

Pulse Check on Policies and Procedures for Financial Management April 16-17,2019

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Agenda

- **Introduction**
- **Standards for Financial Management Systems**
- **Importance of Adequate Policies and Procedures**
- **Policy and Procedure Requirements**
- **Best Practices**
- **Q&A**

Standards for Financial Management Systems:

Standards and Guidance

Standards and Guidance:

- 45 CFR part 75 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards
- GAO-14-704G – *Standards for Internal Control in the Federal Government*, September 2014 (Green Book)
- HHS Grants Policy Statement
- Grants Policy Bulletin Number 2019-02 – *Legislative Mandates in Grants Management*
- HRSA Federal Financial Assistance Conflict of Interest Policy, November 16, 2017
- HRSA Financial Management Requirements Guide for Award Recipients

Standards for Financial Management Systems:

Requirements

Financial management systems must have the ability to:

- Identify, in its accounts, all federal awards received and expended
- Provide accurate, current, and complete financial results of each federal award
- Provide records that adequately identify the source and application of funds for federally-funded activities
- Maintain effective control over, and accountability for, all funds, property, and other assets
- Provide for comparison of expenditures with budget amounts for each federal award
- Provide for written procedures to implement the requirements of payment, and to determine the allowability of costs

Standards for Financial Management Systems:

Internal Control Standards

Standards for Internal Control – Recipients must:

- Know and adhere to the standards in 45 CFR 75 and laws and the conditions associated with each federal award received
- Take prompt action when instances of noncompliance are identified
- Take reasonable measures to safeguard protected Personally Identifiable Information and other information the HHS awarding agency designates as sensitive

Importance of Adequate Policies and Procedures

Policies and Procedures:

- Help maintain compliance with federal regulations and grant requirements
- Detail the internal controls that grant recipients must follow in specific areas of operation
- Must be adhered to by all recipient organization staff
- Must be reviewed/updated on a regular basis

Policy and Procedure Requirements:

Management Control Areas

The list below provides 18 management control areas that must be incorporated to conform to HHS standards

Cash Management	Credit Cards
Annual Audits	Timekeeping
Accounting System	Travel
Bank Statements	Property Control
Disbursements/Procurement	Conflict of Interest
Matching or Cost Sharing	Mandatory Disclosures
Consultants and Contractors	Limitation on Use of HRSA Funds
Expenditure Analysis	Allowability of Costs
Indirect Costs	Program Income

Policy and Procedure Requirements:

Legislative Mandates

The list below provides 12 legislative mandates that are not to be funded or supported with federal funds (HRSA Grants Policy Bulletin 2019-02)

Salary Limitation	Ban on Funding Human Embryo Research
Gun Control	Limitation on Use of Funds for Promotion of Legalization of Controlled Substances
Anti-Lobbying	Restriction of Pornography on Computer Networks
Acknowledgment of Federal Funding	Restriction on Funding ACORN
Restriction on Abortions	Restriction on Distribution of Sterile Needles
Exceptions to Restriction on Abortions	Confidentiality Agreements

Policy and Procedure Requirements:

Common Areas for Strengthening

Common Areas for Strengthening

- Conflict of Interest
- Property Control
- Bank Statements
- Disbursement/Procurement
- Indirect Costs
- Compensation – personal services/timekeeping
- Travel

Policy and Procedure Requirements:

Conflict of Interest

Conflict of Interest

P&P must be established to:

- Prevent individuals involved in grant supported activities from using their positions for purposes that are (or give the appearance of being) motivated by a desire **for private financial gain**
- Address **conditions** under which outside activities, relationships, or financial interests are proper or improper
- Provide for **advance notification** of outside activities, relationships, or financial interests to a responsible organizational official
- Include a process for **notification and review** by the responsible official of potential or actual violations of the standards
- Specify the nature of **penalties** for violations
- Ensure **subrecipient** compliance
- Address **disclosure in writing** of any potential conflict of interest to awarding agency or pass-through entity

Policy and Procedure Requirements:

Conflict of Interest

Exercise 1

Sample Policy/Procedure Conflict of Interest (COI)

No officer, member, employee, employee's family, contractor, governing body, or other public official of Sample Entity who exercises any functions or responsibilities in the review of procurement contracts shall participate in any decision which affects his or her personal interest or financial interest.

- A. Examples of potential COI is if an interested party solicits or accepts gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.
- B. Duty to Disclose COI – In connection with any actual or possible COI, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

Policy and Procedure Requirements (Cont):

Conflict of Interest

Exercise 1 (continued)

- C. Determining Whether a COI Exists – After disclosure of the financial interest and all material facts and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a COI is discussed and voted upon. The remaining board or committee members shall decide if a COI exists.
- D. Procedures for Addressing the COI – An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible COI. The chair of governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement. After exercising due diligence, the governing board or committee shall determine whether Sample Entity can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a COI.

Policy and Procedure Requirements (Cont):

Conflict of Interest

Exercise 1 (continued)

- E. Violations of COI Policy – If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible COI, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose. If the governing board or committee determines the member has failed to disclose an actual or possible COI, it shall take appropriate disciplinary and corrective action. Penalties may include: verbal/written warning, reprimand, probation, suspension, demotion, or termination.
- F. Sample Entity's Project Director will disclose in a timely manner, no later than 48 hours, in writing to HRSA all violations of any potential COIs.

Policy and Procedure Requirements:

Property Control

Property Control

Effective P&Ps require:

- Property records be maintained that include a **description, cost, purchase date, source of funding, location, and condition of each property item**
- Periodic **physical inventories** be taken and **reconciled** to the property records no less frequently than every other year
- Property purchased with Government funds be **tagged**
- Property be **safeguarded** to prevent loss or theft and describe how
- **Disposition** requirements for property obtained with federal funds

Policy and Procedure Requirements:

Property Control

Exercise 2

Sample Policy/ Procedure Property Control

All property of Sample Entity will be accounted for and used only for authorized business purposes. Staff of Sample Entity may not: possess the property without prior approval, fail to report theft, or use equipment or material for personal gain or profit.

- A. Property records will include a description, cost, purchase date, source of funding, location and condition of each property item. All property will be recorded as they are acquired in a comprehensive inventory list by the Materials Management Director.

Policy and Procedure Requirements (Cont):

Property Control

Exercise 2 (continued)

- B. All property must be inventoried at least every two years as a minimum and Tagged if it was purchased with Government funds
- C. Property is safeguarded to prevent loss or theft by storing property in a controlled access room with security cameras, fire detectors, and sprinkler system. A security system is in place and only employees with badges can access the area. The Director of Maintenance changes the security code immediately when employees voluntarily leave or are terminated.

Policy and Procedure Requirements:

Bank Statements

Bank Statements

Effective policies and procedures (P&P):

- Prohibit the **individual reconciling** the bank statements **from opening** them
- Require bank statements be **opened and reviewed** by a recipient official who is **not authorized to sign checks**
- Require bank statements be **reconciled** timely by someone not authorized to sign checks
- Require the reconciliation be **approved** by a recipient official outside the payment process but is familiar with the financial activities
- Define **timely** (i.e. – reconciled within 14 days, etc.)

Policy and Procedure Requirements:

Bank Statements

Exercise 3

Sample of Procedures

Bank Statements

The Director of Finance, who is familiar with the grant's financial activities but who does not reconcile accounts nor have authorization to sign checks will open the bank statements and review them. The Board of Directors approves the establishment of bank accounts and assigns signatory authority.

- A. Bank statements must be reconciled within 30 days of the date of the statement by someone who is not authorized to sign checks. Any variances in actual and budgeted expenses will be researched, resolved, documented and presented to the Board of Directors monthly.
- B. The Chief Financial Officer, who is not involved in the payment process, will approve the reconciliation.

Policy and Procedure Requirements:

Disbursements/Procurement

Disbursements/Procurement

Effective policies and procedures (P&P) require:

- **Documentation** be maintained to support all disbursements
- Disbursements be **pre-approved** and indicate by whom for both small and large dollar purchases
- Expenditures be **reasonable** and explain how this is accomplished (bids, quotes, etc.)
- Blank checks be **safeguarded** and define how
- **Segregation of duties** over creation of vendor accounts/making payments via EFT methods and define how
- The **dollar threshold** for determining signatures on checks and designated organization officials authorized to sign checks

Policy and Procedure Requirements:

Indirect Costs

Indirect Costs

Effective P&Ps must describe:

- Existing or planned indirect **cost rates and the type of rate** used as well as both the content of pooled expenses and the type of allocation base used
- If all costs are direct, the **method** used to allocate costs benefiting multiple cost objectives to each cost objective
- **How and when** the rate proposal is prepared, submitted and personnel responsible
- The **approval process** of indirect cost rate reimbursement, matching or cost sharing

Policy and Procedure Requirements:

Compensation – Personal Services (Timekeeping)

Compensation – Personal Services (Timekeeping)

Effective P&Ps require:

- Description of **timekeeping controls** and plans to monitor compliance
- Description of the distribution of salaries and wages charged to federal awards be based on **actual employee activity**
- Timesheets be **certified as accurate**
- That organizations **cannot charge salary** and wages to federal awards **based on budget estimates**

Policy and Procedure Requirements:

Travel

Travel

Effective policies and procedures (P&P):

- Describe **programmatic requirements** for travel
- Require travel other than local mileage be **pre-approved**
- Require all travel be **reasonable**
- Limit mileage, meals and lodging to rates published in the **Federal Travel Regulations**
- Limit airfare to **coach** and car rental to **mid-sized**
- Reimburse travel costs based on **expenditures**, along with **original receipts**

Policy and Procedure Requirements:

Allowable Costs

Factors Affecting Allowability of Costs (45 CFR 75.403). The costs must:

- Be **necessary and reasonable** and allocable
- **Conform to any limitations or exclusions** set forth in the federal award terms and conditions
- Be consistent with recipient policies and procedures that **apply uniformly**
- Be accorded **consistent treatment**
- Be determined in accordance with **generally accepted accounting principles (GAAP)**
- **Not be included** as a cost or used to meet other federal cost sharing/matching requirements
- **Be adequately documented**

Best Practices:

Compliant and Clear

Effective Policies and Procedures

Compliant:

- Program Statutes & Appropriations
- 45 CFR 75
- Legislative Mandates (such as, Drug Free Workplace, Lobbying, Suspension Debarment)
- Agency and Programs Requirements (Such as, Terms and Conditions, Program Regulations, HHS Grant Policies)

Clear:

- Precise
- Easy to Understand
- Easy to follow up

Best Practices:

Complete and Current

Effective Policies and Procedures

Complete:

- Addresses the process flow
- Appropriate level of detail
- Does not leave major unanswered questions
- The actual practice follows the policy and procedure

Current:

- Stay current on financial management requirements
- Regularly review and update policies and procedures.
- Modify if needed (review all requirements, terms and conditions when receive HRSA Notices of Award)

Questions?



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