Financial Management

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Learning Objectives

• Overview of Financial Management
• Grantee’s responsibility
• Regulations and policies
• Financial Management System
• Allowable Costs
• Support Documentation
• Program Income
• Red Flags
• Trends of Non-compliance
What is Financial Management?

Financial Management is the process of using funds effectively, efficiently, and transparently. It is accomplished through a combination of procedures, methods, rules of conduct, and standards.
Grantee’s Responsibility

Grantees must ensure that:

- Adequate internal controls are in place
- Supporting documentation is maintained
- Financial reports and statements are complete, current, and reviewed periodically
- Audits are conducted timely and in accordance with applicable standards
- Costs are allowable; and
- Funds are expended in a timely manner
Regulations & Guidance

• Federal Requirements
  • Cost Principles – 2 CFR 200 Uniform Requirements
    • Standards for Financial and Program Management
    • Procurement Standards
    • Performance and Financial Monitoring and Reporting
    • Cost Principles
    • Audit Requirements
  • 24 CFR 570
  • Federal Register Notices
Regulations (cont.)

• Grant conditions

• State Requirements
  • Louisiana Travel Guide (PPM 49)
  • RS 24:513
Financial Management System

- Documented **Policies and Procedures**
- Accurate, current and complete **Financial Reporting**
- **Accounting Records** identifying source and use of funds
- System of **Internal Controls**
- Method to determine **Allowable Costs**
- Maintained **Support Documentation**
- Adequate **Budget Control**
- **Cash Management** procedures
Policies and Procedures

• MUST BE DOCUMENTED!!!
• Should include
  ➢ Payment requirements
  ➢ Procedures for determining the allowability of costs
  ➢ Internal Control requirements
  ➢ Financial Reporting requirements
  ➢ Audit requirements
  ➢ Organizational Chart
  ➢ Job duties and lines of authority
  ➢ Employment and personnel policy
  ➢ Timekeeping policy
CDBG-DR Funds Account

The Grantee sets up a funds account for each grant.

- Receive CEA
- Execute Required Forms
- Establish Non-Interest Bearing Account
- Request Payments
CDBG-DR Funds Account (cont.)

Establishment of funds account

• Non-interest bearing account
• Separate account
• FDIC Insured

***Note: This is a OCD-DRU policy.
Internal Controls

Internal control is defined as the entity’s oversight of personnel that provides reasonable assurance that the Federal award is management in compliance with Federal statutes.

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
Internal Controls (cont.)

Elements of Internal Controls

- Organizational chart
- Written job descriptions
- Approval authority policy
- Procedures for recording transactions
- Accounting manual and chart of accounts
- Adequate separation of duties
- Hiring policy
- Controlled access
- Reconciliation of financial records
Allowable Costs

Allowable costs should be:

- Necessary and reasonable
- Directly related to the grant
- Authorized
- Not prohibited
- Consistently treated
- Allocable
- Adequately documented
Allowable Costs (cont.)

- Administrative Costs
- Project Costs
- Project Delivery Costs

Grant Award
Allowable Costs (cont.)

- Direct Costs
- Indirect Costs
### Allowable Costs (cont.)

**Items of Cost (2 CFR 200.420 – 475)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Advertising and public relations</td>
<td>Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements</td>
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<td>Advisory councils</td>
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<td>Alcoholic beverages</td>
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<td>Alumni/ae activities</td>
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<td>Audit services</td>
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<td>Bad debts</td>
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<td>Bonding costs</td>
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<td>Collections of improper payments</td>
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<td>Commencement and convocation costs</td>
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<td>Compensation—personal services</td>
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<td>Compensation—fringe benefits</td>
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<td>Conferences</td>
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<td>Contingency provisions</td>
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<td>Contributions and donations</td>
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<td>Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements</td>
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<td>Employee health and welfare costs</td>
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<td>Entertainment costs</td>
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<td>Equipment and other capital expenditures</td>
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<td>Exchange rates</td>
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<td>Fines, penalties, damages and other settlements</td>
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<td>Fund raising and investment management costs</td>
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<td>Gains and losses on disposition of depreciable assets</td>
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<td>General costs of government</td>
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<td>Goods or services for personal use</td>
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<td>Idle facilities and idle capacity</td>
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<td>Insurance and indemnification</td>
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<td>Intellectual property</td>
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<td>Interest</td>
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<td>Lobbying</td>
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<td>Losses on other awards or contracts</td>
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<td>Maintenance and repair costs</td>
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<td>Materials and supplies costs, including costs of computing devices</td>
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<td>Memberships, subscriptions, and professional activity costs</td>
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<td>Organization costs</td>
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<td>Participant support costs</td>
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<td>Plant and security costs</td>
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<td>Pre-award costs</td>
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<td>Professional service costs</td>
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<td>Proposal costs</td>
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<td>Publication and printing costs</td>
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<td>Rearrangement and reconversion costs</td>
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<td>Recruiting costs</td>
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<td>Relocation costs of employees</td>
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<td>Rental costs of real property and equipment</td>
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<td>Scholarships and student aid costs</td>
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<td>Selling and marketing costs</td>
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<td>Specialized service facilities</td>
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<td>Student activity costs</td>
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<td>Taxes (including Value Added Tax)</td>
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<td>Termination costs</td>
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<td>Training and education costs</td>
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<td>Transportation costs</td>
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<td>Travel costs</td>
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<td>Trustees</td>
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Allowable Costs (cont.)

Compensation-Personal Services & Fringe Benefits

• All money paid for work or services of employees
• Includes wages, salaries, and fringe benefits
• Must be reasonable and conform to established written policy
• Must be consistently applied to both Federal and non-Federal activities
• Documentation must accurately reflect the work performed
Allowable Costs (cont.)

Compensation-Personal Services & Fringe Benefits (cont.)

• Support Documentation
  • Reasonably reflect the total activity
  • Include all compensated activities
  • Comply with established policies
  • Support the distribution of salaries and wages
  • Special consideration is given to:
    ➢ Salary and wage increase;
    ➢ Incentives
    ➢ Non-profit organizations
    ➢ Institutions of higher learning
Support Documentation

Adequate support documentation should explain the basis of the costs and the date of expenditure.

Examples:

- Cancelled checks
- Paid bills
- Invoices
- Purchase vouchers
- Payrolls
- Deposit slips
- Time and attendance records
- CEA and sub-grant documents
- Payment request
- Inspection report
Cash Management

• Grantees must minimize the time elapsing between the receipt and disbursement of funds.

• The common rule is that funds are expended within three days of the receipt of funds.

• A process should be implemented to ensure funds are expended timely.
Program Income

Program income is the gross income directly generated from the use of CDBG funds (exceptions apply).

Examples

• Proceeds from sale or long-term lease of real property
• Proceeds from disposition of equipment
• Gross income from use or rental of real property
• Payments of principal and interest on loans
• Proceeds from the sale of loans
Program Income (cont.)

Program income must be tracked and reported.

• Submit quarterly reports to OCD-DRU
• Guidance to Grantees
  “CDBG-DR Program Income Guidelines for Grantees”
Trends of Non-compliance

• Indirect costs
• Funds account
• Program Income
• Allowable costs/Support documentation
• Budget reconciliation
Red Flags

• Cost allocations
• Personnel costs
• Vendor purchases
• Invoice (Bill To)
• Unapproved documents
• Spreadsheet
Questions???