



Date
November 2, 2022

Time
2:20 - 3:20 PM

Instructor
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Chief Financial Officer
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Location
Live-Streamed and
Onsite at Louisiana
Immersive Technologies
Enterprise (LITE)

Method of Delivery
Classroom instruction

Learning Level
Basic

CPE Hours
1.0 Hours

CPA Subject Matter
Accounting and Auditing

Prerequisite
None

Best Practices for Grants Administration

Description

You've been awarded a state or federal grant - now what? Grants come with "strings attached," such as following the grant program to a "T," separating allowable from unallowable costs, financial reporting to the grantor, and preparing the SEFA. Participants will learn best practices for administering grants, including grants accounting, internal controls, and management, to learn about the federal regulations and be prepared for the Single Audit. After all, becoming aware of requirements of federal grantors is the first step to developing an effective grants management program in your organization, which can lead to confidently applying for additional grant funding.

Objectives

To provide an overview of grants administration:

- Best practices for administering grants
- Learn about the federal regulations
- Be prepared for the Single Audit
- Confidence for future grant applications

Who Will Benefit

- Elected Officials/Appointed Officials
- Local Government Employees/Local Government Auditors

About the Instructor

Charlie Mackles oversees InspireNOLA's finance team, ensuring that the Central Office and all schools have the financial tools, information and resources necessary to meet our mission while simultaneously adhering to all relevant compliance guidelines and industry best practices. He has worked in the non-profit and governmental sector specializing in the K-12 and post-secondary education arena for the past twenty years. Prior to his work with charter schools, Mr. Mackles worked in higher education and research managing multi-million dollar grants awarded by the National Institute of Health and various other universities and foundations, and is invested in the success of public education. Mr. Mackles is a Certified Public Accountant (CPA) and a Certified Fraud Examiner (CFE), and holds a Bachelor of Science in Accounting and Economics from Louisiana State University.

The Best Practices for Grants Administration



Presented by:
Charlie Mackles, CPA, CFE, CLCSBA
Chief Financial Officer
InspireNOLA Charter Schools
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Introduction

You've been awarded a state or federal grant - now what?

Grants come with "strings attached," such as following the grant program to a "T," separating allowable from unallowable costs, financial reporting to the grantor, and preparing the SEFA.

Participants will learn best practices for administering grants, including grants accounting, internal controls, and management, to learn about the federal regulations and be prepared for the Single Audit.

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Introduction

- Accountability – Why just grants?
- COVID Pandemic Funding - (2021) – ARP – American Rescue Plan
- 2008 Economic Crisis – (2009) - ARRA – American Recovery and Reinvestment Act

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Introduction

Top 8 Audit Findings for Local Governments in 2021

- Per LLA
 - **Inadequate internal controls, improper segregation of duties**
 - Noncompliance with the Local Government Budget Act
 - **Inadequate grant administration**
 - Inadequate reconciliations
 - **Incomplete or poor accounting records and documentation**
 - Late filing of the audit report with the Legislative Auditor
 - Failure to provide financial reports to the governing body
 - **Inadequate or lack of written policies and procedures**

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GFOA Best Practices

- **Government Finance Officers Association (GFOA)**

- <https://www.gfoa.org/best-practices>

- Grants Administration
- Internal Controls for Grants
- SEFA Preparation
- Indirect Cost Allocation

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Grants Administration

Governments should establish processes to promote awareness throughout the government that grants normally come with significant requirements.



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Grants Administration

1. To ensure the efficient administration and operation of grant programs the government should:
 - maintain a process to monitor for changes in grant terms and conditions that occur after the acceptance of a grant;
 - establish a project plan with timelines and parties responsible for implementing the steps of the plan;

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Grants Administration

1. To ensure the efficient administration and operation of grant programs the government should:
 - provide initial training for new and unfamiliar programs and continuing training, in general, for the government (both for oversight agencies, such as finance, and department/program staff that directly administer the grants) and others involved with the grant program (e.g., subrecipients); and
 - maintain a process to address specific personnel issues related to grants (e.g., whether salaries and/or benefits are eligible expenditures and if so, what are the related time-keeping requirements);

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Grants Administration

2. To ensure the efficient financial management of grants a government should:
 - develop appropriate cash management procedures for drawdown and receipt of funds as well as disbursement of funds;
 - develop procedures to reconcile internal records with federal and state reports;
 - maintain a process to ensure that costs charged to grants are allowable, necessary and reasonable, and properly allocable and that these determinations are consistently applied;

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Grants Administration

2. To ensure the efficient financial management of grants a government should:
 - determine whether indirect costs will be allocated to grant programs and if so maintain an appropriate process to make the allocation;
 - maintain a process to track information about local matching funds including identification of the continuing source of such funds;

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Grants Administration

2. To ensure the efficient financial management of grants a government should:
- integrate grants in the annual budget process;
 - integrate grants in the government's cash flows planning;
 - develop a contingency plan for funding services that will be continued even if the grant funds terminate.

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Grants Administration

3. Governments should maintain proper systems to support grants that:
- ensure that systems will provide information to all involved parties to allow them to comply with both GAAP and grant requirements;
 - identify and segregate costs as necessary for the grant (e.g., separate allowable and unallowable costs, separate direct costs from indirect costs, and separate administrative costs);

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Grants Administration

3. Governments should maintain proper systems to support grants that:
- develop systems and methods to account for and track capital items;
 - include the capability to track information for non-cash grants; and
 - develop a methodology to store and provide information electronically so that it is available to multiple users.

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Grants Administration

4. Maintain proper internal controls that:
- document grant procedures;
 - maintain internal controls over accounting, financial reporting, and program administration;
 - maintain internal controls to identify and adhere to Federal and State compliance requirements, such as those relating to contracting;

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Grants Administration

4. Maintain proper internal controls that:

- consider the level of program risk (e.g., high, medium, low) when establishing internal controls; and
- establish internal control procedures to ensure the reliability of information obtained from third parties (e.g., jobs, Buy America).

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Grants Administration

5. Maintain processes for sub-recipient monitoring that:

- provide for programmatic monitoring including requirements for sub recipients to submit progress reports;
- provide for administrative monitoring including timely reporting and adherence to compliance requirements;
- provide for financial monitoring including understanding of and adherence to cost principles;

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Grants Administration

5. Maintain processes for sub-recipient monitoring that:

- establish periodic monitoring meetings;
- provide for the receipt, review, and appropriate follow-up of single audit reports, when applicable; and
- develop contacts with the state for funds that pass-through the state.

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Grants Administration

6. Establish continuous communication that:

- develops a communication process with the sponsor/provider;
- develops a communication process with those that have oversight responsibility including, when applicable, the Federal Cognizant Agency;
- develops a communication process with external auditors;

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Grants Administration

6. Establish continuous communication that:

- develops a communication process with auditors engaged for single audit purposes; and
- develops an interdisciplinary implementation task force within the government that meets regularly to discuss changes and how they should be implemented.

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Grants Administration

7. Processes to meet various specialized reporting requirements that:

- maintain a comprehensive list of reporting requirements and a reminder system for meeting the reporting deadlines;
- develops the methodology for the preparation of specialized reports;
- develops an approval process for certifying specialized reporting; and
- develops a process to aggregate all of the information needed for the schedule of expenditures of federal awards.

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Grants Administration

8. Ensure the completion of auditing requirements for grants that:
- develops an understanding of audit requirements unique to the grant including those in Generally Accepted Government Auditing Standards (GAGAS), Generally Accepted Auditing Standards (GAAS), and applicable Office of Management and Budget (OMB) circulars;
 - develops an understanding of audit requirements that may be necessary for grant close-out; and
 - ensures the completion of audit procedures relating to the information to be included in GAAP-basis financial statements.

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Ask for Help

- Networking – Not “Conference Networking”
- Outside of your Circle – Can be different governmental units or organizations
- Find a Mentor – Don’t be afraid to play to ego

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Ask for Help



Google Search

I'm Feeling Lucky

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Internal Controls for Grants

It is crucial that governments have the proper framework for internal control to ensure that:

- Resources are being utilized effectively and efficiently;
- Assets purchased or developed with them are being safeguarded properly;
- Financial reporting required by these grants is accurate and timely; and
- Grant resources are being utilized in compliance with appropriate laws and regulations.

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Internal Controls for Grants

In regards to internal control for grants, governments should adhere to the following framework: control environment, risk assessment, control activities, information and communication, and monitoring.



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Internal Controls for Grants

1. Control Environment

- a. Alert agencies that policy decisions concerning grants are made entity-wide to ensure consistency and adherence to strategic planning goals;
- b. Ensure that each area of the grant process (programmatic, budgeting, accounting, etc.) is managed by competent staff who are knowledgeable in their areas of responsibility;

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Internal Controls for Grants

1. Control Environment

- c. Give staff authority and responsibility for their tasks associated with the grant;
- d. Hold staff accountable for their tasks; and
- e. In larger organizations, create cross-functional teams to support entity-wide grants management.

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Internal Controls for Grants

2. Risk Assessment

- a. Perform and document a risk assessment of the entity's grants management processes;
- b. Utilize a comprehensive, internal control questionnaire to facilitate the risk analysis;
- c. Consider the level of program risk (e.g., high, medium, low) when establishing control activities;

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Internal Controls for Grants

2. Risk Assessment

- d. Perform a cost/benefit analysis prior to installing a new control activity;
- e. Consider the possibility and likelihood of fraud in the entity's grants management process; and
- f. Identify and assess changes in the regulatory, technology, personnel and operating environment under which the grants are managed.

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Internal Controls for Grants

3. Control Activities

- a. Document both government-wide and individual grant policies;
- b. Document both government-wide and individual grant procedures;
- c. Develop a timeline and process for updating policies and procedures as changes occur;
- d. Become knowledgeable of and adhere to federal, state, and local laws and regulations;

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Internal Controls for Grants

3. Control Activities

- e. Establish control activities to ensure the reliability of information obtained from third parties (e.g., vendors);
- f. Develop comprehensive, information technology policies and procedures;
- g. Keep information technology policies and procedures current;
- h. Become knowledgeable of and implement, as necessary, federal and state standards for financial management systems;

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Internal Controls for Grants

3. Control Activities

- i. Utilize financial management systems to support compliance with grant-related legal and regulatory requirements;
- j. Become knowledgeable of and implement, as necessary, federal and state standards for procurement; and
- k. Utilize federal and state official debarment lists to update the government's list of vendors.

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Internal Controls for Grants

4. Information and Communication

- a. Document in a format accessible to stakeholders the purpose and the government's responsibilities for each of its grants;
- b. Distinguish grants by source (federal, state, local, and private entity);
- c. Identify the time periods required by the grants;
- d. Identify grant reporting requirements;

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Internal Controls for Grants

4. Information and Communication

- e. Identify grants that require specialized administration;
- f. Ensure that grant requirements are documented in vendor communication;
- g. Ensure that grant information is available to internal stakeholders;

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Internal Controls for Grants

4. Information and Communication

- h. Develop ongoing communication and knowledge of grantors, and pass-through organizations;
- i. Develop an ongoing dialogue with financial statement, single audit, and program auditors concerning grant reporting and compliance; and
- j. Develop processes to ensure that quality, supportable information is utilized in grant decision making.

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Internal Controls for Grants

5. Monitoring

- a. Develop a process of ongoing (daily/weekly) and periodic (annual) programmatic control activities that ensures compliance with laws and regulations;
- b. Provide an annual periodic review of the risk assessment process;

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Internal Controls for Grants

5. Monitoring

- c. Ensure that program deficiencies are communicated to all responsible parties, including management and elected officials; and
- d. Ensure that corrective action plans are taking place, addressing the control deficiencies and responding to the deficiencies in a timely manner.

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Tips

- Segregation of Duties
 - Find Someone



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Tips

What does YOUR policies and procedures say?

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SEFA Preparation

Governments that are subject to the Single Audit Act are required to prepare a Schedule of Expenditures of Federal Awards (SEFA).

GFOA recommends governments implement procedures to ensure an accurate and complete SEFA.

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SEFA Preparation

The Single Audit Act establishes requirements for audits over a threshold amount.

The SEFA reports amounts expended, not the amount received, during the fiscal year.

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SEFA Preparation

Preparation of the SEFA is the responsibility of the government's management.

GFOA recommends that all governments that prepare a SEFA incorporate the following into their procedures to ensure completeness and accuracy of the SEFA

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SEFA Preparation

1. Governments should create a repository (electronic file) of relevant grant information that is accessible to the preparers of the SEFA and those that administer the grants. At a minimum, the repository should contain the following for each federal grant:
 - a. Grant agreement and notice of the award, as applicable
 - b. Type of grant (e.g., reimbursement basis or structured payments)
 - c. Program name and cluster title (if applicable)

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SEFA Preparation

- d. Name of federal funding agency
- e. Pass-through entity (if applicable)
- f. Assistance listing number (formally known as the CFDA number)
- g. Pass-through entity identifying number (if applicable)
- h. Amount passed through to each subrecipient (if applicable)
- i. Award amount
- j. Award date
- k. Match requirement
- l. Period of performance

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SEFA Preparation

2. The SEFA should be prepared on the same basis of accounting as the financial statements.
3. In order to facilitate timely and accurate preparation of a SEFA for fiscal year end, a monthly reconciliation of expenditures in the general ledger should be performed to ensure that only eligible expenditures are reported in the grant expenditure accounts. Governments should review grants included in the previous year's SEFA to determine if they should be included in the current year SEFA.

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SEFA Preparation

4. In situations where expenditures reported in the SEFA are not the same as the expenditures reported in the general ledger (due to outstanding loan balances, timing of grant awards, expenditures incurred in a prior period, etc.), a reconciliation should be included in the notes to the SEFA.
5. Ensure that the Single Audit is submitted to the Federal Audit Clearinghouse in accordance with Federal guidelines.

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Tips

Account String Structure

- How you structure your account string can save significant time at the end of periods.
 - Personnel Cost, Non-Personnel costs
 - Grant Funds
 - Locations
- Software Utilization for Reports

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Indirect Cost Allocation

When considering the allocation of indirect costs, governments should consider:

- Who should perform the allocation?
- What factors need to be considered if an external party is involved?
- How often should an external cost allocation occur?
- What factors need to be considered if an allocation is performed internally?

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Indirect Cost Allocation

1. Who should perform the allocation? An indirect cost allocation can be performed either by the government's own staff or by an external party. Specific factors that should be considered in choosing between the two include:
 - In certain political environments, a government's constituents may be more accepting of an externally prepared cost allocation;

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Indirect Cost Allocation

- The optimal choice may depend on the purpose of the cost allocation (for example, departmental chargebacks vs. grant reimbursement);
- Regardless of who prepares the cost allocation, management needs to be involved in the process and knowledgeable about the methodology used;

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Indirect Cost Allocation

2. What factors need to be considered if an external party is selected to perform the allocation? If an external party is engaged to perform a cost allocation, the government should consider the following:
 - The need for independence may prevent the financial statement auditor from serving in this role;
 - The selected preparer should have knowledge and experience that is specifically relevant to the purpose for which the cost allocation will be used;

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Indirect Cost Allocation

- The government should obtain ownership of the final work product;
- The government's staff should obtain at least a basic understanding of the process used to prepare the cost allocation;
- The contract for services with the preparer should state whether the preparer will assist in negotiating with a grant provider, if necessary, and which party (the government or the preparer) would be responsible for any indirect costs that are ultimately disallowed; and

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Indirect Cost Allocation

- The contract for services with the preparer should state whether the preparer will assist in negotiating with a grant provider, if necessary, and which party (the government or the preparer) would be responsible for any indirect costs that are ultimately disallowed; and
- The government is responsible for having a system in place that ensures that data are appropriately classified in the accounting system.

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Indirect Cost Allocation

3. How often should an externally performed cost allocation take place? An indirect cost allocation should be used for a maximum of three years (unless a law or regulation requires a shorter period). Moreover, an even shorter interval may be necessary based on the following considerations:
 - Complexity of the calculation;
 - Changes in grant requirements;

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Indirect Cost Allocation

- Purpose for which the allocation is to be used;
- Implementation of a new enterprise resource planning (ERP) system;
- A change in the government's administration; or
- A structural change in the government.

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Indirect Cost Allocation

4. What factors need to be considered if a cost allocation is to be performed by the government's own staff? If an indirect cost allocation is to be performed by the government's own staff, a team approach normally is preferable. That team should consist of stakeholders from the government's departments/agencies and should have a designated team leader to make decisions when there are differing positions on the team and it is not possible to reach consensus.

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Indirect Cost Allocation

5. Should the government use an indirect cost allocation plan or an overhead percentage rate? There are pros and cons to using either an indirect cost allocation plan or an overhead percentage rate for recouping indirect costs, regardless of whether cost allocations are performed by an external party or by the government's own staff. Since an indirect cost allocation plan involves a greater level of detail and more complex calculations, a government should consider whether increased cost recovery from grantors would justify the extra effort.

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Questions?

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