



HEART

HOUSING & ECONOMIC ASSISTANCE TO REBUILD TEXAS

**Managing Federal Funds
October 10, 2018**

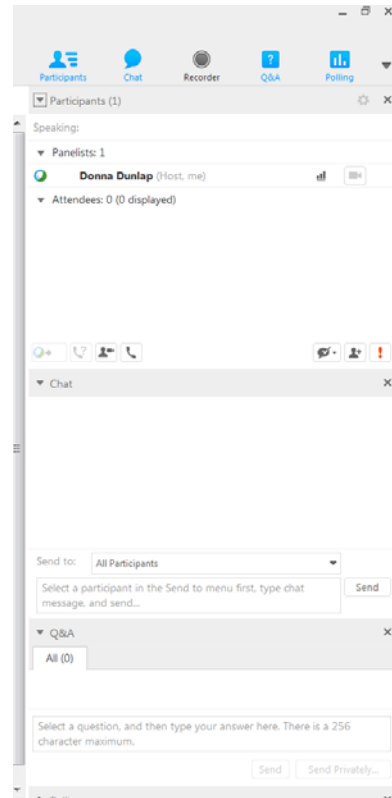
www.rebuildwithheart.org

Welcome & About Us



Questions?

Type them into the Q&A box





ARE YOU READY TO MANAGE FEDERAL FUNDS?

An overview of policies
and procedures a
nonprofit should have in
place before applying
for federal funds

Wednesday, October 10, 2018, Noon (Central Time)

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2 CFR 200

UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

- Establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-Federal entities.
- Provides the basis for a systematic and periodic collection and uniform submission by Federal agencies of information on all Federal financial assistance programs to the Office of Management and Budget (OMB).
- Sets forth the uniform administrative requirements for grant and cooperative agreements (Subparts B through D).
- Establishes principles for determining the allowable costs incurred by non-Federal entities under Federal awards (Subpart E).
- Sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards (Subpart F).

POLICIES & PROCEDURES

WHAT SHOULD I HAVE IN PLACE BEFORE APPLYING FOR FEDERAL FUNDS?

- Financial Management
- Timekeeping System
- Internal Controls
- Procurement Standards
- Property and Equipment
- Records Management

It is good business practice to have these types of policies and procedures in place whether you receive Federal funds or not.

FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT SYSTEMS MUST ALLOW FOR:

- Identification of all Federal awards received and expended and the Federal programs under which they were received.
- Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements.
- Records that identify adequately the source and application of funds for federally-funded activities.
- Effective control over, and accountability for, all funds, property, and other assets.
- Comparison of expenditures with budget amounts for each Federal award.
- Written procedures to implement the payment requirements in 2 CFR 200.305.
- Written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of 2 CFR 200 and the terms and conditions of the Federal award.

2 CFR 200.302

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Your Financial/Accounting policies & procedures should include basic functions such as Accounts Receivable, Accounts Payable, handling of cash and checks, bank reconciliations, payroll, signing/approval authority, separation of duties, etc.

TIMEKEEPING SYSTEM

YOUR TIMEKEEPING SYSTEM MUST:

- Provide reasonable assurance that charges are accurate, allowable and properly allocated.
- Comply with your organization's accounting policies and practices.
- Reflect the total activity for which the employee is compensated (i.e. show ALL of the employee's time).
- Support the distribution of the employee's salary or wages among specific activities or cost objectives (i.e. show time the employee spent on the Federal grant separate from time spent on other activities).
- Have records that coincide with a pay period or be prepared at least monthly.
- Include records signed or approved by the employee AND the supervisor.

Please note that the last items are not specified in the Uniform Guidance. These are best practices and will make your timekeeping system stronger and ensure compliance with the Uniform Guidance.

INTERNAL CONTROLS

ORGANIZATION MUST:

- Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Federal award is being managed in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.
- Comply with Federal statutes, regulations and the terms and conditions of the Federal awards.
- Evaluate and monitor compliance with statute, regulations and the terms and conditions of Federal awards.
- Take prompt action when instances of noncompliance are identified, including audit findings.
- Take reasonable measures to safeguard protected personally identifiable information and other sensitive information.

Effective controls are an increasingly important aspect of compliance and effective grants management.

For more information on internal controls for Federal agencies, see the GAOs "Green Book."

<https://www.gao.gov/greenbook/overview>

The Green Book can be used by an organization to design, implement, and operate internal controls to achieve its objectives related to


operations, reporting, and compliance.

PROCUREMENT STANDARDS

ORGANIZATION MUST:

- Use its own documented procurement procedures.
- Maintain oversight to ensure that contractors perform in accordance with the terms, conditions and specifications of their contracts and purchase orders.
- Maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts.
- Award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement.
- Maintain records sufficient to detail the history of procurement.
- Be responsible, in accordance with good administrative practice and sound business judgement, for the settlement of all contractual and administrative issues arising out of procurements.

2 CFR 200.318

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A conflict of interest exists when a person is in a position to derive personal benefit from actions or decisions made in their official capacity.

Remember that conflicts of interest can extend beyond procurement activities and that organization conflicts of interest can also arise.

Sufficient records to detail the history

of procurement include:

- Rationale for method of procurement
- Selection of contract type
- Contractor selection or rejection
- Basis for contract price

PROCUREMENT STANDARDS

ORGANIZATION MUST:

- Conduct all procurement transactions in a manner providing full and open competition.
- Use one of the following methods of procurement: Micro-purchase, Small Purchase, Sealed Bids, Competitive Proposal or Noncompetitive Proposal.
- Take all necessary affirmative steps to assure that minority businesses, women's business enterprises and labor surplus area firms are used, when possible.
- Perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold, including contract modifications.

The amount for micro-purchases is \$3,000 or less (\$2,000 for construction contracts).

Small purchases can be made if the amount is less than the Simplified Acquisition Threshold.

Sealed Bids or Competitive Proposal are used when the amount exceeds the Simplified Acquisition Threshold.

The current Simplified Acquisition Threshold is \$150,000.

Noncompetitive proposal (or sole

source) is only permitted in certain circumstances:

1. The only item available from a single source;
2. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
3. The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
4. After solicitation of a number of sources, competition is determined inadequate.

PROPERTY & EQUIPMENT

ORGANIZATION MUST:

- Retain titles to all property purchased with federal funds.
- Retain property records showing the name of the property, identification number, original cost, acquisition date, depreciated value and disposition data of the property.
- Provide the equivalent insurance coverage for real property and equipment acquired or improved with Federal funds as provided for property owned by the organization.
- Follow the appropriate disposition instructions for real property and equipment, as property purchased with Federal funds is property of the Federal government.

RECORDS MANAGEMENT

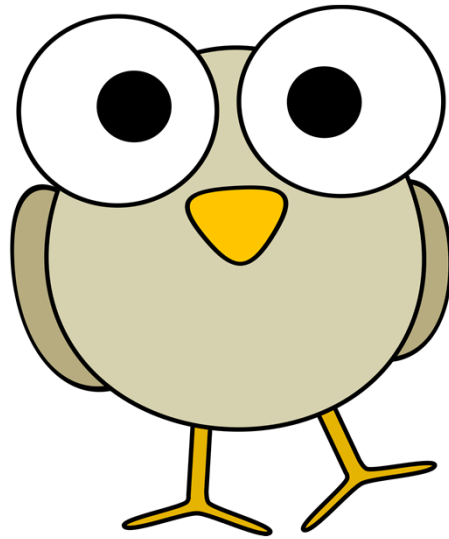
ORGANIZATION MUST:

- Retain Financial records, supporting documents, statistical records, and all other records pertinent to a Federal award for a period of three (3) years from the date of submission of the final expenditure report.
- If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.
- Retain records for real property and equipment acquired with Federal funds for 3 years after final disposition.
- Provide access to any documents, papers or other records which are pertinent to the Federal award to the Federal awarding agency, Inspectors General, the Controller General of the United States, and the pass-through entity or any of their authorized representatives as long as these records are retained (even if the retention period has passed).

2 CFR 200.333 & 336

When records are transferred to or maintained by a Federal agency, the 3 year retention requirement is not applicable to the grantee.

QUESTIONS?



COST PRINCIPLES

WHAT SHOULD I KNOW ABOUT ALLOWABLE COSTS BEFORE APPLYING FOR FEDERAL FUNDS?

- Reasonable Costs
- Allowable & Unallowable Costs
- Allocable Costs
- Direct and Indirect Costs

REASONABLE COSTS

A COST IS REASONABLE IF:

- In its nature and amount, 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.

ALLOWABLE COSTS

A COST IS ALLOWABLE IF IT IS:

- Necessary and reasonable;
- Allocable;
- Consistent with organizational policies and procedures;
- Consistently treated;
- Determined in accordance with generally accepted accounting principles (GAAP);
- Not included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program; and
- Adequately documented.

ALLOWABLE COSTS

EXAMPLES OF ALLOWABLE COSTS:

- Staff Salaries
- Consultant Fees
- Travel
- Training
- Rent Costs
- Fringe Benefits
- General Insurance
- Professional Dues
- Maintenance and Repair Costs
- Equipment
- Printing Costs
- Office Supplies
- Bonding Costs
- Recruiting Costs

UNALLOWABLE COSTS

EXAMPLES OF UNALLOWABLE COSTS:


- Bad Debt
- Fundraising
- Lobbying Activities
- Interest
- Housing and Personal Living Expenses
for Employees
- Contingency Reserves
- Financing Costs
- Contributions/ Donations
- Counsel/Mgmt
- Fines, Penalties and Judgments
- Investment
- Entertainment Costs (including Alcohol)
- Costs of Idle Facilities

ALLOCABLE COSTS

A COST IS ALLOCABLE IF IT IS:

- Incurred specifically for the Federal award;
- Benefits both the Federal award and other work of the organization and can be distributed in proportions that may be approximated using reasonable methods; or
- Is necessary to the overall operation of the organization and is assignable in part to the Federal award in accordance with the Cost Principles in Subpart E.

2 CFR 200.405

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Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other awards to ***overcome funding deficiencies***, or to ***avoid restrictions imposed by law or by the terms of the award***.

For example, the costs for consultant services provided for "Grant A", cannot be charged against "Grant B" because the funding for "Grant A" has been

fully expended.

DIRECT COSTS

WHAT DO I NEED TO KNOW ABOUT DIRECT COSTS?

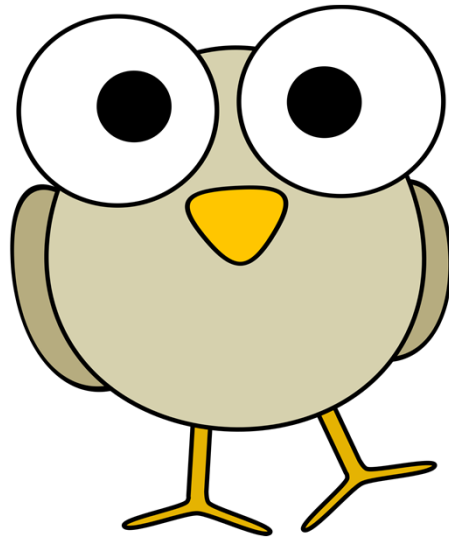
- Direct costs can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or can be directly assigned to such activities relatively easily with a high degree of accuracy.
- Direct costs are charged directly to a Federal award.

INDIRECT COSTS

WHAT DO I NEED TO KNOW ABOUT INDIRECT COSTS?

- Indirect costs are necessary for the overall operations of an organization (IT, HR, etc.), but a direct relationship with a particular cost objective cannot be shown without effort disproportionate to the benefit received.
- Indirect costs are pooled and allocated across multiple awards.
- Organizations have two options for recouping indirect costs:
 1. Negotiate an indirect cost rate with the administering Federal agency.
 2. Use a 10% de minimis rate for indirect costs (unless a rate has already been negotiated).

QUESTIONS?



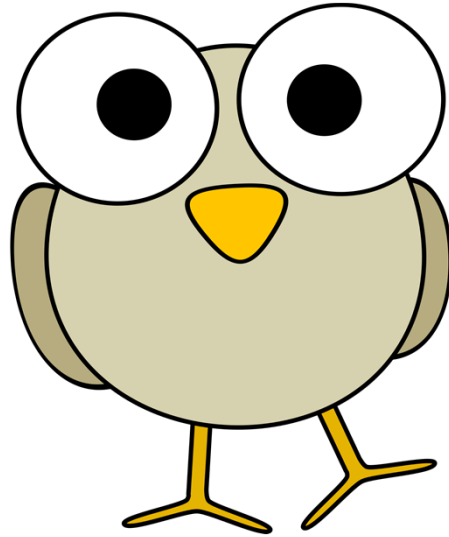
AUDIT REQUIREMENTS

WHAT DO I NEED TO KNOW ABOUT AUDIT REQUIREMENTS?

- Entity expends \$750,000 or more in Federal funds during fiscal year must have a single audit or program-specific audit for that year.
- Entity expends less than \$750,000 of Federal funds during a fiscal year is exempt from a single audit, but records must be available for review or audit by appropriate officials of Federal agency, pass-through entity and GAO.

Even if you are not required to have a single audit, it is a good idea to have an external review by a CPA or audit firm to provide assurance to you and your funders that your organization is operating adequately, or if you aren't, what corrective actions you are taking. If you are unable to afford an audit, a financial review is recommended. It is less rigorous, but also less expensive.

QUESTIONS?



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Resources

- Dun & Bradstreet – www.dnb.com
- System for Award Management (SAM) – www.sam.gov
- Office of Management and Budget (OMB) – www.omb.gov
- The Federal Register – www.federalregister.gov
- Electronic Code of Federal Regulations (e-CFR) - https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) - <https://www.ecfr.gov/cgi-bin/text-idx?SID=8b15c85a6a85463f12f503cdbe9a2884&mc=true&node=pt2.1.200&rgn=div5>
- The Green Book - <https://www.gao.gov/greenbook/overview>

- Duns & Bradstreet provide a Data Universal Numbering System (and DUNS Number) as a unique global business identification system. Organizations doing business with the US government must have a DUNS number.
- Organizations must be registered in SAM in order to do business with the US government.
- The OMB website posts federal budget and grants information.

- The Federal Register is the official daily publication for rules, proposed rules, and notices of Federal agencies and organizations, as well as Executive Orders and other presidential documents.
- The Green Book is the *Standards for Internal Control in the Federal Government* and sets the standards for an effective internal control system for federal agencies.

Upcoming Webinars

<https://www.tsahc.org/nonprofits-local-governments/heart-program-webinars>

- **October 24, 2018: Volunteer Management**
Lessons learned from home repair nonprofits after Hurricane Katrina

- **November 7, 2018: Ready to Respond**
How to prepare staff to handle emergencies and ensure residents are safe.

- **November 28, 2018: Income Certification**
A comprehensive overview of the income certification process



THANK YOU