

FORVIS

Grants Management Services

Grants Management – Lessons From the Trenches

Presenters



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An Enhanced Professional Services Firm

What's going to happen tomorrow? You can't predict the future, but you can prepare for it. To thrive in an environment that moves faster every day, business leaders must be able to look ahead and be ready for what comes next.

That's where **FORVIS** can help. Driven by the desire to anticipate what's next in the economic landscape, our goal is to help our clients be ready when the future becomes the present. We're committed to using our exceptional vision to provide each of our clients with an **Unmatched Client Experience™** that drives business forward.

FORVIS was created by the merger of equals between BKD and DHG. We aim to carry on our respective legacies of high-touch personal service delivered with remarkable integrity, care, and innovation—all now backed by the resources of a top 10 U.S. public accounting firm.

Forward Vision Drives Our Unmatched Client Experiences

As a FORVIS client, you will benefit from a single organization with the enhanced capabilities of an expanded national platform, deepened industry experience, greater resources, and innovative advisory services. Our aim is to provide assurance, tax, and advisory services that help clients succeed today while preparing them to forge ahead into a clear future.

Our eye on the future isn't exclusively directed toward our clients. We want our people—at every level, in every office—to be motivated by engaging career paths that challenge and inspire them to grow personally and professionally. Our partners and staff are the foundation of the firm, and when they have the opportunity to flourish, the result is Unmatched Client Experiences.

We are FORVIS—driven by a commitment to anticipating what's ahead so our clients are ready to thrive when it arrives.



8th

Largest
U.S. Firm*

530+

Partners &
Principals

28

States + U.K. &
Cayman Islands**

10+

Industries

5,700+

Team Members

72

Markets



#3

Provider of
Single Audits



270+

Professionals



600+

Client
Relationships

From the Trenches of Grants Management



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- Timeline of Recent Funding
- Importance of Internal Controls
- Procurement
- Risk Assessments and Subrecipient Monitoring
- Single Audit Preparation
- Tips to Avoiding Single Audit Findings
- Grant Fraud

Timeline of Recent Funding

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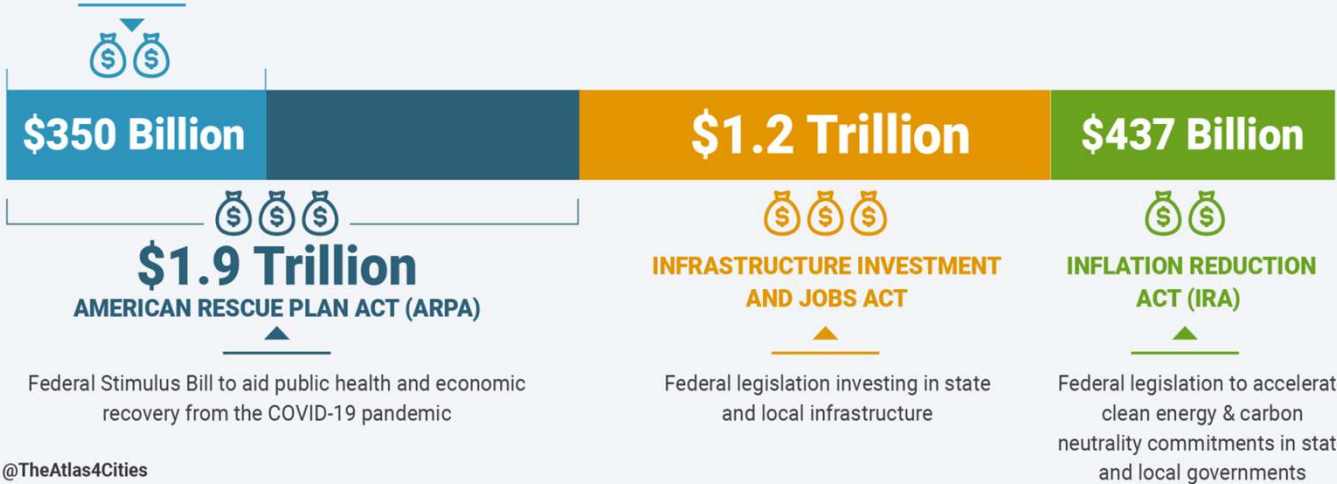
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ARPA, IJA and IRA

Federal Infrastructure Funding for State & Local Governments

Signed in 2021 - 2022

CORONA VIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS Additional emergency ARPA funding for state, local, territorial and tribal governments



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ARPA – SLFRF \$350B

Eligible Use of Funds

- Replace lost public sector revenue
- Respond to the far-reaching public health and negative impacts of the pandemic
- Provide premium pay for essential workers
- Invest in water, sewer, and broadband infrastructure

SLFRF provides substantial flexibility for each jurisdiction to meet local needs within these four separate eligible use categories

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As of September 30, 2022, SLFRF resources have been used for...

1. Investing in Housing

\$14.2 billion budgeted for over **1,800** fiscal recovery projects focused on housing, a **16%** increase in the number of projects since the last reporting period.



2. Supporting Workers

Over **3,200** individual projects and **\$10.3 billion** dedicated to worker support and premium pay to **1.2 million** workers.

3. Stimulating Local Economic Growth through Small Businesses

Over **950** small business projects with over **\$4 billion** budgeted.



4. Make Transformative Investments in Key Infrastructure

2,500 governments pursuing over **6,000** infrastructure projects, budgeting over **\$21 billion**, an increase of **5%** since the last reporting period.



5. Responding to Public Health Needs

More than **1,400** governments are undertaking over **4,700** individual projects in this area, budgeting more than **\$11 billion**.

IIJA - State & Local Governments

What's in it for State & Local Governments? Infrastructure Investment and Jobs Act



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IRA – State & Local Governments

Available Grant Funds for State & Local Governments

Fund (IRA Section)	Amount	Description	Administering Agency
GHG Air Pollution Plans & Implementation Grants (§60114)	\$6B	Offers assistance for planning (\$200 million) and implementing (\$4.76 billion) projects to reduce greenhouse gas (GHG) pollution	EPA
GHG Reduction Fund (§60103)	\$27B	Funds projects, activities, and technology to assist communities to reduce/avoid GHG and air pollution; \$15 billion earmarked for low-income and disadvantaged communities	EPA
Environmental & Climate Justice Block Grants (§60201)	\$3B	Offers financial and technical assistance to address clean air and climate pollution in disadvantaged communities	EPA
Air Pollution Monitoring & Screening (§60106)	\$280M	Funds expanding and modernizing monitoring efforts, testing for harmful emissions, research and development, and technical assistance to address air pollution	EPA
Grants to Reduce Air Pollution at Ports (§60102)	\$3B	Funds the installation of zero-emissions port equipment and technology and the development of climate action plans to reduce air pollutants at ports	EPA
Neighborhood Access & Equity Grant Program (§60601)	\$3B	Funds efforts to reconnect communities divided by transportation infrastructure barriers, reduce impacts of transportation and construction projects on underserved communities, and support equitable transportation planning	DOT
Environmental Product Declarations Assistance (§60112)	\$200M	Funds support businesses developing and verifying "environmental product declarations" of construction materials	EPA
Assistance for Latest & Zero Building Energy Code Adoption (§60131)	\$1B	Funds efforts to adopt the latest building energy or zero-energy codes for residential and commercial buildings and to implement plans to achieve full compliance	DOE
Urban & Community Forestry Assistance Program (§23003)	\$1.6B	Funds tree-planting projects that prioritize underserved populations and areas	Forest Service
Investing in Coastal Communities & Climate Resilience (§40001)	\$2.6B	Funds support coastal community preparation for extreme weather and restoring, protecting, and sustaining coastal and marine resources	NOAA
Clean Heavy-Duty Vehicles (§60101)	\$1B	Funds the replacement of dirty medium and heavy-duty vehicles with zero-emitting vehicles	EPA
Home Energy Efficiency Contractor Training (§60123)	\$200M	Funds offered to reduce the cost of the training, testing, and certification of contractors to make energy efficiency and electrification improvements	DOE

Scan to access 2-part FORVIS article on IRA grants for State & Local governments



Internal Controls

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Goals of Internal Controls



- Efficient and Effective operations
- Reporting that is reliable both internally and externally
- Compliance

What are the Requirements of Internal Controls?

200.303 – A non-federal entity must:

- Establish and maintain effective internal control over federal awards
- Comply with laws and terms and conditions of award
- Evaluate (risk assessment) and monitor compliance
- Take actions when there are instances of non-compliance
- Make reasonable effort to safeguard PII

Process vs. Internal Control

Process (Compliance)

- Captures data
- Changes data
- Introduces errors
- Example: Cost is recorded in the general ledger as an allowable charge under the provisions of the grant

Internal Control over Compliance

- Does not change data
- Prevents or detects & corrects instances of noncompliance
- Cannot introduce/generate errors
- Example: Review of costs charged to grant for allowability & agreement to the GL

Strong Control Environment



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- General characteristics of satisfactory internal control over financial reporting:
 - Policies and procedures that provide for appropriate segregation of duties to reduce the likelihood that deliberate fraud can occur
 - Personnel qualified to perform their assigned responsibilities
 - Sound practices to be followed by personnel in performing their duties and functions
 - A system that ensures proper authorization and recording procedures for financial transactions

Importance of Internal Controls

- Safeguard assets
- Protect employees
- Provide more accurate financial statements
- Compliance with laws and regulations
- Reduce risk of de-obligation of federal funds
- Reduces risk of fraud, waste and abuse

Resources for Internal Controls

- May 2023 Compliance Supplement – Part 6
 - Summary of requirements for internal control under the UG
 - Background discussion on important internal control concepts
 - Appendices that include illustrations of:
 - + entity-wide internal controls over federal awards
 - + internal controls specific to each type of compliance requirement

May 2023 Supplement – Part 6

- **Appendix 1** - illustrative entity-wide controls over compliance for the following components of I/C: control environment, risk assessment, information and communication, and monitoring
 - For this purpose, entity-wide controls are considered governance controls that apply to most, if not all, types of compliance requirements for one or more Federal programs
- **Appendix 2** - provides illustrative specific controls for control activities, the remaining component of I/C
 - For this purpose, specific controls are considered operational-level controls that apply to individual types of compliance requirements

Procurement

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Procurement Policies & Procedures

- Written procurement policies and procedures
- 2 CFR 200.319 – “All procurement transactions for the acquisition of property or services required under a Federal award must be conducted in a manner providing full and open competition consistent with the standards of this section and [§ 200.320](#).”
- Non-competitive procurement can only be awarded if certain conditions apply per 2 CFR 200.320 (i.e., under micro-purchases limit, single source, public exigency or emergency, federal awarding agency authorizes, or competition is determined inadequate)
- Relationship with Grantor (i.e., Subrecipient, Beneficiary, Contractor)
- Agreements include language for compliance with federal regulations
- Written solicitation process to include evaluation committee

Specific Considerations for Construction

- Approval of budget revisions (2 CFR 200.308)
- Include value engineering clauses in contracts (2 CFR 200.318)
- Sealed bids are the preferred method for construction procurement (2 CFR 200.320)
- Compliance with the *Davis-Bacon Act* (2 CFR Appendix II to Part 200)

Build America, Buy America Act (BABA)

- Included as part of the IIJA
- Incentivizes use of American made products and services
- Applies to:
 - Iron and Steel used in infrastructure projects
 - 55% of the components for manufactured products must be produced in USA
 - Construction Materials

Risk Assessments & Subrecipient Monitoring

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Risk Assessments

- Non-federal entities must review and measure the risks they face as it seeks to achieve its goals and objectives
- Perform a risk assessment of your own entity as well as that of your subrecipients
- Do you have written policies and procedures?
- Are both the non-federal entities staff and all subrecipients knowledgeable about rules, regulations and requirements
- Are accounting records up to date? Are expenses being coded to the proper account?

Subrecipient Monitoring

- Required to assess, mitigate and prevent the risk of fraud, waste and abuse
- Review payment and reimbursement requests
- Review expenditures and supporting backup documentation
- Perform desk and on-site reviews
- Review prior single audits
- Capacity of subrecipient to manage award

Subrecipient Monitoring

- Control Objectives
 - Provide reasonable assurance that federal award information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impact of any subrecipient noncompliance on the pass-through entity is evaluated.
 - Pass-through entity should perform procedures to provide reasonable assurance that the subrecipient obtained required audits and takes appropriate corrective action on audit findings.
- Control Examples
 - Monitoring receipt of, and review of, subrecipient audit reports
 - Review of agreements/contracts with subrecipient by management for inclusion of required communications

Subrecipient Monitoring

- Common Control Findings and Exceptions
 - Failure to perform risk assessments for preexisting subrecipients
 - Lack of policies and procedures for monitoring and reviewing subrecipient's operational and financial control to ensure effective management of the program.
 - No evidence of review performed on the invoices submitted by the subrecipient.
- Additional items for consideration
 - Cash management – Cash reports submitted by subrecipients
 - Eligibility – Subawards were only made to eligible subrecipients
 - Procurement, suspension & debarment – Checking that a subrecipient is not suspended or debarred

Single Audit Preparation

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Single Audit Preparation



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- Compliance Requirements & Related Controls
- Six of the Most Frequently Direct & Material Compliance Requirements Tested

Compliance Requirements vs. Internal Controls Over Compliance

▪ Compliance

- The requirements listed in the compliance supplement (ex. allowable costs, eligibility, etc.)
- Things that are required to be done per the compliance supplement/grant agreement

▪ Internal Controls

- Controls in place to make sure each compliance requirement is met (ex. adequate segregation of duties in review and authorization of costs, computations checked for accuracy, etc.)
- Designed to prevent or detect and correct instances of noncompliance timely

What the Auditors are Looking For

▪ Compliance

- Whether you did what you were required to do (complied with the compliance requirements)

▪ Internal Controls

- Whether controls are effective and operating as designed
 - + **Tip: Provide evidence that controls are in place (through sign offs that 2 or more people were involved with key controls)**

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

- Control Objectives
 - Provide reasonable assurance that the costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles.
- Control Examples
 - Manager must sign off on invoice to indicate approval of expenditure
 - Training programs for grant staff
- Illustrative Specific Controls May 2023 Compliance Supplement Part 6 – Appendix 2

Activities Allowed or Unallowed & Allowable Costs/Cost Principles

- Common Control Findings and Exceptions
 - Absence of evidence of review and approval of payroll (timesheets approved by direct supervisor with knowledge of the program) and nonpayroll expenditures (invoices).
- Oral representation that you performed review of the transactions is not audit evidence of control.
- Unreconciled SEFA is an indication of control deficiency over SEFA preparation and potentially an activities allowed or unallowable finding

Cash Management

- Control Objectives
 - Provide reasonable assurance that the draw down of federal cash is only for immediate needs and recipients limit payments to subrecipients to immediate cash needs.
- Control Examples
 - Manager must approve cash draw
 - Draw requests prepared by grants clerk and approved by director
 - Review of budget to actual GL
- Illustrative Specific Controls May 2023 Compliance Supplement Part 6 – Appendix 2

Cash Management

- Common Control Findings and Exceptions
 - Absence of policies and procedures to comply with the cash management requirement.
 - Auditee used personal email address when completing drawdowns
 - Absence of evidence of review and approval of request for reimbursement.
- Consider cash management requirements for subrecipients

Period of Performance



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- Control Objectives
 - Provide reasonable assurance that federal funds are used only during the authorized period of availability.
- Control Examples
 - Manager must review expenditures immediately before and after grant cut-off date to ensure compliance
 - Manager approval of expenditures to ensure it is within period of performance
- Illustrative Specific Controls May 2023 Compliance Supplement Part 6 – Appendix 2

Period of Performance



- Common Control Findings and Exceptions
 - Lack of process/control over review of expenditures on the SEFA schedule and matching it up to the point of purchase of the respective grants/contracts.
- Oral representation that you performed review of the transactions is not audit evidence of control.

Procurement, Suspension & Debarment

- Control Objectives
 - Provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of the A-102 Common Rule, OMB Circular A-110 or Uniform Guidance as applicable, and that covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party.
- Control Examples
 - Formalized Procurement Policy
 - Maintain a screenshot or printout of the System for Award Management (SAM) exclusions in file
 - Maintain a federal award checklist with formal documentation of such review & other award related information
 - On a rotating basis, select federal award transactions to verify item aligns with procurement policy & contractor/vendor was reviewed for suspension/debarment

Procurement, Suspension & Debarment

- Common Control Findings and Exceptions
 - Did not have an updated policies and procedures to comply with the Uniform Guidance standards.
 - Did not maintain a written policy regarding conflict of interest that addresses how employees with conflicts should be excluded from the procurement process.
 - Using higher thresholds when compared to entity's procurement policy (if thresholds in the procurement policy are lower than what is allowed per the UG then the organization is required to adhere to lower thresholds).
 - Absence of evidence of approval for procurement decisions.
 - Disbursements were made before the actual contract was signed.
- Contract procurement vs sub-recipient monitoring and management.

Reporting

- Common Control Findings and Exceptions
 - Absence of evidence of review and approval prior to reports being submitted to the federal grantor(s) and/or pass-through entities.
- Oral representation that you performed review of the transactions is not audit evidence of control.
- Failure to file the required reports and/or "after the fact submission" can be indicator of control issues.
- Unreconciled and/or incomplete supporting documentation can be indicator of control issues.

Tips to Avoiding Single Audit Findings

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Recommendations

- Train staff involved with federal procurements
- Verify suspension and debarment before you contract
- Use your own documented procurement procedures
- Maintain written standards of conduct
- Follow the most restrictive of your local, state or federal laws
- Justify sole source contracts
- Perform a price or cost analysis
- Perform due diligence when relying on a project manager or consultant
- Follow all applicable requirement for prevailing wages (public works projects)
- Document your procurement steps

Grant Fraud & Responsibilities of Recipients

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Responsibilities of Award Recipients

- Grant recipients are stewards of federal funds
- Grant dollars must be used for their intended purpose
- Grant recipients must account for costs and justify expenses

Common Types of Grant Fraud and Misuse

- Conflict of Interest
- Failure to properly support the use of award funds
- Theft
- Intentional misrepresentation
- Waste

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Examples of Grant Fraud

- Charging personal expenses as business expenses against the grant
- Charging for costs which have not been incurred or are not attributable to the grant
- Charging for inflated labor costs or hours, or categories of labor which have not been incurred (e.g., fictitious employees, contractors or consultants)
- Falsifying information in grant applications or contract proposals
- Billing more than one grant contract for the same work
- Falsifying test results or other data

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Examples of Grant Fraud

- Substituting approved materials with unauthorized products
- Misrepresenting a project's status to continue to receive government funds
- Charging higher rates than those stated or negotiated for in the bid or contract
- Influencing government employees to award a grant or contract to a particular company, family member, or friend

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Example: Conflict of Interest

Background	Possible Fraud Indicator	Scheme Identified	Result
In reviewing use of ESSER funds by Local Educational Agencies (LEA), identified a transaction of concern	Research indicated the Director of the subrecipient LEA was also a board member, member of management and owner of a consulting firm with which the LEA intended to contract for services	Potential conflict of interest	Director refused to provide requested information and instead sought outside support. We consulted with the US Department of Education and they agreed that the transaction should be denied

Example: Fraudulent Activities on a Grant Funded Project

Background	Possible Fraud Indicator	Scheme Identified	Result
An individual was tasked with purchasing equipment using a federal award	Circumvention of the established procurement process and vendor complaints	Individual stole over \$100,000 by directing contracts to bogus companies that he established	240-month prison sentence

Example: Theft

Background	Possible Fraud Indicator	Scheme Identified	Result
A local government received \$2.7 million in federal award funds to assist under-privileged children	Unsuccessful program, lack of internal controls, and unexplained income	Funds were diverted to pay for a wedding reception, building construction, plasma TV, and personal credit card bill, with an estimated total loss of \$450,000	36-month and 66-month prison sentence and full restitution

Example: Mismanagement of grant funds due to failure to properly support use of funds

Background	Possible Mismanagement Indicator	Result
A recipient received funds for a school safety summer program for middle and high school students	Contract for a 12-month lease; spoiled food due to excessive purchase of perishable items; and insufficient documentation to support a substantial number of purchases	Recipient paid the federal government over \$300,000 to settle civil fraud allegations

Example: Waste

Background	Possible Waste Indicator	Result
A program manager purchased laptop and printer sets at a price that was \$650 more than the same model at other vendors	Funds should not be used to purchase overpriced equipment due to vendor preferences	Recipient repaid funds as the agency deemed the \$18,500 difference to be excessive

Example: Abuse

Background	Possible Abuse Indicator	Result
Tablets were purchased for program staff to use in monitoring after school programs	Monitoring had not occurred during the life of the project, while tablets were filled with game applications, personal documents, videos and music	Recipient repaid the federal government for the purchase of the 15 tablets

Thank you!

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