

Goldmines and Landmines – Fundamentals of Federal Grants Compliance

Special Olympics International

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Today's Objectives

- Discuss key statutory and regulatory compliance requirements for Federal Grant recipients and subrecipients
- Identify principal noncompliance risks and strategies for mitigating risk of noncompliance
- Opportunity to ask questions!



Federal Grant Compliance – Key Points

- By accepting a federal grant (or subgrant), the recipient agrees to comply with the applicable Federal requirements and to the prudent management of all expenditure and actions affecting the award.
- Every submission (e.g., Grant application, performance and financial reports, periodic certifications) is a statement to a government official
- Every request for payment is viewed as a certification that the awardee is complying with all material requirements and terms
- Only **Actual Authority** will normally bind the government – beware of “guidance” from unauthorized government representatives



Government Grants – Sources of Compliance Requirements

- OMB Cir. A-110 (2 CFR Part 215), Uniform Administrative Requirements for Grants and Agreements
- OMB Cir. A-122 (2 CFR Part 230), Cost Principles for Non-Profit Organizations (Note that different, but similar, Cost Principles Apply to Educational Institutions, and State and Local Governments)
- OMB Cir. A-133, Audits of States, Local Governments, and Nonprofit Organizations
- Statutes and Regulations that Establish Specific Grant Programs (e.g, American Reinvestment and Recovery Act)
- Agency-specific Grants regulations and policies



OMB Cir. A-110 and Common Agency Requirements

- Reporting Requirements
 - Project Performance
 - Financial
- Grantee Code of Conduct
- Procurement Standards
 - Competition
 - Conflict of Interest Policy
 - Cost and Price Reasonableness
 - Contract Administration and Documentation
- Equal Employment Opportunity and Other Labor and Employment Standards Requirements



OMB Cir. A-110 and Common Agency Requirements (Cont.)

- Effective control over and accountability for all funds, property, and other assets
- Comparison of outlays with budget amounts for each award
- Written procedures to minimize the time elapsing between the transfer of funds to the recipient



OMB Cir. A-110 and Common Agency Requirements (Cont.)

- Written procedures for determining the reasonableness, allocability, and allowability of costs
- Accounting for and use of Program Income
- Accounting records with supporting documentation



OMB Cir. A-122 – Cost Principles

- Costs expended with grant funds must be:
 - Reasonable in amount;
 - Allocable to the purpose or object of the grant program; and,
 - Allowable under government cost principles
- Grant application budgets and financial reports are scrutinized for compliance with cost principles
- Compliance with Cost Principles is primary area of interest in audits



OMB Cir. A-122 – Cost Principles Areas of Concern

- Indirect Costs (*aka* “Facilities and Administrative Costs”)
- Fee (Profit)
- Direct Costs (Examples)
 - Personnel Compensation
 - Advertising and Public Relations
 - Fundraising and Investment Management
 - Professional Services
 - Travel
 - Alcoholic Beverages



OMB Circular A-133

The Single Audit Act

- Applicable to any grant recipient or subrecipient that expends more than \$500,000 in federal awards
- When available, program-specific audits provide audit guidance, which must be complied with.
- Non-program-specific audits shall include, at a minimum:
 - A schedule of expenditures of Federal awards for the program;
 - Notes that describe the significant accounting policies used in preparing the schedule;
 - A summary schedule of prior audit findings; and
 - A corrective action plan.



Grant Compliance – Approval Requirements

- Most Agencies require that Grant Recipients obtain prior written approval prior to making significant project changes, such as:
 - Transfer of the project effort
 - Change in objective or scope
 - Change in the amount or proportion of cost sharing reflected the grant award budget
 - Absence or change of Principal Investigator or other Key Personnel
 - Rearrangement/alterations from budget aggregating \$25,000 or more



Consequences of Noncompliance

- Special oversight/review status
- Administrative sanctions
 - Reduction in payments
 - Termination of Grant
- Suspension/debarment/exclusion
- Corrective action plans
- Mandatory compliance plans
- Criminal and Civil Penalties
 - False Statements
 - Criminal and Civil False Claims



Grant Compliance – Most Common Offenses (National Science Foundation Study)

- Theft/Embezzlement (31%)
- False or Fraudulent Statements (24%)
- Miscellaneous/Other* (20%)
- False or Fraudulent Claims (13%)
- Conflicts of Interest (9%)
- Computer Fraud (3%)

* Includes mail fraud, false identification insurance fraud, impersonating a Government officer, and copyright infringement.



Grant Compliance – Most frequent adverse audit findings (National Science Foundation Study):

- Policies and procedures inadequate or absent: 24%
- Lack of source documentation to support costs: 18%
- Inadequate system to track, manage, or account for costs and/or assets: 14%
- Unallowable costs: 7%
- Lack of proper approval, certification, or authorization: 6%
- Lack of subrecipient monitoring: 6%
- Inadequate or absent project or technical report: 6%
- Reconciliations inadequate or not performed: 4%
- Inadequate or absent financial report or proposal: 4%
- Costs claimed exceed amounts or rates allowed by award provisions or Federal regulations: 4%
- Lack of segregation of duties: 4%



Common Sources of Compliance Problems

- Overly ambitious objectives in grant application
- Failing to ensure that subrecipient and subcontractor agreements “flow-down” all required terms
- Failing to ensure that required reports are accurate and submitted on time
- Failing to obtain required Agency approvals of changes in grant program
- Failing to timely report problems affecting program or financial performance



Grant Compliance – Risk Areas

- Adequate program documentation
- Travel documentation
- Cost-sharing
- Records retention
- Separate financial administration for each award
- Violations of institutional conflict of interest rules
- Sub-awardee monitoring
- Residual funds – accounting and disposition
- Labor Charging (i.e., Timekeeping)
 - Direct v. Indirect
 - Allocation over Multiple Projects
 - Consistency with Approved Grant Budget



Grant Compliance – Strategies

- Organizational Policies and Procedures
 - Accounting/Purchasing/Code of Conduct policies tailored to Grant requirements and Organization
 - Training for Key Managers and Grant Management Personnel
 - Grant Closeout and Records Retention
- Subawards and Subcontracts
 - Flow-down required and desired Requirements
 - Actively manage and monitor performance
- Regular Review of Above Items



- Questions?
- Comments?
- Thank you!



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