# OFFICE OF BUSINESS OVERSIGHT
# HOW TO ACHIEVE SUCCESSFUL GRANTEE FINANCIAL MANAGEMENT

Presentation for:
**GPD National Program Office**
Presented by:
**Office of Business Oversight**
March 8-9, 2023

# Agenda

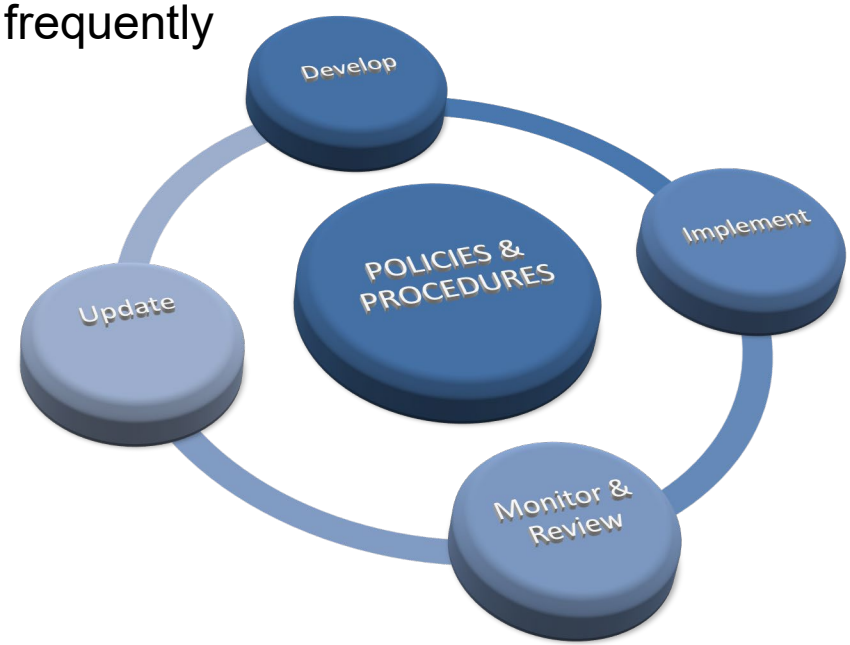
- The Office of Business Oversight (OBO) will provide grantees with organizational control areas and guidance to help ensure their financial policies & procedures include necessary organizational controls areas.
  - Accounting System
  - Bank Statements
  - Accounts Payable
  - Allowability of Costs
  - Timekeeping
  - Budget
  - Indirect Costs
  - Reconciling SF-425
  - Program Income
  - Conflict of Interest

# Welcome & Introductions

- **Welcome message by GPD** – Yvette Green
- **OBO Team Members** – Omar Ochoa, Tony Huff, Nick Rayo, Christian Lopez-Gavilan
- **Training Objectives:**
  - Maintain Compliance with Regulatory Requirements
  - Help support the accurate recording of transactions in accordance with the applicable accounting standards and the financial reporting structure of the organization
  - Help clarify roles and responsibilities within the financial realm of the organization
  - Provide guidance which results in more clearly established expectations for how employees will carry out their job duties
  - Highlight adequate segregation of duties, established authorization requirements and limits, and restricted access to the assets of the organization
  - Reduce risk that systems operate off of a “institutional knowledge,” which can be lost due to staff turnover

# Purpose of Policies and Procedures

- **Policy: Tells what to do and why**
  - Express rules, expectations and requirements of organizational controls
  - Explains what to do
  - Are realistic and attainable
  - Changes less frequently
- **Procedures: Tells when, how and who**
  - List of steps to follow
  - Tell how to perform a job
  - Prone to change monthly, quarterly or annually

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# Organization Control Area #1

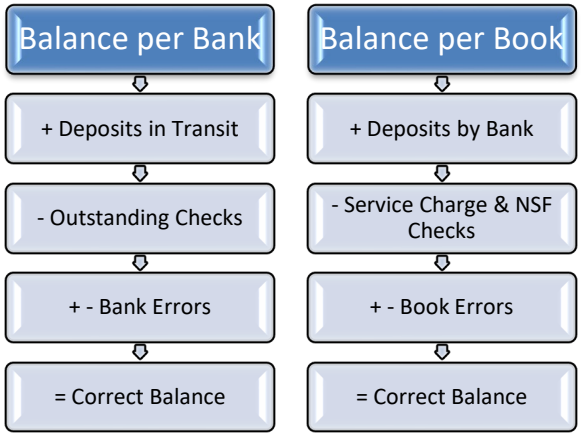
- **Accounting System** – The Grantee's policies and procedures should include a detailed description of the accounting system, including:
  - Its ability to report revenue and expenditures separately by function or award
  - Its chart of accounts
  - Managing receipts
  - Recording disbursements

# Accounting System Policies and Procedures

- **Policy:** To facilitate the record keeping process for accounting, all ledger accounts are assigned a descriptive account title and account number. This allows proper posting and maintenance of journals and entries to the general ledger to ensure accuracy, validity and reliability of financial records.
- **Purpose:** To provide the method for assignment and maintenance of the organization's chart of accounts. This allows grantees to record, adjust and correct transactions to maintain the accuracy of the general ledger and ensure the reliability of the organization’s financial statements.
- **Procedures:** Established accounts have titles and numbers that indicate specific ledger accounts such as Cash in Checking, Furniture, Accounts Payable-Trade, etc. Accounts are arranged in the same sequence in which they appear in the financial statements, that is, asset accounts should be numbered first, followed by liability accounts, revenue accounts and expense accounts. After posting all journals and adjusting entries, a trial balance is printed. The trial balance is reviewed to ensure that the general ledger is in balance. Next, all control accounts in the general ledger are reconciled to subsidiary ledgers. Any differences should be investigated, and appropriate adjustments made.

# Organization Control Area #2

- **Bank Reconciliations** – The Grantee's policies and procedures should:
  - Prohibit the individual reconciling bank statements from opening them
  - Require bank statements be opened and reviewed by a grantee official that is not authorized to sign checks (i.e. treasurer, president, etc.), but familiar with its financial activities
  - Require bank statements be reconciled in a timely manner (i.e., within 14 days, etc.) by someone not authorized to sign checks
  - Require the reconciliation be approved by a grantee official outside the payment process but familiar with the financial activities



# Bank Reconciliation Policies and Procedures

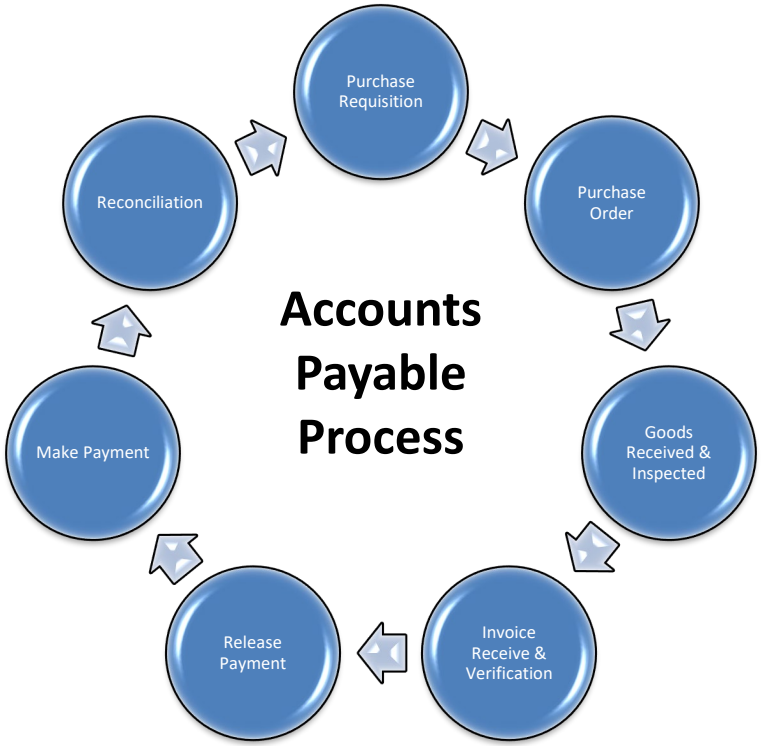
- **Policy:** Errors or omissions can be made to the cash records due to the many cash transactions that occur. Therefore, it is necessary to prove periodically the balance shown in the general ledger. Cash on deposit with a bank is not available for count and is therefore proved through the preparation of a reconciliation of the organization's general ledger record of cash in the bank and the bank's record of the organization's cash that is on deposit.
- **Purpose:** To outline the procedures for preparation of a monthly bank reconciliation and recordkeeping of any adjustments and a timely review of all cash reconciliations by the Accountant/Controller and reviewed by the CFO/CEO.
- **Procedures:** The bank reconciliation will be completed within the accounting system each month. Any discrepancies between these the book ending balance and the bank ending balance will require research to determine the cause, such as recording errors, omissions, etc. A printed copy of the completed and reviewed detail reconciliation will be attached to the appropriate original bank statement each month.

# Organization Control Area #3

- **Accounts Payable** – The Grantee's policies and procedures should require:
  - Documentation be maintained to support all disbursements and describe how
  - Disbursements be pre-approved and indicate by whom for both small and large dollar purchases
  - Expenditures be reasonable and explain how this should be accomplished (bids, quotes, etc. in accordance with 2 CFR 200.318 General procurement standards)
  - Blank checks be safeguarded and define how
  - Segregation of duties over creation of vendor accounts/making payments via Electronic Fund Transfer methods and define how
  - Two signatures on all checks over $1,000 (amount to be established by the grantee) and designate the organization officials authorized to sign checks
  - Require all expenditures be pre-approved
  - Limit individual amounts and types of expenditures that may be incurred
  - Prohibit personal expenditures

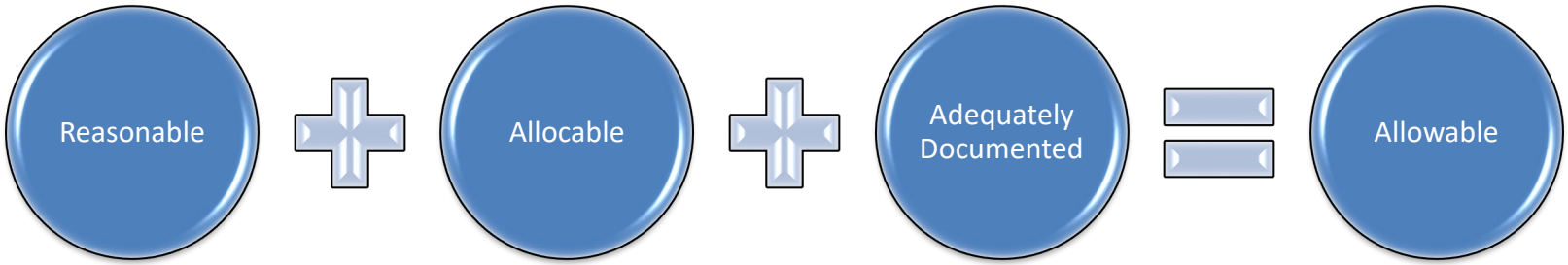
# Organization Control Area #3 (continued)

- Require all receipts be submitted for review and comparison with credit card statements
- All equipment, capital acquisition, maintenance and repair costs that equal or exceed $5,000 **must** be preapproved by the GPD Program Office



# Organization Control Area #4

- **Allowability of Costs** – The Grantee's policies and procedures should address the allowability of costs as follows:
  - To be allowable under a federal award, costs must be reasonable, allocable, and adequately documented
  - A cost is reasonable if it does not exceed what a prudent person would incur under similar circumstances
  - A cost is allocable to a federal award to the extent the goods or services benefited the program
  - A cost is adequately documented if it is supported by accounting records and source documentation, such as purchase orders, vouchers, invoices, payroll allocation reports, payroll summaries, timesheets, etc.



# Accounts Payable Policies and Procedures

- **Policy:** Proper internal controls are followed to ensure that only valid and authorized payables are recorded and paid. Accounting procedures are implemented to ensure the accuracy of amounts, coding of general ledger accounts and appropriate timing of payments.
- **Procedures:** The following documents are forwarded to A/P for temporary filing and subsequent matching to form an A/P voucher package: 1) Purchase Order if applicable 2) Packing Slip with receiving report if applicable 3) Vendor invoice 4) Check request with proper approvals. Once the A/P department has all of the above documents, the following steps are performed to ensure proper authorization, validity of purchase, receipt of purchased items or services and accuracy of amounts.
  - The vendor invoice will be attached to the check request. When applicable, the packing slip and purchase order should also be attached along with any other supporting documentation.
  - The purchase order should be evaluated for proper authorization and the nature of the purchase and pricing as shown on the invoice reviewed for validity. The quantities shown shipped or delivered on the invoice will be compared to the packing slip. Check requests should include proper general ledger account coding. This coding should reasonably describe the expense to be incurred as well as correspond with approved and allowable budgetary items.
  - Calculations on the invoice will be recomputed, such as, quantities received multiplied by unit price and totals. Sales tax amounts listed on the invoice will be reviewed so that when appropriate, sales tax exempt notifications can be sent to the vendor.
  - If any paperwork needs to be mailed with the AP check, the department forwarding the request needs to send the original and a copy of the document that must accompany payment.
  - Any discrepancies to the steps listed above must be addressed and resolved prior to commencing with the A/P voucher. If necessary, requests will be returned to requestor for necessary corrections.
  - The voucher package is then reviewed by A/P for proper coding and accuracy. The voucher package is then batched and entered into the computerized A/P system. Once the batch has been entered, the batch is posted to the A/P ledger.
  - A/P invoices are submitted to the Financial Analyst for review and payment approval. Upon approval, checks are then printed for the A/P invoices to be paid.
  - After the checks are printed, they are matched to the voucher package and submitted to an authorized signer for signing and processing. Checks in the amount of $1,000 and over, require two signatures.

# Accounts Payable Policies and Procedures (continued)

## GPD Grantee for Veterans

**Purchase Request Form**

Note: This form shall be used for all types of payment requests for expenses. You MUST attach all receipts and supporting documents. If this request is for advances, you must forward actual receipts or invoices immediately after expenditure.

| | | | | | |
|---|---|---|---|---|---|
| Payable To: | ABC Repair Company | New Vendor-W9 Attached: | Yes | | Total Amount |
| Address: | 123 Main Street | Date Needed: | N/A | | $ 1,000.00 |
| City/State/Zip | Austin, TX 78701 | Budget Checked: | Yes | | |

| | | | 2 CFR 200 | | | |
|---|---|---|---|---|---|---|
| **Program** | **Expense Code** | **Grant/Project** | **Reasonable?** | **Allocable %** | **Allowable?** | **Amount** |
| GPD | Repairs & Maintenance (5000) | TIP | Yes | 80% | Yes | $ 800.00 |
| GPD | Repairs & Maintenance (5000) | Case Management | Yes | 5% | Yes | $ 50.00 |
| SSVF | Repairs & Maintenance (5000) | SSVF | Yes | 15% | Yes | $ 150.00 |
| | | | Total | 100% | | $ 1,000.00 |

Reason Needed: 1) Sprinkler Repair

| | | | | | |
|---|---|---|---|---|---|
| Requested By (Printed Name): | John Doe | Signature: | *John Doe* | Date: | XX/XX/XXX |
| Approved By (Printed Name): | Jane Doe | Signature: | *John Doe* | Date: | XX/XX/XXX |

# Organization Control Area #5

- **Timekeeping** – The Grantee's policies and procedures should require:
  - The distribution of salary and wages charged to federal awards be based on actual employee activity as reflected in personnel activity reports (timesheets), that include the total activity for which employees were compensated
  - Timesheets be certified as accurate by either the employee or a supervisor familiar with the employee's activities

# Timekeeping Policies and Procedures

- **Policy:** The organization's employees maintain daily records and timesheets to reflect an after-the fact documentation of time spend on each program.
- **Procedures:**
  - Weekly or Semi-monthly Time Allocation Sheets are maintained by all staff, both professional and non-professional, who spent time working for more than one funding source, i.e., GPD, SSVF, city, state, etc.
  - It is the employee's responsibility to accurately account for and record time daily using the identified method for each program. This applies whether using a time clock, hand written records, or any other type of time recording device.
  - Holiday, vacation, sick, and compensation days should be accounted for only in its perspective column and will be proportionally charged to the appropriate cost center(s). The Time allocation sheet is submitted to the immediate supervisor for verification and approval.
  - Employee's time allocations are maintained until her/his supervisor makes allocation changes to meet program's needs and budgetary requirements. When a supervisor makes allocation changes for an employee's salary, a timekeeping analysis should be completed and provided to the appropriate official for approval. After the changes are approved, the new allocation should be provided to the Payroll department for processing and data changes in the system (if applicable).
  - Employee's Paper Timesheet require both the employee's and supervisor's signature.
  - Employee's Electronic Timesheets must be approved by the supervisor before payroll is processed.

# Timekeeping Policies and Procedures (continued)

| GPD ABC Grantee | | Street Address | 123 Main Street | | | | Pay Period Start Date | | XX/XX/XXX | |
|---|---|---|---|---|---|---|---|---|---|---|
| Biweekly Timekeeping Sheet | | Address: | Austin, TX 78701 | | | | Pay Period End Date | | XX/XX/XXX | |
| | | Employee: | Jody Smuckatelli | | | | | Manager | XX/XX/XXX | |
| | | | *Programs/Projects: Cross Program Allocation* | | | | | | | |
| **Day** | **Date** | **Work Hours this Payperiod** | **TIP** | **PDO** | **CM** | **Total Non Worked Hours** | **PTO** | **Sick** | **Holiday** | **Total Paid Hours** |
| Sunday | XX/XX/XXXX | - | - | - | - | - | - | - | - | - |
| Monday | XX/XX/XXXX | - | - | - | - | - | - | - | - | - |
| Tuesday | XX/XX/XXXX | 7.00 | 4.55 | 1.40 | 1.05 | 1.00 | 1.00 | - | - | 8.00 |
| Wednesday | XX/XX/XXXX | 7.93 | 5.15 | 1.59 | 1.19 | - | - | - | - | 7.93 |
| Thursday | XX/XX/XXXX | 8.04 | 5.23 | 1.61 | 1.21 | - | - | - | - | 8.04 |
| Friday | XX/XX/XXXX | 7.97 | 5.18 | 1.59 | 1.20 | - | - | - | - | 7.97 |
| Saturday | XX/XX/XXXX | 8.13 | 5.28 | 1.63 | 1.22 | - | - | - | - | 8.13 |
| Sunday | XX/XX/XXXX | - | - | - | - | - | - | - | - | - |
| Monday | XX/XX/XXXX | - | - | - | - | 2.00 | - | 2.00 | - | 2.00 |
| Tuesday | XX/XX/XXXX | 8.03 | 5.22 | 1.61 | 1.20 | - | - | - | - | 8.03 |
| Wednesday | XX/XX/XXXX | 7.21 | 4.69 | 1.44 | 1.08 | - | - | - | - | 7.21 |
| Thursday | XX/XX/XXXX | 8.00 | 5.20 | 1.60 | 1.20 | - | - | - | - | 8.00 |
| Friday | XX/XX/XXXX | 7.34 | 4.77 | 1.47 | 1.10 | - | - | - | - | 7.34 |
| Saturday | XX/XX/XXXX | 8.00 | 5.20 | 1.60 | 1.20 | - | - | - | - | 8.00 |
| Total Hours Worked | | 77.65 | 50.47 | 15.53 | 11.65 | 3.00 | 1.00 | 2.00 | - | 80.65 |
| % Hours Allocation | | | 65% | 20% | 15% | 100% | | | | |
| Vacation/PTO | | 1.00 | 0.65 | 0.20 | 0.15 | | | | | |
| Sick | | 2.00 | 1.30 | 0.40 | 0.30 | | | | | |
| Holiday | | - | - | - | - | | | | | |
| Total Hours Per Payperiod | | 80.65 | 52.42 | 16.13 | 12.10 | 3.00 | 1.00 | 2.00 | - | 80.65 |

I certifiy that the hours shown above accurately represent my attendance and are true and correct.

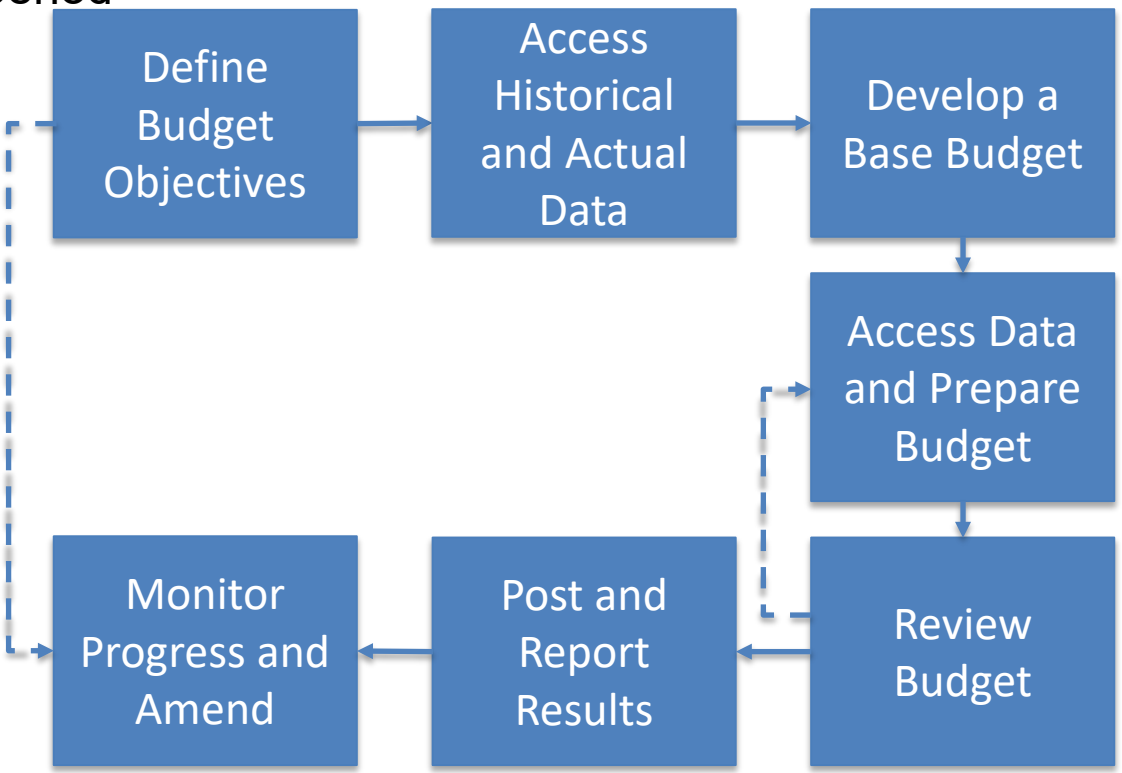
| Employee Printed Name: | John Smith | Signature: | *John Smith* | Date: | XX/XX/XXX |
|---|---|---|---|---|---|

I certifiy that I have knowledge of employee's attendance and hours allocated to projects are reasonable and appropriate for funding source requirements.

| Supervisor Printed Name: | Juan Sanchez | Signature: | *Juan Sanchez* | Date: | XX/XX/XXX |
|---|---|---|---|---|---|

# Organization Control Area #6

- **Budget** – The Grantee's policies and procedures should describe how:
  - Actual and budgeted expenditures are to be analyzed
  - Significant variances between actual and budgeted expenditures are resolved to ensure total costs do not exceed the amounts budgeted for the grant period



# Budgeting System Policies and Procedures

- **Policy:** To facilitate attainment and measurement of progress to the approved goals of the organization.
- **Purpose:** To provide a planned guidance for the expenditures of funds.
- **Procedures:**
  - Assign a budget manager to ensure expenses of managed accounts do not go beyond the program's allocated budget, request budget changes, transfers, payments and approving transactions. Identify the infrastructure supporting the budgeting process - understand the components that support your budgetary plan
  - Define a budgeting process – ensures the flow between planning phases and identifying the most important part of the process
  - Choose a dedicated planning and budgeting software
  - Make planning and budgeting a collaborative process
  - Align resource allocations with objectives and strategy
  - Monitor actual expenses and adjust per diem to avoid unobligated balances
  - Be timely and precise

# Organization Control Area #7

- **Indirect Costs** – The Grantee's policies and procedures should either 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, or
  - If all costs are charged direct, the method used to allocate costs benefiting multiple cost objectives to each cost objective

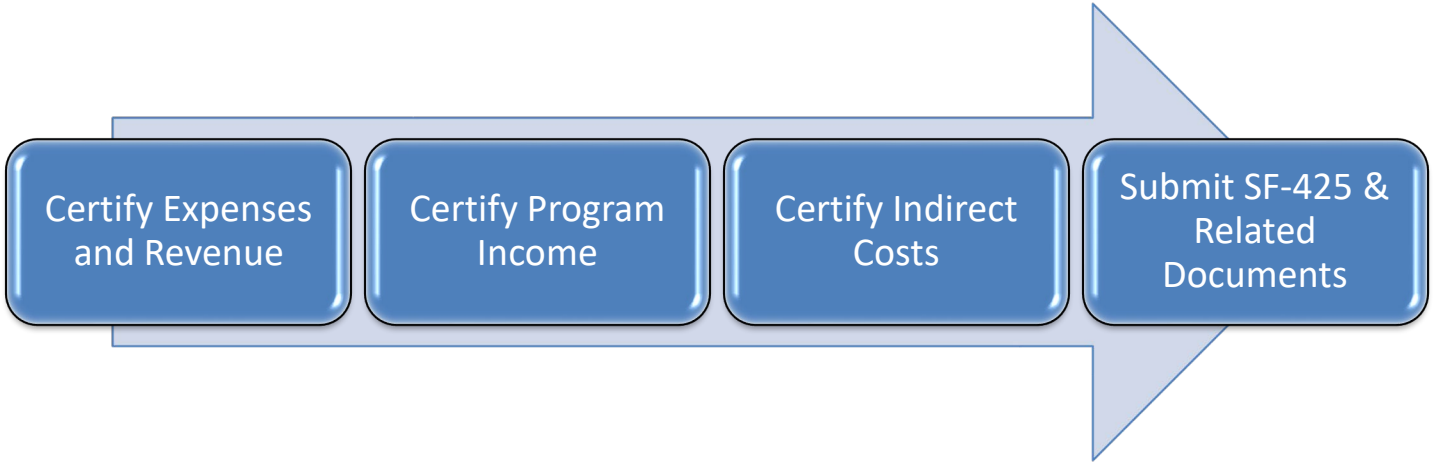
| | |
|---|---|
| Provisional Rate | • A **provisional** rate or billing rate is a temporary indirect cost rate applicable to a specified period and is used for interim billings pending the establishment of a final rate for the period. |
| Final Rate | • A **final** indirect cost rate is applicable to a specified past period based on the actual costs of the period. A final indirect cost rate is not subject to adjustment. |
| Predetermined Rate | • A **predetermined** indirect cost rate is applicable to a specified current or future period, usually the organization's fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment. |
| Fixed Rate | • A **fixed** rate is an indirect cost rate with the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period. |
| 10% De Minimis | • The **10% De minimis** rate may be elected by an organization that has never received a negotiated indirect cost rate. |

# Indirect Cost Policies and Procedures

- **Policy:** To establish and document the procedures for establishing a formal agreement between a grantee and its cognization agency, documenting the agreed-upon final and provisional indirect rates.
- **Purpose:** To consistently determine the charge to each program for indirect costs related to the various segments of the overall organization functions.
- **Procedures:**
  - Non-profit organizations must submit an indirect cost proposal when requiring a higher than De Minimus rate.
  - A nonprofit organization which has not previously established an indirect cost rate with a Federal agency must submit its initial indirect cost proposal immediately after the organization is advised that a Federal award will be made and, in no event, later than three months after the effective date of the Federal award.
  - Organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency for indirect costs within six months after the close of each fiscal year.

# Organization Control Area #8

- **Reconciling SF-425's** – The Grantee's policies and procedures should include a detailed description of the reconciliation and methodology for certifying the Federal Financial Report SF-425, including:
  - Timely submission of SF-425 and supporting documentation - January 31st
  - Certify expenses and revenue match with what is reported on the SF-425
  - Certify program income is appropriately identified
  - Certify indirect costs are accurately calculated
  - Support documentation is required to be maintained for future financial reviews
  - Designate individual to submit annual SF-425 and related documents



# Organization Control Area #8 (continued)

- **Reconciling SF-425's** – Key Items

| | |
|---|---|
| **Federal Cash (To report multiple grants, also use FFR Attachment):** | |
| a. Cash Receipts | 1,000,000.00 |
| b. Cash Disbursements | 1,000,000.00 |
| c. Cash on Hand (line a minus b) | 0.00 |
| *(Use lines d-o for single grant reporting)* | |
| **Federal Expenditures and Unobligated Balance:** | |
| d. Total Federal funds authorized | 1,100,000.00 |
| e. Federal share of expenditures | 1,000,000.00 |
| f. Federal share of unliquidated obligations | 0.00 |
| g. Total Federal share (sum of lines e and f) | 1,000,000.00 |
| h. Unobligated balance of Federal funds (line d minus g) | 100,000.00 |
| **Recipient Share:** | |
| i. Total recipient share required | 0.00 |
| j. Recipient share of expenditures | 0.00 |
| k. Remaining recipient share to be provided (line i minus j) | 0.00 |
| **Program Income:** | |
| l. Total Federal program income earned | 5,000.00 |
| m. Program income expended in accordance with the deduction alternative | 0.00 |
| n. Program income expended in accordance with the addition alternative | 5,000.00 |
| o. Unexpended program income (line l minus line m or line n) | 0.00 |

## Key Items

1. Block 10a – Amount of Federal funds received from VA for the grant as of the reporting period end date. **Do not** include contributions, donations, or other income.
2. Block 10b – Amount of Federal funds (Direct and Indirect) disbursed against the grant award as of the reporting end date. Cannot exceed Block 10a.
3. Block 10c – Cannot be negative.
4. Block 10d – Total GPD funds authorized.
5. Block 10e – Total amount of direct and indirect costs.
6. Block 10f – Obligations which have been incurred, but for which an expenditure has not yet been recorded.
7. Block 10l – **Do not** include contributions or donations. Should be total program income earned, not limited to expenditures in excess of the award amount.

# Reconciling SF-425 Policies and Procedures

- **Policy:** To establish and document the procedures for reconciling the general ledger to the SF-425.
- **Purpose:** To consistently capture the revenue, obligations and disbursements that occurred during the reporting period.
- **Procedures:**
  - Establish accurate expense descriptions.
  - Utilize program and cost codes (Revenue/Payroll/General Expenses).
  - Information should be limited to only Revenue and Expenses charged to the GPD Program.
  - Retain Documentation: General Ledger, Balance Sheets, Profit/Loss Statements, SF-425 and Indirect Cost Rate Agreement if rate other than 10% De Minimis is used.
  - GPD Revenue amounts should match the Per Diem Vouchers submitted to and approved by the GPD Liaison for the fiscal year (October 202X - September 202X)
  - SF-425s should be submitted no later than 120 days (January 31st) after the Federal fiscal year-end.
  - All SF-425 forms must be submitted to the fillable form link: https://forms.office.com/r/JNSVnng5g8
  - Assign designated individual(s) to submit a PDF of the SF-425 and the related general ledger tie-out to GPD425@va.gov with the grantees' FAIN in the subject line.

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# Organization Control Area #9

- **Program Income** – The grantee's policies and procedures should limit the use of program income related to projects financed with Federal funds to one or more of the following:
  - Furthering the eligible project or program objectives
  - Financing the non-federal share of the project or program
  - Deducting it from the total federal share of project or program allowable costs

FEDERAL PROGRAM INCOME: This section must be completed if the recipient will generate any income as a result of work performed under this agreement. If no income will be generated 10l, 10m, 10n and 10o should be left blank. For all others:

- ***Block 10l*: *Total Federal program income earned:*** Enter any income earned for the GPD program from any source outside of direct funding received from the VA. An example of Program Income would be rental income. Program income reported must be as a result of the GPD award.
- ***Block 10m*: *Amount of Program Income expended:*** Enter the amount of Program Income (10l) expended and used to reduce the Federal share of Total Cost of Veteran Care.
- ***Block 10n*: *Program income expended in accordance with the addition alternative:***
  Leave blank.
- ***Block 10o*: *Unexpended Program Income:*** 10l – 10m.

## Key Items

1. Program Income is income produced as a direct result of the GPD program.
2. It is **NOT** normal donations or income normally generated by the grantee if the GPD program did not exist.
3. Exception: Donations that are restricted to the GPD program are considered program income.
4. Examples of GPD program income:
   - GPD only Vending machines
   - GPD Veteran Rental Income

# Organization Control Area #10

- **Conflict of Interest** – Grantees should establish policies and procedures to prevent employees, consultants, members of governing bodies, and others involved in grant-supported activities from using their positions for purposes that are, or give the appearance of, motivated by a desire for private financial gain for themselves or others, such as those with whom they have family, business, or other ties. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest (§ 200.318(c)(1) General procurement standards. The policies and procedures should:
  - Address the 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

OBO

# Key Points Of Contact

- OBO GPD Audit Team
  - Omar Ochoa, Senior Auditor - Omar.Ochoa@va.gov
  - Tony Huff, Senior Auditor - Tony.Huff@va.gov
  - Nick Rayo, Senior Auditor - Nicholas.Rayo@va.gov
  - Christian Lopez-Gavilan, Auditor - Christian.LopezGavilan@va.gov
  - Jeff Brean, Director - Jeffrey.Brean@va.gov

- GPD Program Office
  - Yvette Green, GPD Program Office Auditor - Yvette.Green@va.gov

# Additional Information

- GPD Program Staff
  - GPD Program Questions: GPDGrants@va.gov
  - Fiscal Questions (per diem rates): GPDFiscal@va.gov
  - SF-425 Questions: GPD425@va.gov
  - ***NEW*** Indirect Cost Rate Proposal Questions: GPDICRP@va.gov
- GPD Provider Website
  - Recipient_Guide_Transitional_Housing.pdf (va.gov)
- GPD Provider Website
  - https://www.va.gov/HOMELESS/GPD_ProviderWebsite.asp
- 2 CFR Part 200 Website
  - https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1
- 38 CFR Part 61 Website
  - https://www.ecfr.gov/current/title-38/chapter-I/part-61

# Conclusion

Questions?