

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



Regulations & Requirements

Grant Guidelines

| Federal Grant Guidelines | Educational Institutions | States, Local, Indian Tribal Governments | Non-Profits |
|------------------------------------|---------------------------------------|--|---------------------------------------|
| Administrative Requirements | § 45 CFR 2543 2 CFR (Subpart D) | § 45 CFR 2541 2 CFR, (Subpart D) | § 45 CFR 2543 2 CFR (Subpart D) |
| Cost Principles | 2 CFR (Subpart E) | 2 CFR (Subpart E) | 2 CFR (Subpart E2) |
| Audit Requirements | 2 CFR (Subpart F) | 2 CFR (Subpart F) | 2 CFR (Subpart F) |

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
- **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

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

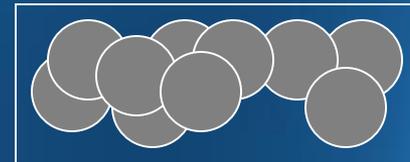
Accounting System



Grant 1

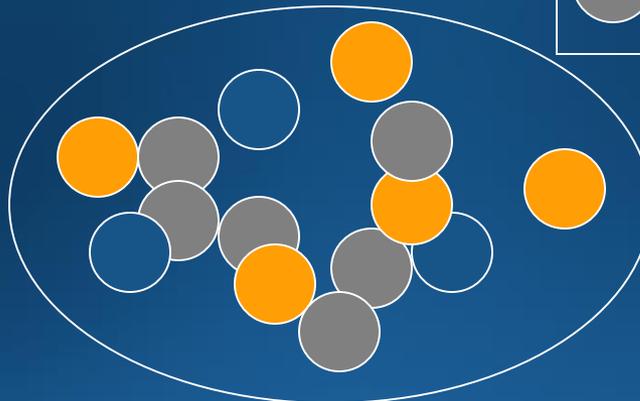


Grant 2



Grant 3

NOT →



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

Handout 1

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

A graphic consisting of three overlapping blue rectangular boxes with a wavy bottom edge. The word "Salary" is written in white, bold, sans-serif font on the top-most box.

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

Project Costs

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**
aka: match

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

Handout 3

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?

