Evaluating the Financial Health of Your HRSA Grant
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Learning Objectives:

1. Understand the federal requirements for managing your HRSA awards.

2. Measure the strength of your organizations financial management system.

3. Recognize areas where your organization can strengthen internal controls.

4. Assess your organizations Fiscal Policies and Procedures for compliance with federal requirements.

5. Understanding ways to maintain a healthy grant.

1. Federal Requirements – How to Navigate Grant Resources

Order of Precedence
Navigating Grant Resources

- **Legislative Mandates**

- **Federal Legislation**
  - Statute and Program Requirements

- **Uniform Administrative Requirements**
  - Code of Federal Regulations (45 CFR 75)

- **Grant Requirements**
  - Notice of Award
  - Terms and Conditions

- **Grant Organizations Policies and Procedures**
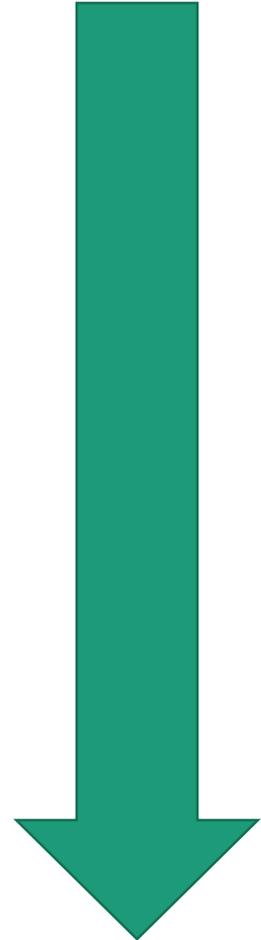
Legislative Mandates
Navigating Grant Resources

- **Federal grants cannot be used to support certain specific activities**
  - Statutory provisions that limit the use of funds on HRSA grants and cooperative agreements
    - Remain in effect until a new appropriation bill is passed setting a new list of requirements

(1) Salary Limitation
(2) Gun Control
(3) Anti-Lobbying
(4) Acknowledgment of Federal Funding
(5) Restriction on Abortions
(6) Exceptions to Restriction on Abortions
(7) Ban on Funding Human Embryo Research
(8) Limitation on Use of Funds for Promotion of Legalization of Controlled Substances
(9) Restriction of Pornography on Computer Networks
(10) Restriction on Funding ACORN
(11) Restriction on Distribution of Sterile Needles
(12) Confidentiality Agreements

Legislative Mandate - Acknowledgement of Funding
Navigating Grant Resources

Stevens Amendment - Requirement and responsibility of recipients to acknowledge HRSA when describing projects or programs funded in whole or in part with HRSA funds

Acknowledging federal funding for a variety of products, including, but not limited to:
- Press releases and other public statements
- Publications and other documents including:
  - Toolkits/Resource guides
  - Websites
  - Visual presentations
- Requests for proposals
- Bid solicitations

General Structure of Acknowledgement Statement
This [project/publication/program/website, etc.] [is/was] supported by the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (HHS) as part of an award totaling $XX with XX percentage financed with non-governmental sources. The contents are those of the author(s) and do not necessarily represent the official views of, nor an endorsement, by HRSA, HHS, or the U.S. Government. For more information, please visit HRSA.gov.

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- ## Applicable Legislation
  - Identified on the Notice of Award (NoA)
  - Included in the Notice of Funding Opportunity (NoFO)
    - (bottom of cover page or background section)

Statute and Program Requirements

Navigating Grant Resources

- **Statutes authorizes funding and outlines requirements to be eligible for funding**

- **Program requirements included in the NoFO:**
  - Program Purpose and Background
  - Application and Submission Information
    - Budget / Budget Justification Narrative
    - Funding Restrictions
      - **What is allowed and not allowed?**
  - Award Administration Information
  - Reporting

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Uniform Administrative Requirements

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Recipient Type	Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*	Uniform Administrative Requirements, Cost Principles and Audit Requirements for HHS Awards
State, Local, and Tribal Governments Education Institutions Non-Profits	2 Code of Federal Regulations (CFR) Part 200	45 Code of Federal Regulations (CFR) Part 75

* Effective December 26, 2014, 2 CFR Part 200 superseded the OMB Circulars A-21, A-87, A-110, A-122 and A-133 and the Cost Principles 2 CFR Part 225 and 2 CFR Part 230.

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Program Specific Grant Requirements

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- **Notice of Award (NoA)**
  - Terms and Conditions
    - Grant Specific Term(s)
    - Program Specific Term(s)
    - Standard Term(s)
  - Reporting Requirements
  - Supplemental Awards (if applicable)

Always read the terms and conditions on your NoA!

All terms and conditions on superseded NoA's remain in effect unless specifically rescinded

Organizations Policies and Procedures
Navigating Grant Resources

- **Fiscal policies should at a minimum align with Federal Regulations**

- **One-pagers or procedure manuals should outline your processes for managing your grants**
  - Utilize HRSA's Division of Financial Integrity Financial Management Requirements as a guide (https://www.hrsa.gov/sites/default/files/hrsa/grants/manage/fmr-guide.pdf)

- **Have documented policies and procedures and follow them!**

2. Formulating an Effective Financial Management System
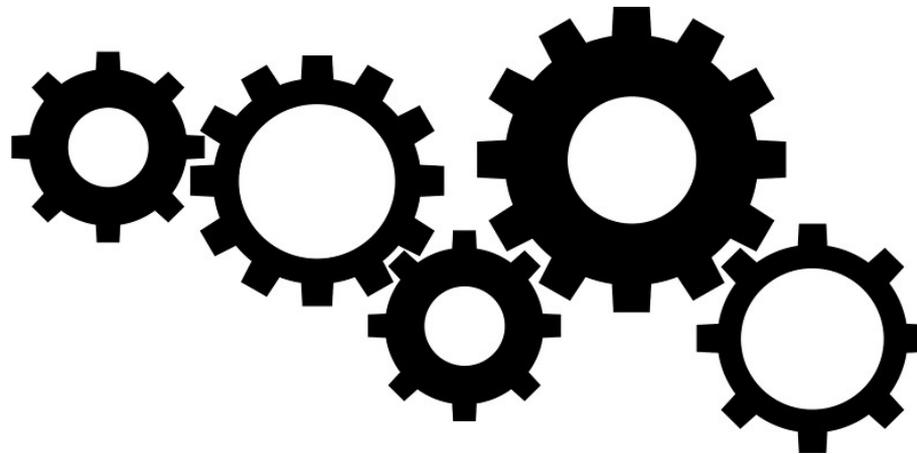
Financial Management System Structure
Developing A Strong Financial Management System

States:

- MUST apply state laws and procedures for expending and accounting for federal funds
    - Same manner as state funds and in accordance with the applicable grant regulation.

- Grant expenditures must be traceable to or supported by accounting reports and source documentation and be allowable based on the regulations, statutes, and terms and conditions of the award.

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Financial Management System Structure
Developing A Strong Financial Management System

Recipients must:

- Identify federal awards received and expended by federal program
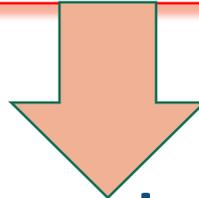
Best Practices to show compliance:

- Label general ledger (GL) accounts explicitly by CFDA title and number

OR

- Create a legend to cross-walk from the GL accounts to the NoA's which identifies the CFDA title and number

Financial Management System Structure
Developing A Strong Financial Management System

Recipients must:

- Maintain accurate, current, and complete disclosure of the financial records of each Federal award

  - Accrual accounting is not required
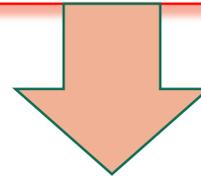
Best Practices to show compliance:

- Enter transactions in the accounting system in a timely manner (at least monthly)

- Conduct month-end reconciliations to ensure financial information is accurate

- Develop procedures for reporting accrual data if the accrual accounting method is not being used

Financial Management System Structure
Developing A Strong Financial Management System

Recipients must:

- Maintain records to identify the source and application of funds
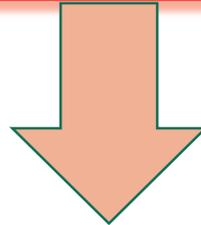
Best Practices to show compliance:

- Report revenue and expenditures separately by federal program
- All funds must be able to be traced from the Payment Management System to your bank account to the correlating expenditure.
- Maintain source documentation for all expenditures incurred using federal funds

Financial Management System Structure
Developing A Strong Financial Management System

Recipients must:

- Safeguard all assets to ensure they are used for authorized purposes
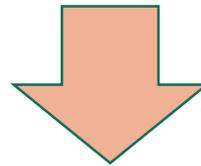
Best Practices to show compliance:

- Every federal award needs its own GL account – no commingling

- Develop internal controls to ensure funds are only drawn for allowable expenditures

- Only permit responsible parties to authorize expenses and draw funds for the grant

- Require two levels of approval for expenditures

Financial Management System Structure
Developing A Strong Financial Management System

Recipients must:

- Conduct budget to actual analysis for expenditures
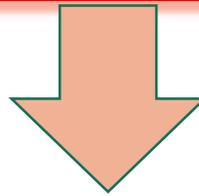
Best Practices to show compliance

- As expenditures are incurred compare to budgeted costs prior to drawdown of funds.

- No less than monthly – compare budget to expenditures.

- Develop a process to review after-the-fact interim charges made to a Federal awards based on budget estimates and revise as necessary.

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Financial Management System Structure
Developing A Strong Financial Management System

> ## Recipients must:
>
> - Have written procedures for **drawing funds from the Payment Management System (PMS)**
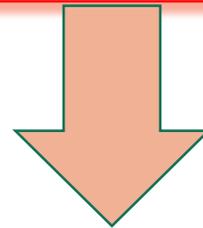
Best Practices to show compliance:

- Understand your methodology for drawing
  - Advanced vs. Reimbursement
- Draw systematically and identify the timeliness in your procedures
- Document procedures for handling supplemental funds (if applicable)
- Incorporate a reconciliation between GL Revenues and Expenditures to PMS Drawdowns

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Financial Management System Structure
Developing A Strong Financial Management System

> ## Recipients must:
>
> - Have written procedures for **determining allowability of costs**
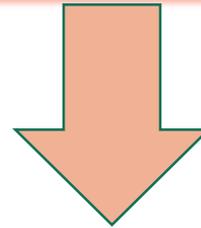
Best Practices to show compliance:

- Know the Selected Items of Cost 45 CFR 75.420 -477
- Incorporate the requirements of allowability of costs into written procedures (allowable, reasonable, allocable and adequately documented)
- Conduct reviews of costs to assess allowability prior to drawing funds
- Process to request prior approval for 'gray areas'

3. Implementing Effective Internal Controls

Where to Start?
Implementing Effective Internal Controls

- **Develop Internal Controls adequate to the size and complexity of your organization**
  - Standards for Internal Control in the Federal Government
  - Internal Control Integrated Framework
- **Know where the risks are in your organization**

Internal Controls at a Glance — HRSA, Office of Federal Assistance Management

Tips for Developing Effective Internal Controls

A Tip Sheet for Federal Award Recipients

Effective Internal Controls are the basis for strong financial systems and processes that prevent fraud, waste, and abuse. HRSA offers the following tips to award recipients on how to effectively manage and protect federal funds.

Commit to Integrity and Competence
Do your mission and value statements reflect a tone of integrity? Management should act with integrity and lead by example. They should demonstrate respect for and adherence to program compliance requirements, ensure that staff are properly trained and competent, and employ managers with clear lines of responsibility.

Be Risk-Aware
Has your organization identified and assessed the risks of complex operations, programs, or projects? Risk awareness means that management understands and assesses the organization's risks and plans for them. The organization should also consider the potential for fraud in its risk assessment.

Mitigate Risks
Does your organization have alternative controls if separation of duties is not possible, such as outsourcing accounts payable or payroll, or splitting personnel time in functional areas? Management is responsible for controlling access to computer systems, reviewing processing exceptions, and separating duties so that one person cannot control an entire transaction. Management should develop clearly written operating policies and procedures.

Support Your Internal Controls
Does your organization provide timely, accurate information to those who need it? Management should have established channels for communication (i.e., staff meetings, newsletters, etc.), as well as channels to report concerns. Effective information systems should be used to maintain accountability and review performance. In addition, these systems should separately identify federal and non-federal transactions, as well as sources of funds and allocations for all transactions.

Measure Success
Does your organization conduct internal audits and self-assessments, especially for compliance with federal requirements? Organizations with strong internal control systems regularly evaluate the effectiveness of internal controls and correct deficiencies in a timely manner.

For more information on managing your HRSA grants, check out the Manage Your Grant webpage. For more information on internal controls for organizations who expend federal funds, please see Part 6 of the Compliance Supplement.

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Internal Controls are Integral

Implementing Effective Internal Controls

Planning

Budgeting

Management

Accounting

Monitoring

Reporting

Integral to provide effectiveness and integrity at every step of the process

Major Internal Control Processes for Grants
Implementing Effective Internal Controls

- **Compliance with Federal Regulations, Laws and Terms and Conditions**

- **Segregation of Duties**

- **Safeguarding of Assets**

- **Time and Effort Reporting**

- **Reconciliations between Expenditures and Drawdowns**

- **Monitor Subrecipients (if applicable)**

Maintaining Effective Internal Controls
Implementing Effective Internal Controls

- **Review Internal Controls as processes / personnel at your organization change**
- **Maintain written policies and procedures for internal controls**
  - Review at least annually
- **Take prompt action when non-compliance is identified**
- **Safeguard protected personally identifiable information**
- **Conduct a 'readiness test' of your internal controls on a periodic basis**
  - Preparation for your annual audit

4. Audit Requirements

- ## 45 CFR Part 75 – Subpart F
  - ### *Audit required* *annually for* a recipient that expends $750,000 or more during entity's fiscal year.
    - **Due Date:** Earlier of 9 months after fiscal year end or 30 days after recipient of the audit report

Grant Recipient Responsibilities
Audit Requirements

- **Hire an independent accounting firm to conduct the audit**
- **Provide auditor access to all the books and records needed to comply with the audit requirements**
  - Schedule of Expenditure for Federal Awards
- **Ensure the audit is submitted timely**
  - Submission to the Federal Audit Clearinghouse
- **Follow-up and take corrective actions on audit findings**

- **Know what the auditor will be auditing**
  - Conduct internal audits to prepare
- **Provide information on how your organization ensures compliance with each federal grant**

5. Additional Best Practices for Maintaining a Healthy Grant

Fiscal Policies and Procedures

Additional Best Practices

- **Review your policies annually**
  - Do your policies match the procedures being implemented?
  - Do your policies conform to 45 CFR 75?

- **Policies should include:**
  - Grant Specific Policies
  - Conflict of Interest Policies
  - Legislative Mandates

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Record Retention
Additional Best Practices

- **Record Retention – Must retain all records for three years after submitting the final Federal Financial Report (FFR) (including sub-recipient records)**
  - To be safe – maintain documentation for at least 3 years from the date in which the final FFR is **approved!**
  - **45 CFR 75.361**

Subrecipient Monitoring
Additional Best Practices

- **Clearly identify subrecipients**

- **Evaluate subrecipient's risk of non-compliance**
  - Consider taking enforcement action against non-compliant subrecipient

- **Require access to subrecipient's books and records**

- **Written subrecipient monitoring plan**

- **Monitor activities to ensure funds are spent on allowable activities and allowable costs**

- **Maintain a file on each subrecipient (SUPPORT)!**
  - Monitoring records
  - On-going communication
  - Audit Reports and Corrective Action Plans *(when applicable)*

- **Compliance with Federal Funding Accountability and Transparency Act of 2006**
  - Report information for each subaward of $25,000 or more

Questions?

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