

# *Audit-Readiness*



*Riverside Community College District  
Grants Office*

# *The Fiscal Agent Ensures.....*

- All commitments made in the application are fulfilled
- All expenditures are allowable and that match contribution is met
- All required reports are submitted
- All sub-awardees perform and adhere to all audit requirements
- Sub-awardees are not disbarred by checking <http://www.epls.gov>

# *Auditors...What Do They Look For?*

Evidence that.....

- Adequate internal controls in the institution's financial management exist
- You are doing what you said you were going to do in your approved application (achieving the outcomes, goals and objectives)
- Expenditures made are allowable

# *Auditors...What Do They Look For?*

- Your performance report data is accurate and reliable
- Statutory and regulatory requirements have been met (for example, the matching funds requirement)
- You comply with Office of Management and Budget (OMB) circulars A-21, A-110 and A-133

# *What if I am Audited?*

## *What Should I Have on Hand?*

- A copy of the grant award notification (GAN) and approved application
- Request for Applications (RFA) and corresponding specifications
- Approvals in writing for requested revisions
- Terms and conditions articles
- Organizational chart showing positions of the project within the structure of the institution

# *What if I am Audited?*

## *What Should I Have on Hand?*

- List of all project staff and position descriptions for each
- Written policies and procedures for
  - ◆ The drawdown and disbursement of federal funds that avoid excess cash balances and assure adequate controls
  - ◆ Personnel

# *What if I am Audited?*

## *What Should I Have on Hand?*

- List of equipment purchased and location
- All materials produced by the project
- List of participants served by grant year or cohort, documentation of their progress, services provided and outcomes achieved
- All reports submitted to the funding agency
- Most recent A-133 audit

# *What if I am Audited?*

## *What Should I Have on Hand?*

- References

- ◆ Education Department General Administrative Regulations (EDGAR)
- ◆ OMB circular A-21, Cost Principles for Educational Institutions
- ◆ OMB circular A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education...



# *What if I am Audited?*

## *What Should I Have on Hand?*

- ◆ OMB circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
- ◆ Program statutes and regulations
- ◆ Program/college policies and procedures manuals
- ◆ Time and Effort Reporting Statements - original signatures in blue ink completed after-the-fact

**Time and Effort Statement for Sponsored Agreements**

**RIVERSIDE COMMUNITY COLLEGE DISTRICT - NAME OF COLLEGE**

**Name of Grant Program**

**Name of Employee**

**Time Period:**

**I, employee name, verify that I dedicated the following percentages of my time to the programs listed below for the time period specified above:**

<b>Program #1</b>	<b>X%</b>
<b>Program #2</b>	<b>X%</b>
<b>Total - all programs</b>	<b>100%</b>

**Employee Signature**

**Title**

**Date**

# *Single Audit Act of 1984*

Non-Federal entities that expend \$500,000 or more in a year in federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

# *Costs—How Do I Know They're Allowable?*

- Allowable – they conform to limitations or exclusions set forth in A-21 or in the sponsored agreement
- Allocable – the process of assigning a cost, in reasonable and realistic proportion to the benefit provided
- Reasonable – a cost that would be incurred by a prudent person

# *Costs—How Do I Know They're Allowable?*

- They must be given consistent treatment through application of generally accepted accounting principles
- Not listed as exception on grant award or in grant terms and conditions

When in doubt, contact your designated program officer

# *Audit-Readiness Resources*

- Education Department General Administrative Regulations (EDGAR) can be found on-line at <http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>
- Office of Management and Budget (OMB) circulars can be found on-line at <http://www.whitehouse.gov/omb/circulars/index.html>

# *The Expanded Authorities*

- Legislation providing greater autonomy to grantees, based on Title 34 Code of Federal Regulations (CFR), Part 74, Sub-part C, Section 74.25 - applies to most federal grants

# *Pre-award Costs*

- No prior approval is required for pre-award costs incurred up to 90 days before the grant begins
- Includes both new and non-competing continuation awards
- Reasonable expectation of award should exist
- Expenditures are incurred at own risk
- Funds are not available until the grant begins
- Not for previous year's over-runs



# *No-Cost Time Extension*

- One-time extension of the project period for up to one year without prior approval
- Purpose: To complete unfinished objectives
- No additional federal funds
- No change to scope or objectives

# *No-Cost Time Extension*

- Written notification of extension to program officer no later than 10 days before end of grant to include:
  - ◆ Objectives that have yet to be completed
  - ◆ Revised end date
- Program Officer may ask how remaining funds will be spent

# *Budget Transfers*

- Provisions in 34 CFR 74.25
- Requires approval:
  - ◆ Changes in project scope or objectives
  - ◆ Changes in a key person specified in the award document
  - ◆ The absence for more than 3 months or a 25% reduction in time of the approved project director
  - ◆ The need for additional federal funds

# *Budget Transfers*

- ◆ The indirect costs line item
- ◆ The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense
- ◆ Unless described in the application and funded in the approved award, the sub-award, transfer or contracting out of any work under an award

# *Carryover*

- Unexpended funds can be carried over from one budget period to the next without prior approval
- Program Officer may ask how unexpended funds will be used
- Unexpended funds may be used for any allowable cost that falls within the approved project scope, not just for finishing uncompleted activities from the previous budget period

# *Direct Cost Allocation Principle*

- If a cost benefits two or more projects or activities, the cost should be allocated to the projects based on the proportional benefit
- If proportions cannot be determined without undue effort or cost, then the costs may be allocated on any reasonable basis

# *Indirect Costs*

- May be restricted by funding agency
- Cost allocation study required
- Indirect cost rate agreement approved by the U.S. Department of Health and Human Services
  - ◆ On-campus rate is 37.5% through 6/30/17
  - ◆ Off-campus rate is 18% through 6/30/17
- Unrecovered indirect may be used as match

# *Principles for Matching Costs*

- Regulations found in OMB Circular A-110
- Verifiable from the recipient's records
- Not used as match for any other program
- Necessary for the achievement of program objectives
- Allowable under OMB A-21



# *Principles for Matching Costs*

- Are not paid by the Federal Government under another award
- Are reflected in the approved budget
- Unrecovered indirect may be used as match with the approval of the awarding agency
- Value of matching contributions determined according to principles in OMB A-110

# *Program Income*

- Program income earned by projects financed in whole or in part with federal funds during the project period shall be retained by the recipient and used as follows:
- Added to the grant award to be spent on program costs
- Used to finance the match portion of the program
- Deducted from the grant award (default)

# *Common Audit Exceptions*

- Missing A-133 audits
- Travel – no evidence of relationship between person traveling and benefit to the program
- Inadequate financial recordkeeping
  - ◆ Funds unaccounted for
  - ◆ No documentation of purpose for expenditure (in relation to achievement of objectives)

# *Common Audit Exceptions*

- Inadequate documentation of client eligibility, services provided, or progress achieved
- Missing time and effort reporting statements
- Incorrect indirect cost rates
- Unallowable expenses

# *Be Prepared!*

- Be pro-active
- Know your grant and its applicable regulations
- Educate your staff and sub-awardees about grant responsibilities and the regulations they must follow
- Develop a detailed plan to achieve all outcomes and objectives within the required timeframe

# *Be Prepared!*

- Implement the evaluation plan early on so critical data can be collected from the very beginning
- Recordkeeping
  - ◆ Time and effort statements at regular intervals
  - ◆ Items required in an audit
  - ◆ All reports
  - ◆ Notes on requisition re: how expenditure relates to achievement of one or more objectives
  - ◆ Written approvals

# *Close-out*

- Provide staff with required layoff notices
- Pay all outstanding obligations for goods and services obtained within the grant period
- Submit final reports
- Account for any real property
- Formal closeout request may be required
- Store grant records for five years

# *Disposition of Equipment at Closeout*

- Regulations found in OMB circular A-110, Subpart C – Post Award Requirements, Property Standards, Part 34, Equipment
- Title to equipment acquired by a recipient with federal funds shall vest in the recipient, subject to the following conditions:
  - ◆ The recipient shall use the equipment in the project or program for which it was acquired as long as needed



# *Disposition of Equipment at Closeout*

- ◆ When no longer needed for the original project or program, the recipient shall use the equipment in connection with its other federally-sponsored activities, in the following order of priority:
  - (i) Activities sponsored by the federal awarding agency which funded the original project, then
  - (ii) activities sponsored by other federal awarding agencies

# *Supplies and Other Expendable Property at Closeout*

- Regulations found in OMB circular A-110, Subpart C – Part 35
- If the aggregate total of supplies exceeds \$5,000 in value:
  - ◆ Follows same hierarchy as equipment
  - ◆ If not needed by any federally-sponsored program, option to keep or sell supplies, but in either case, the Federal Government must be compensated



*Questions?*