

COMPLIANT POLICIES AND PROCEDURES

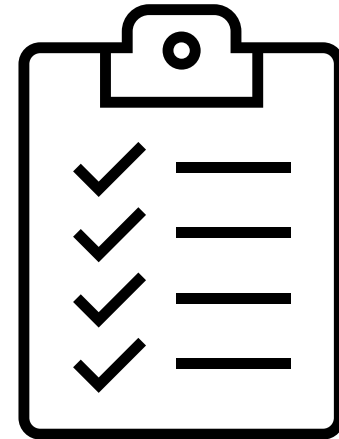
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AGENDA

- Required and Suggested Policies and Procedures
- Sample Policies and Procedures Outline
 - Organization, Structure, and Function
 - Grant Application Process
 - Financial Management System
 - Allowability
 - Procurement
 - Inventory/Property Management
 - Record Keeping/Record Retention
 - Monitoring and Audit Resolution
 - Programmatic Requirements
 - Emergency Policies and Procedures



POLICIES VS. PROCEDURES

Policy

- A **policy** is a guiding principle used to set direction in an organization.
 - Change infrequently
 - State generally who, what, when, or why
 - Broad and general

Procedure

- A **procedure** is a series of steps to be followed as a consistent and repetitive approach to accomplish an end result.
 - Continuously change and improve
 - State specifically who, what, when, and how
 - Offer a detailed description of activities

PURPOSE OF POLICIES AND PROCEDURES



But also...

- Internal Controls
- Staff Changes and Transitions
- Avoid Audit & Monitoring Findings

REQUIRED PROCEDURES

✕ Conflicts of Interest Policy – 2 CFR 200.318(c)

📅 Accounting Policies – 2 CFR 200.306(h)(2)(i); 200.400; and 200.430(i)

🕒 Time and Effort Policies – 2 CFR 200.430(a)

🤝 Fringe Benefits Policies – 2 CFR 200.431

⊕ Employee Health and Welfare Policies – 2 CFR 200.437

✈️ Travel Reimbursement Policy – 2 CFR 200.475(a)

REQUIRED PROCEDURES



Procedures - Real property sales procedures – 2 CFR 200.311(c)(2)



Time & Effort Procedures – ED Cost Allocation Guide



Written Allowability Procedures – 2 CFR 200.302(b)(7); 200.403(c)



Written Cash Management Procedures – 2 CFR 200.302(b)(6) and 200.305



Written Procurement Procedures – 2 CFR 200.318(a), 200.319(d), and 200.320

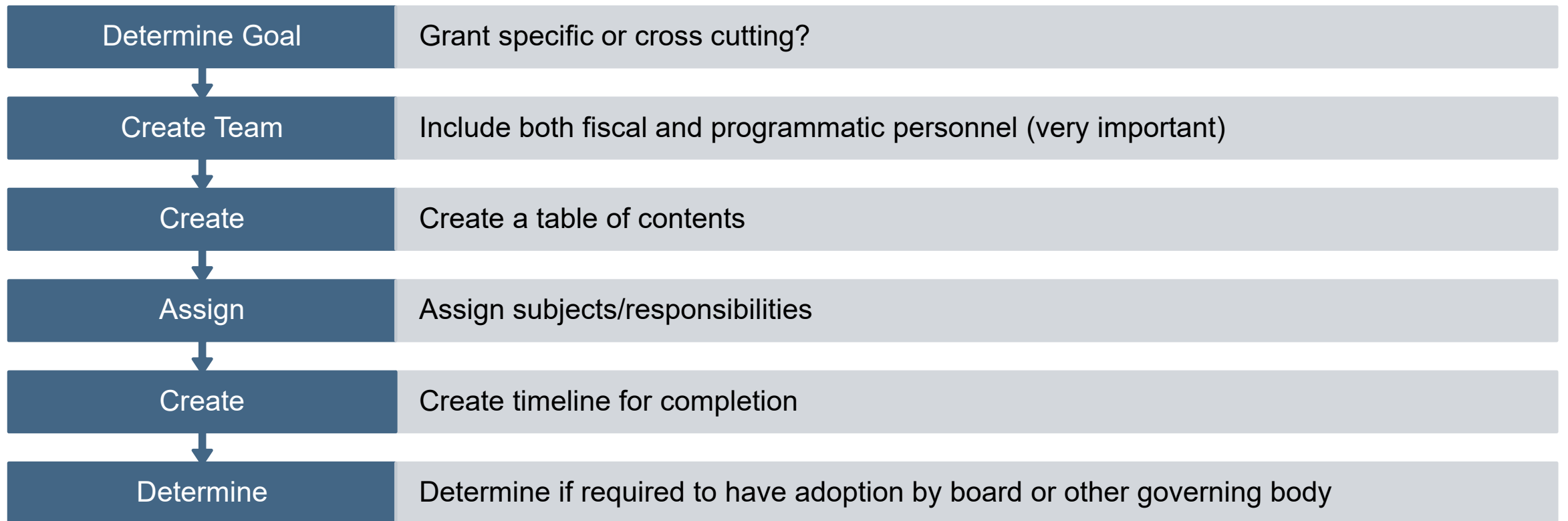


Procedures for Managing Equipment – 2 CFR 200.313(d)

SUGGESTED POLICIES AND PROCEDURES

- Record Retention
- Audit Resolution
- For the pass-through entity: Subrecipient Monitoring
 - listed in OMB Compliance Supplement
- Program Specific Requirements

PROCESS TO DRAFT POLICIES AND PROCEDURES



TESTING POLICIES AND PROCEDURES

Why should we test policies and procedures? It's required!

Internal Controls MUST (2 CFR 200.303):

- Comply with requirements (U.S. Constitution, Statutes, Regulations, etc.)
- Evaluate and monitor compliance
- Take prompt action to correct noncompliance
- Safeguard personally identifiable information (PII)

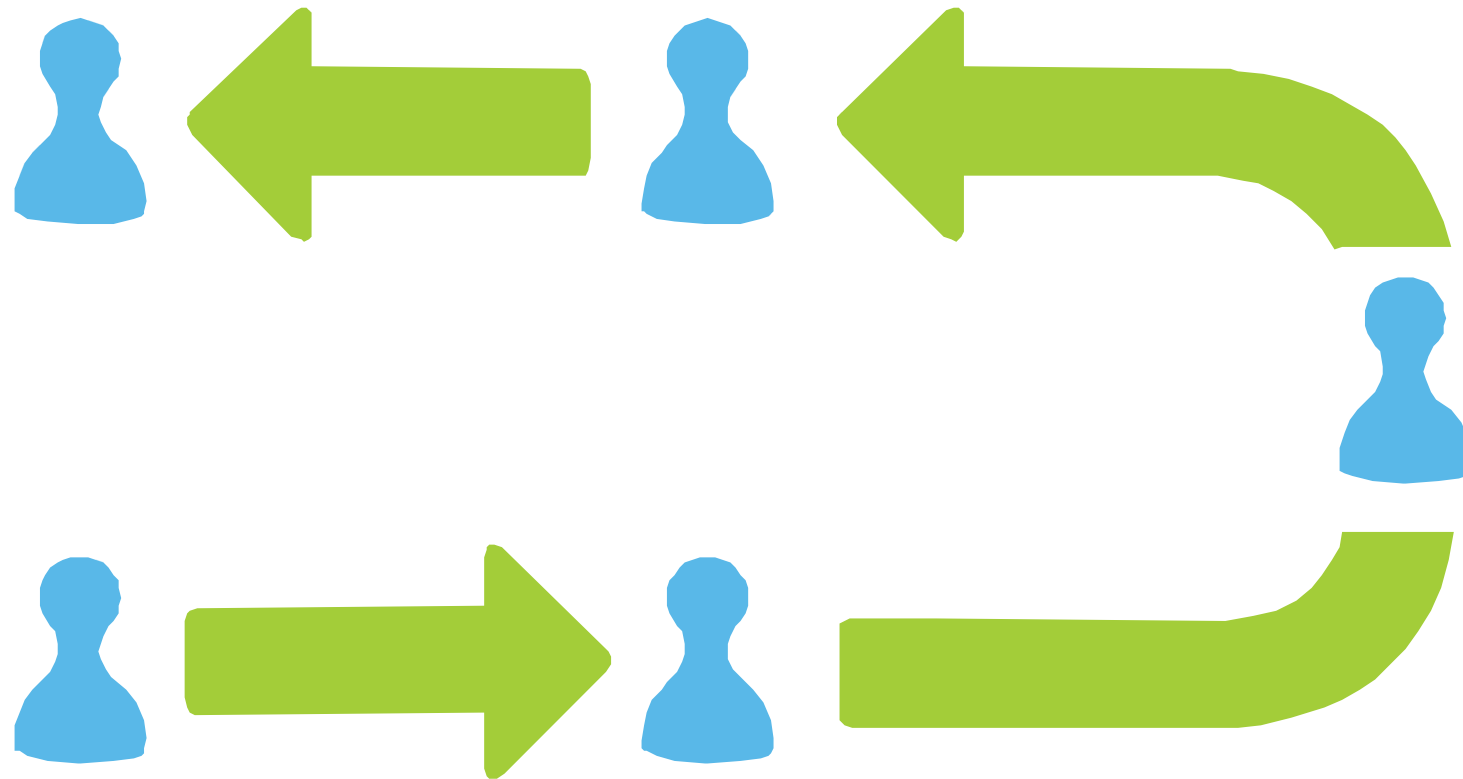
TESTING EXISTING POLICIES AND PROCEDURES

- Review existing policies and procedures
- Develop questions
- Schedule interviews with relevant staff
- Gather information on actual practices
- Draft/update policies and procedures, as needed
- Review internally with appropriate staff
- Finalize
- Formally adopt and implement



SUGGESTED TABLE OF CONTENTS

- I. Organization, Structure, and Function
- II. Grant Application Process
- III. Financial Management System
- IV. Allowability
 - I. Advertising, Travel, etc.
 - II. Time and Effort Documentation
- V. Procurement
- VI. Inventory/Property Management
- VII. Record Keeping/Record Retention
- VIII. Monitoring and Audit Resolution
- IX. Programmatic Requirements
- X. Emergency Policies and Procedures



I. ORGANIZATION, STRUCTURE AND FUNCTION

ORGANIZATION, STRUCTURE AND FUNCTION



Organization chart and general descriptions

Offices
Sections
Divisions



Outside entities with grant administration responsibilities

MOU/MOA

ORGANIZATION, STRUCTURE AND FUNCTION BEST PRACTICES

- Include information about all offices, sections, divisions or employees that have responsibility for grant administration
 - Procurement, inventory, cash management
- Describe any entities outside of the agency that have grant administration responsibilities
 - Correctional facilities, secondary/postsecondary agency, partner agency
 - MOU/MOA between the grantee and outside agency



II. GRANT APPLICATION PROCESS

GRANT APPLICATION PROCESS

- State-Administered Grant vs. Direct Grant
 - What offices makes the decision regarding what grants to apply for?
 - Approvals and Authorizations
 - Process after the grant is awarded

If Pass-Through Entity:

- Discuss how subgrantees apply for grants
- Responsible for risk analysis prior to issuing award! (Uniform Grant Guidance)

GRANT APPLICATION PROCESS BEST PRACTICES



Standardize how the agency determines which grants to apply for and the application process itself.



Meet with appropriate parties to be certain you want to accept the grant and have the capacity to administer the program.



If grant is awarded, start with grant team meetings.



III. FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT PROCEDURES (200.302(b))

- ☐ Overview of financial management/accounting system
- ☐ Budget control, amendments
- ☐ Maintaining accounting records
- ☐ Cash management, interest remittance and timely spending
- ☐ Spending funds, determining allowability

FINANCIAL MANAGEMENT



Identification of awards



Financial reporting



Accounting records



Internal controls



Budget control



Written procedures for cash management



Written procedures for determining allowability

TIMELY OBLIGATION OF FUNDS

- Period of Performance- The total estimated time interval between the start of an initial Federal award and the planned end date.
 - May have more than one budget period within period of performance; renewal starts a new period of performance (200.1).

Type of Obligation	When Obligation Occurs 34 CFR 76.707
Acquisition of Property	Date of binding written commitment
Personal Services by Employee	When services are performed
Personal Services by Contractor	Date of binding written commitment
Travel	When travel is taken
Approved Pre-Agreement Cost	On the first day of the grant or subgrant performance period.

CASH MANAGEMENT (200.305(A);(B))

- Advance v. Reimbursement Payment System
 - For non-federal entities, payments must minimize time elapsing between draw down and disbursement (not obligation)
- Cash advances must be maintained in insured accounts
- Accounts must be interest bearing, unless an exception applies
- Interest earned must be remitted annually to HHS Payment Management System Interest amounts up to \$500 may be retained by non-federal entity for administrative purposes.

CLOSEOUT (2 CFR 200.344)

- Subrecipients must prepare closeout reports and final accounting within 90 days after period; pass-through entities have **120 days**
- Unless federal or pass-through gives extension, all financial obligations must be liquidated no later than **120 days** after period ends
 - Effectively limit subrecipient liquidation to 90 days

FINANCIAL MANAGEMENT SYSTEM BEST PRACTICES

Include information on:

- ☐ Your accounting system(s)
- ☐ Process for comparing budgets to expenditures
- ☐ Process and authorizations for budget revisions
- ☐ Period of performance and when obligations are made
- ☐ Process for carryover

Make sure to incorporate state/agency requirements!



IV. ALLOWABILITY

BASIC FACTORS OF ALLOWABILITY

To be allowable, a cost *must*:

- **Be necessary, reasonable and allocable**
- Comply with the cost principles and federal award
- Be consistent with policies and procedures applying uniformly to federal and nonfederal activities and costs
- Be consistently treated as either direct or indirect costs
- Be determined in accordance with GAAP
- Not be included or used to meet cost sharing / match requirements
- Be adequately **documented**

ALLOWABILITY BEST PRACTICES

Include:

- ☐ Factors on how to address necessary and reasonableness requirements
- ☐ Defined terms
- ☐ How to document cost-price analysis
- ☐ Required approvals, etc.



V. PROCUREMENT



PROCUREMENT STANDARDS (200.318)

All non-federal entities must have documented procurement procedures which reflect applicable Federal, State, and local laws and regulations.

Open and Full Competition (Maximum Extent Possible)

Conflict of Interest Rules

Mandatory Disclosures (200.112, 200.113)

Specific Thresholds for Purchasing

Domestic preference (200.322); but no local preferences (200.319(c))

Contract Administration System

CONFLICT OF INTEREST (200.318(C)(1))

- Must maintain written standard of conduct, including conflict of interest policy, that addresses all conflicts, gratuities, violations, required reporting, etc.
 - Must address organizational conflicts of interest (200.318(c)(2))
- Must address mandatory reporting:
 - Conflict of Interest (200.112)
 - Mandatory Disclosures (200.113)

METHODS OF PROCUREMENT 200.112



- Informal
 - Micro-purchase
 - Small purchase procedures
- Formal
 - Competitive sealed bids
 - Competitive proposals
- Noncompetitive proposals

INFORMAL PROCUREMENT, 200.320(a)(1)

Micro-purchases Flexibility

- Thresholds. Determined and documented by grantee, based on internal controls, risk, and procedures. Authorized by state, local laws. May be higher than threshold in FAR (\$10,000).
 - Nonfederal entity may self-certify threshold up to \$50,000, if:
 - Low-risk auditee for most recent audit (200.520)
 - Annual internal institutional risk assessment to identify, mitigate and manage financial risks; or
 - For public institutions, a higher threshold consistent with state law
 - Over \$50,000, must have approval of cognizant agency indirect costs

NONCOMPETITIVE PROPOSALS (200.320(C))

- Appropriate only when:
 - Micro-purchase
 - The item is only available from a single source;
 - There is a public emergency for the requirement that will not permit delay resulting from publicizing a competitive solicitation;
 - The Federal awarding agency or pass-through expressly authorizes noncompetitive procurement in response to a written request from non-Federal entity; or
 - After soliciting a number of sources, competition is determined inadequate

DOMESTIC PREFERENCES FOR PROCUREMENTS (200.322)

- “To the greatest extent practicable” must provide a preference for the purchase of goods and materials produced in the U.S.
- Must include this section in all subawards, contracts and purchase orders



SUSPENSION AND DEBARMENT



- For contracts over \$25,000, you must verify that the person with whom you intend to do business is not excluded or disqualified.
- This MUST be done by either:
 - Checking SAM
 - Collecting a certification from that person
 - Adding a clause or condition to the covered transaction with that person

PROCUREMENT BEST PRACTICES

- ☐ Review breadth of conflict-of-interest policy
- ☐ Separation of duties
- ☐ Service contracts vs. Contracts for goods
- ☐ Contract thresholds and process for entering into contracts within each threshold amount
 - *Note: State/agency requirements are often more restrictive than federal rules
- ☐ Describe process to ensure that the terms of the contract are met

VI. INVENTORY MANAGEMENT



INVENTORY DEFINITIONS

Equipment: Tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit

Supplies: All tangible personal property other than equipment

Computing Devices?

INVENTORY PROCEDURES (200.313(D))

- Property records
 - Description, serial number or other ID, source of funding, title, acquisition date and cost, percent of federal participation, location, use and condition, and ultimate disposition date including sale price
- Physical inventory at least every two years
- Control system to prevent loss, damage, theft
 - All incidents must be investigated
- Adequate maintenance procedures
- If authorized or required to sell property, proper sales procedures to ensure highest possible return.

INVENTORY BEST PRACTICES

- ☐ Define property classification and internal controls for each classification
- ☐ Review inventory records to ensure all required categories are maintained
- ☐ Policy regarding lost, stolen or damaged items
- ☐ Clear disposition procedures



VII. RECORD KEEPING AND RECORD RETENTION

DOCUMENTATION REQUIREMENTS

- Retention Requirements For Records – 2 CFR 200.334
- When original records are electronic and cannot be altered, there is no need to create and retain paper copies. (UGG Section 200.336)
- UGG = **three years**
- BUT... Watch applicable Statute of Limitations!
 - (Example, USDE = 5 years under the General Education Provisions Act)

RECORDKEEPING AND RECORD RETENTION BEST PRACTICES

Describe method for:

- ☐ Collection of records
 - ☐ How PII and FERPA are met
- ☐ Storage of records
- ☐ Disposition of records



VII. MONITORING AND AUDIT RESOLUTION

MONITORING

INTERNAL
MONITORING OF
AGENCY

MONITORING OF
SUBRECIPIENTS

RISK-BASED
FACTORS

ONSITE
REVIEWS

REMOTE
MONITORING

DESK REVIEWS

SELF-
ASSESSMENTS

FOLLOW-UP

MONITORING AND REPORTING PROGRAM PERFORMANCE (200.329)

Monitoring by the pass-through:

- Monitor to assure compliance with applicable federal requirements and performance expectations are achieved
- Must cover each program, function or activity (*see also* 200.332)
- Must submit “performance reports” at least annually
- Monitoring tools utilized (*see also* 200.332)

MONITORING BEST PRACTICES

- **Risk-based monitoring system**
- Common factors:
 - Amount of grant
 - Timeliness of reports
 - Transition in staff
 - History with grants
 - Recent audit findings
- **Process for monitoring subrecipients**
 - From notification to issuing report and timeline
 - Site visits, desk reviews, self-assessments
 - Fiscal and Programmatic reviews
- **Ensure findings are resolved**
 - Corrective action plan, closeout letter, future monitoring

AUDIT RESOLUTION

- Single Audit
- Uniform Grant Guidance – Subpart F
- Resolution of Findings
- Review of Subrecipients' Single Audits

AUDIT RESOLUTION BEST PRACTICES

- Assign responsibilities for managing audit requests
 - Assign main contact
- Create process for resolution of findings
 - Corrective Action Plan, Timeline
- Process for reviewing subrecipients' single audits



IX. PROGRAMMATIC REQUIREMENTS AND PROGRAM FISCAL REQUIREMENTS

PROGRAMMATIC VS. FISCAL REQUIREMENTS



Programmatic Requirements

Eligibility of Participants
Allowable Items of Cost
Notification Requirements

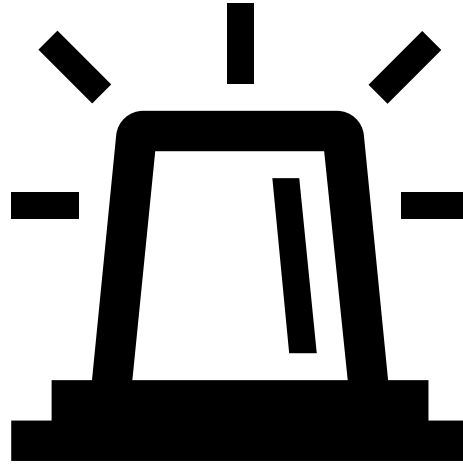


Programmatic Fiscal Requirements

Supplement Not Supplant
Maintenance of Effort
Matching and Cost Sharing
Hold Harmless
Excess Costs
Comparability
Rank and Serving Requirements

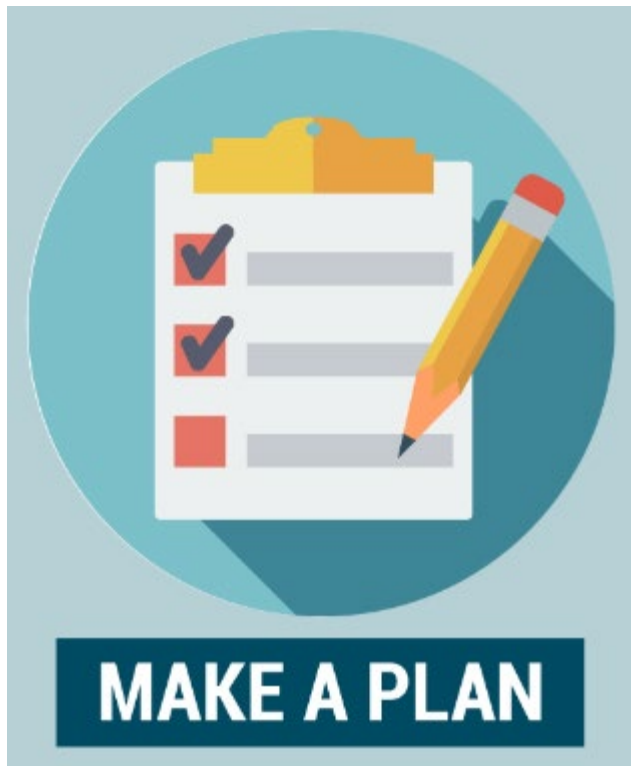
PROGRAM/FISCAL REQUIREMENTS BEST PRACTICES

- ❑ Describe requirement and how the agency complies with the applicable requirement
- ❑ Allowable use of funds
- ❑ Required approvals, etc.



X. EMERGENCY POLICIES AND PROCEDURES

EMERGENCY POLICIES AND PROCEDURES



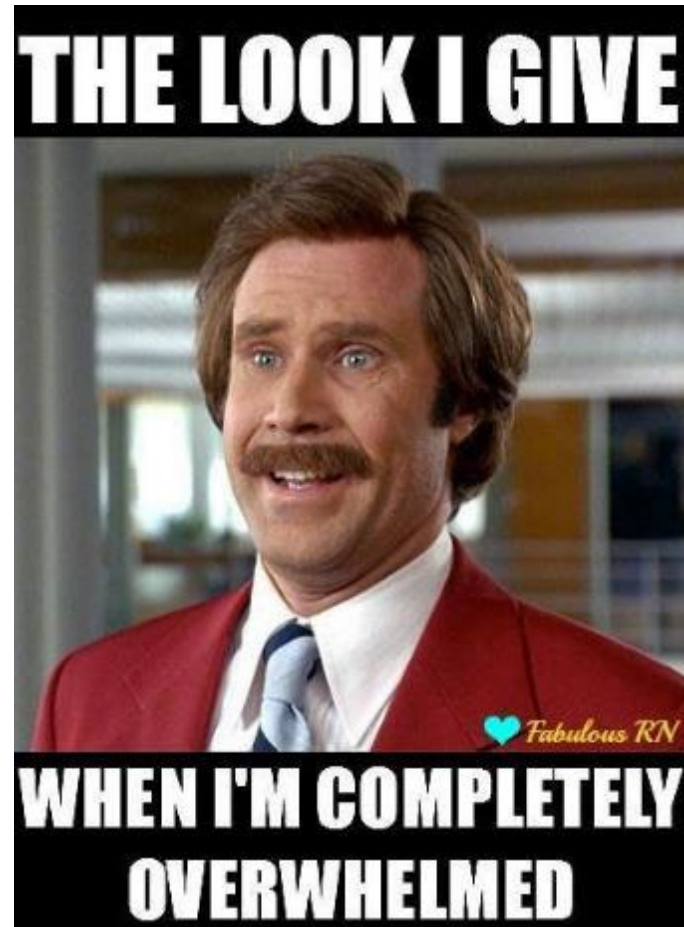
- What is process for addressing emergency situations?
- Changes to:
 - Compensation / benefits procedures
 - Time and effort procedures
 - Travel reimbursements
 - Allowability procedures
 - Inventory management procedures, etc.

AFTER YOUR POLICIES AND PROCEDURES ARE DONE...

- ☐ Make policies and procedures easily available to staff!
- ☐ Training!!!!
- ☐ Review and Revise (annually/as-needed)



QUESTIONS?



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