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CASH 216

Grants Management



Grants Management



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Big Thinking. Personal Focus.

What is Grants Management?

- Ensuring your government follows all the terms and conditions associated with grants
- Satisfying required reporting before, during and after the grant award
- Proper accounting and approval of grant revenues and expenditures
- Communication with grantor
- Requesting changes to an award, if necessary
- Timely Submission of required reports
- Adhering to closeout procedures of the grantor



Why do you need Grants Management?

- To retain current funding levels
- To avoid audit findings
- To avoid audit questioned costs
- To avoid a return of funds or reduction in grant awards in future years



Effective Grants Management



- Why do you need grants management? An effective grants management program can help your organization in the following ways:
 - Increase grant funding
 - Assist with organization of the grant and audit process
 - Measure success

Increase Grant Funding



- Grants allow for organizational growth
- Change or enhance organizational focus
- Development of new programs
 - Special purpose grants
 - On-going grants
 - One time competitive/discretionary grants

Increase Grant Funding

- Finding new funding sources that meet the needs of your community can be challenging. The following are ideas to start the process:
 - Grants.gov, HHS, ARC, EPA, DOE
 - State initiatives
 - Joint ventures with other local governments
 - Local foundations



Questions to Ask



- Would my community benefit from this grant?
- Can we meet the conditions and/or restrictions on grant expenditures?
- Is the grant budget feasible?
- Will the start up and overhead costs for the program outweigh the benefits?
- Does the grant allow for indirect costs?
- Can we meet the matching requirements?
- Can we find local support to meet matching requirements?

Stay Organized



- Tickler files
- Mark your on-line calendar for important reporting deadlines
- Read grant agreements and know allowable and unallowable expenditures, cash management, and reporting
- Create grant administrative oversight policy and committee
- Assign designated people to prepare grant budgets and approve expenditures

Measure Success



- Define measurable goals:
 - Define measurable goals during the grant application process
 - Collect the data and references
 - Describe the need for your project
 - Quantitative
 - Qualitative
- Report your success
- Market your success to the community

Grant Program Development



- Develop a program that includes
 - Objectives
 - Policies and Procedures
 - Involve oversight committee in evaluation process
 - Team Atmosphere
 - Buy in of all members
 - Work together on the objectives, policies and procedures and grant application process

Grant Application Process



- Identify grants that fit the communities mission or purpose
- Develop grant writing and review policies
- Document a clear understanding of compliance requirements
- Provide a compelling grant abstract
- Ensure qualifications of the government will fulfill the grant's purpose and comply with grant requirements
- Ensure ongoing requirements can be met

Grant Writing Tips



- Read all related grant announcement documents on grants of interest
- Utilize similar language in the grant application as is found in the funding announcement
- Do NOT copy the language used in the funding announcement
- Document the need for your project
- Describe project management
- Calculate the budget
- Institute an internal review process

Document Compliance Requirements



- Grant funding announcements stipulate program compliance requirements
- Determine if compliance requirements are similar to current grant funding
- For new requirements develop a plan to monitor and track adherence
- Download OMB Circular A-87 and/or 2 CFR part 225 and read

Compliance Requirements



- **Activities Allowed or Unallowed**
- **Allowable Costs**
- **Cash Management**
- **Davis Bacon Act**
- **Eligibility**
- **Equipment and Real Property**
- **Matching, Level of Effort, Earmarking**
- **Period of Availability**
- **Procurement and Suspension and Debarment**
- **Program Income**
- **Real Property Acquisition and Relocation Assistance**
- **Reporting**
- **Subrecipient Monitoring**
- **Special Tests and Provisions**

Fulfilling Grant Purpose



- Apply for grants that fit the organization
- Seek grants for programs already offered by the organization
- Seek cooperative grant opportunities with surrounding communities
- Communicate with grantor agency often
- Be diligent

Grant Opportunity Announcements



<http://www.grants.gov/web/grants/home.html>

Implementing and Executing the Program



- Review grant funding announcement
 - Identify provisions that impact the financial administration of the program
 - What are the standards of cost documentation
 - Using cost principles to determine if costs are reasonable, allowable and allocable to the program
 - General principles for determining allowable costs as found in OMB A-87 and Uniform Grant Guidance (2 CFR Section 225)
 - Steering clear of unallowable and possible questioned costs
 - Determining if a cost should be direct or indirect to the program

Allowability per 2 CFR Part 225



- Cost must be necessary and reasonable for proper and efficient performance and administration of Federal awards
- Cost must be allocable to Federal awards under 2 CFR Part 225
- Cost must be authorized or not prohibited under State or local laws or regulations

Allowability per 2 CFR Part 225 (continued)



- Cost must conform to any limitations or exclusions set forth in the CFR, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items
- Cost must be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit

Allowability per 2 CFR Part 225 (continued)



- Cost must be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost
- Cost must not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulations

Reasonable Costs

- A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally-funded.





- Consideration shall be given to:
 - Whether the cost is generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award
 - Does the cost follow: sound business practices; arm's-length bargaining; Federal, State and local laws and regulations; and terms and conditions of the Federal award

Reasonableness



- Does the cost reflect the market prices for comparable goods or services
- Did the person performing the purchases act with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal government
- Were there significant deviations from the established practices of the government which may unjustifiably increase the Federal award's cost



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OFFICE OF MANAGEMENT AND BUDGET

2 CFR Part 225

Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87)

AGENCY: Office of Management and Budget
ACTION: Relocation of policy guidance to 2 CFR chapter II.

SUMMARY: The Office of Management and Budget (OMB) is relocating Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments," to Title 2 in the Code of Federal Regulations (2 CFR), Subtitle A, Chapter II, part 225 as part an initiative to provide the public with a central location for Federal government policies on grants and other financial assistance and nonprocurement agreements. Consolidating the OMB guidance and co-locating the agency regulations provides a good foundation for streamlining and simplifying the policy framework for grants and agreements as part of the efforts to implement the Federal Financial Assistance Management Improvement Act of 1999 (Pub. L. 106-107).

DATES: This document is effective August 31, 2006. This document republishes the existing OMB Circular A-87, which already is in effect.

FOR FURTHER INFORMATION CONTACT: Gil Tran, Office of Federal Financial Management, Office of Management and Budget, telephone 202-395-3052 (direct) or 202-395-3993 (main office) and e-mail: Hal_M_Tran@omb.eop.gov.

SUPPLEMENTARY INFORMATION: On May 10, 2004 (69 FR 22970), we revised the three OMB circulars containing Federal cost principles. The purpose of those revisions was to simplify the cost principles by making the descriptions of similar cost items consistent across the circulars where possible, thereby reducing the possibility of misinterpretation. Those revisions, a result of OMB and Federal agency efforts to implement Public Law 106-107, were effective on June 9, 2004.

In this document, we relocate OMB Circular A-87 to the CFR, in Title 2 which was established on May 11, 2004 (69 FR 26276) as a central location for OMB and Federal agency policies on grants and agreements.

Our relocation of OMB Circular A-87 does not change the substance of the circular. Other than adjustments needed to conform to the formatting requirements of the CFR, this notice relocates in 2 CFR the version of OMB

Circular A-87 as revised by the May 10, 2004 notice.

List of Subjects in 2 CFR Part 225

Accounting, Grant administration, Grant programs, Reporting and recordkeeping requirements, State, local, and Indian tribal governments.

Dated: August 8, 2005.

Joshua R. Bolton,
 Director.

Authority and Issuance

■ For the reasons set forth above, the Office of Management and Budget amends 2 CFR Subtitle A, Chapter II, by adding a part 225 as set forth below.

PART 225—COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS (OMB CIRCULAR A-87)

Sec.
 225.10 Purpose.
 225.15 Authority.
 225.15 Background.
 225.20 Policy.
 225.25 Definitions.
 225.30 OMB responsibility.
 225.35 Federal agency responsibilities.
 225.40 Effective date of changes.
 225.45 Relationship to previous issuance.
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 225.55 Information Contact.

Appendix A to Part 225—General Principles for Determining Allowable Costs

Appendix B to Part 225—Selected Items of Cost

Appendix C to Part 225—State/Local-Wide Central Services Cost Allocation Plans

Appendix D to Part 225—Public Assistance Cost Allocation Plans

Appendix E to Part 225—State and Local Indirect Cost Rate Proposals

Authority: 31 U.S.C. 903; 31 U.S.C. 1111; 41 U.S.C. 409; Reorganization Plan No. 2 of 1970, R.O. 11541, 35 FR 10737, 3 CFR, 1966-1970, p. 939.

§225.5 Purpose.
 This part establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally-recognized Indian tribal governments (governmental units).

§225.10 Authority.
 This part is issued under the authority of the Budget and Accounting Act of 1921, as amended; the Budget and Accounting Processes Act of 1950, as amended; the Chief Financial Officers Act of 1990; Reorganization Plan No. 2 of 1970; and Executive Order No. 11541 ("Prescribing the Duties of the Office of Management and Budget and the Domestic Policy Council in the Executive Office of the President").

§225.15 Background.

As part of the government-wide grant streamlining effort under Public Law 106-107, Federal Financial Award Management Improvement Act of 1999, OMB led an interagency workgroup to simplify and make consistent, to the extent feasible, the various rules used to award Federal grants. An interagency task force was established in 2001 to review existing cost principles for Federal awards to State, local, and Indian tribal governments; colleges and universities; and non-profit organizations. The task force studied "Selected Items of Cost" in each of the three cost principles to determine which items of costs could be stated consistently and/or more clearly.

§225.20 Policy.

This part establishes principles and standards to provide a uniform approach for determining costs and to promote effective program delivery, efficiency, and better relationships between governmental units and the Federal Government. The principles are for determining allowable costs only. They are not intended to identify the circumstances or to dictate the extent of Federal and governmental unit participation in the financing of a particular Federal award. Provision for profit or other increment above cost is outside the scope of this part.

§225.25 Definitions.

Definitions of key terms used in this part are contained in Appendix A to this part, Section B.

§225.30 OMB responsibilities.

The Office of Management and Budget (OMB) will review agency regulations and implementation of this part, and will provide policy interpretations and assistance to insure effective and efficient implementation. Any exceptions will be subject to approval by OMB. Exceptions will only be made in particular cases where adequate justification is presented.

§225.35 Federal agency responsibilities.

Agencies responsible for administering programs that involve cost reimbursement contracts, grants, and other agreements with governmental units shall issue regulations to implement the provisions of this part and its appendices.

§225.40 Effective date of changes.

This part is effective August 31, 2005.

§225.45 Relationship to previous issuance.

(a) The guidance in this part previously was issued as OMB Circular

What are Direct Costs?

- Direct costs are those that can be identified specifically with a particular final cost objective
- Typical direct costs include:
 - Compensation of employees specific to the grant
 - Cost of materials specific to the grant
 - Equipment specific to the grant
 - Travel expenses specific to the grant



What are Indirect Costs?



- Costs that are incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.
- To charge indirect costs to a grant, a government must have an indirect cost rate plan approved by their Federal Cognizant Agency



- Types of Rates
 - Provisional
 - Final
 - Fixed
 - Predetermined

Indirect Cost Rate Proposals (continued)

- **Direct Cost Bases** – direct costs are used to distribute indirect costs to individual Federal awards
- **Simplified Method** – easier, more straightforward, involves only one indirect cost pool
- **Multiple Rate Method** – involves multiple indirect cost pools and allows for the distribution of indirect costs to grants in differing degrees (i.e. G&A, fringes, payroll)



Monitoring Results



- Importance of tracking and charging costs across multiple programs
- SF-425 Financial Reports
 - How often does program require (quarterly, semi-annually, annually)
 - How to prepare and provide support



- Financial management review checklist
 - Importance
 - Provide a check that objectives were met
 - Avoid audit issues
 - www.cfda.gov
 - How questioned costs arise
 - Unallowable costs, reasonableness
 - How to resolve questioned costs following an audit
 - Return of grant funds



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