
  - Allowable & Unallowable Costs
  - Indirect Costs
- Administrative Requirements
  - Accounting System
  - Documentation requirements
- Audit requirements
Allowable, Reasonable & Allocable

- **Allowable** – A cost within award limitations consistent, documented, reasonable & allocable

- **Reasonable** - A cost that does not exceed what a prudent person would do under the circumstances at the time the decision is made.

- **Allocable** - Treated consistently with other costs incurred for the same purpose in like circumstances and benefits the award and can be distributed proportionally to the benefits received.

2015 National Service Training Events
Efficient Accounting System Requirements

- Distinguish grant verses non-grant related expenses
- Identify costs by program year & budget category
- Differentiate between direct and indirect costs
- Account for each award/grant separately
- Record in-kind contribution as both revenue & expense
- Provide management with financial reports at both the summary or detailed levels that will compare outlays with budget amounts
Accounting System that properly segregates funds

Department of Education Grant

CNCS Grant

Ford Foundation Grant

NOT →

Accounting System

Grant 1

Grant 2

Grant 3
Policies & Procedures
Policies & Procedures

- Policies and procedures are a set of written documents that describe an organization's
  - policies for operation – “what is to be done”
  - the procedures necessary to fulfill the policies – “how it is to be completed”
- All staff must be familiar with these documents
- Documents must be kept up-to-date
- Documents should explain the rationale and include principal transactions and completed forms
- Documents must incorporate Federal and CNCS grant regulations and provisions
Internal Controls
Why Have Internal Controls?

- Improve **accountability** to constituents
  - CNCS, trustees, funders, public
- Help organization achieve performance & budget **targets**
- Improve **reliability** of financial reporting
- Improve **compliance** with laws & regulations
- Prevent loss of **resources & public assets**
- Prevent loss of **public trust**
- Reduce legal **liability**
Who is Responsible?

- **Everyone** within the organization has some role in internal controls.
- Roles vary depending upon level of responsibility:
  - **Executives** establish the presence of integrity, ethics, competence and a positive control environment.
  - **Directors and department heads** have oversight responsibility for internal controls within their units.
  - **Managers and supervisory personnel** are responsible for executing control policies and procedures at the detail level within their specific unit.
  - **Each individual** within a unit is to be cognizant of proper internal control procedures associated with their specific job responsibilities.
A Good Control Environment Includes:

- Positive “atmosphere” in the work environment
- Existence of a code of conduct and code of ethics
- Written job descriptions
- Timely/appropriate communications with Board
- Written policies to hire, train, promote and compensate employees
- Safeguards for employees related to whistle-blowing
- A clear chain of command
- Clear, written delegations of authority & responsibilities
A Good Control Environment Includes (cont’d)

- Written policies, procedures and processes
- Adequate review process for financial transactions, financial reports, budgets, etc.
- Adequate cash management procedures (e.g., monthly bank reconciliations by supervisory personnel)
- System to track participants’ & employees’ activities
- System to follow up on problems to ensure resolution
Administrative Costs
Definitions

Direct Costs
• **Specific expenses** related to the operations of a **specific project**

Indirect Costs
• **General expenses** related to overall administration of an organization receiving CNCS funds

• Expenses incurred for **common or joint objectives** and cannot be **readily identifiable with a specific project or cost objective**
Documenting Expenses
Documenting Expenses

Document, Document, Document

Allowable
Allocable
Reasonable
Documentation Basics

Why Retain Documentation?

• To track incoming information
• To review information
• To provide historical evidence
• To provide evidence of accomplishments
• To prepare for an audit

Establish a written record retention policy
Cuff Records

- Often used by organizations where the program staff and the fiscal staff are not co-located.
- Recommended for those grantees who have regular “reconciliation meetings” with the fiscal staff.
- Should resemble a general ledger with copies of supporting documentation attached.
- Are auditable.
Electronic Storage of Records

The electronic storage procedures and system must

- Provide for the **safe-keeping and security** of the records, including:
  - Sufficient prevention of **unauthorized alterations or erasures** of records
  - Effective security measures to ensure only authorized persons have **access to records**
  - Adequate measures designed to **prevent physical damage** to records
  - A system providing for **back-up and recovery** of records

- Provide for the **easy retrieval of records in a timely fashion**, including:
  - Storage of the records in a **physically accessible** location
  - Clear and accurate **labeling** of all records
  - Storage of the records in a **usable, readable format**

- Where there is a **requirement for a signature on a record**, electronically stored records must include an **image of the original signature**
  - Records without signatures, when required, are considered incomplete records
Key Documentation Issue

Salary

- Signed timesheets with supervisory approval
- Quarterly payroll returns
- Payroll register
- Personnel file with salary/wage information
- Employment contract
- Cancelled checks
- Direct deposit schedule
Match
The total allowable budget or expenditures incurred to operate the program and accomplish its objectives is divided into 2 sections:

**Federal Share**
- Portion of budget or total expenditures paid for with CNCS funds

**Grantee Share**
- Portion of total expenditures not paid for with CNCS funds

**Federal and Grantee Share funds must be treated consistently**
Acceptable Match is . . .

Cash and in-kind contributions are accepted as part of the grantee’s cost sharing or matching when contributions meet all of the following criteria:

- Are verifiable from the grantee's records
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives
- Are allowable under the applicable OMB cost principles
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching
- Are provided for in the approved budget (allowable under program guidelines)
- Conform to other grant provisions or OMB Circulars
Exception: Volunteer Match

Do **not** count as match -

- The value of *direct community services* performed by participants or items fortified by participants such as mileage, meals etc.

Do count as match -

- Services that contribute to *organizational functions*
- Count services such as accounting, legal, training of staff or participants that are elements of the grantee’s cost allocation plan
Financial Reporting and Budgeting
Key Elements of Financial Reporting

- Prepare all financial reports with information from the organization’s accounting system
- Review and reconcile the information to ensure accuracy prior to report submission
- Ensure files have the proper documentation to support all information reported in financial reports
- Submit all reports on time
Key Budgeting Tips

- Be strategic when allocating funds to CNCS or grantee share, some costs can be met with in-kind donations
- Be aware of budget changes that require amendments
- Identify In-kind donations prior to creating the budget
Program Responsibility

- Overall compliance with CNCS and program specific regulations
- Training, monitoring and oversight of stations and participants
- Accurate, timely and complete program and performance reporting
- Ensure key staff understand roles, responsibility understand each other’s priorities and work together
Fiscal Responsibility

- Overall compliance with State and Federal regulations
- Accurate, timely and complete financial reporting
- Tracking of budget to actual expenses
- Ensure key staff understand roles, responsibility understand each other’s priorities and work together
Questions?