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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