

# 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.



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# 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



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# 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

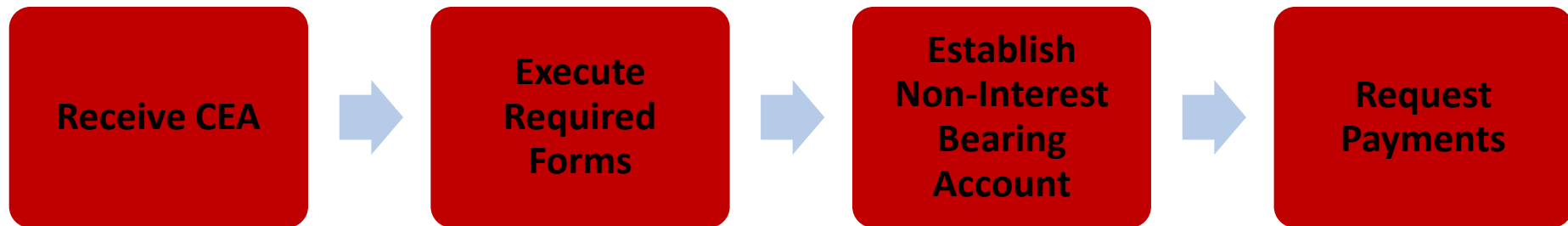
- MUST BE DOCUMENTED!!!
- Should include
  - Payment requirements
  - Procedures for determining the allowability of costs
  - Internal Control requirements
  - Financial Reporting requirements
  - Audit requirements
  - Organizational Chart
  - Job duties and lines of authority
  - Employment and personnel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





# CDBG-DR Funds Account

The Grantee sets up a funds account for each grant.



# 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



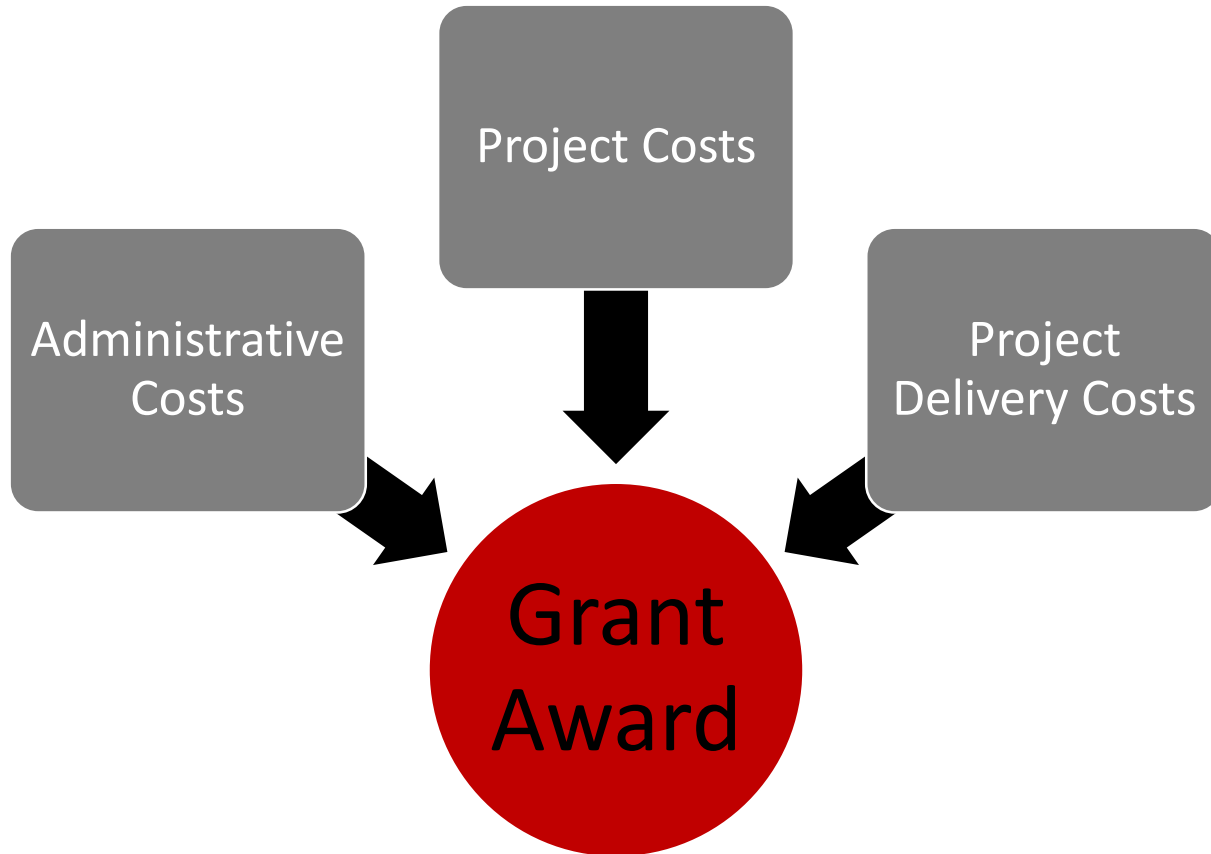
# Allowable Costs

## Allowable costs should be:

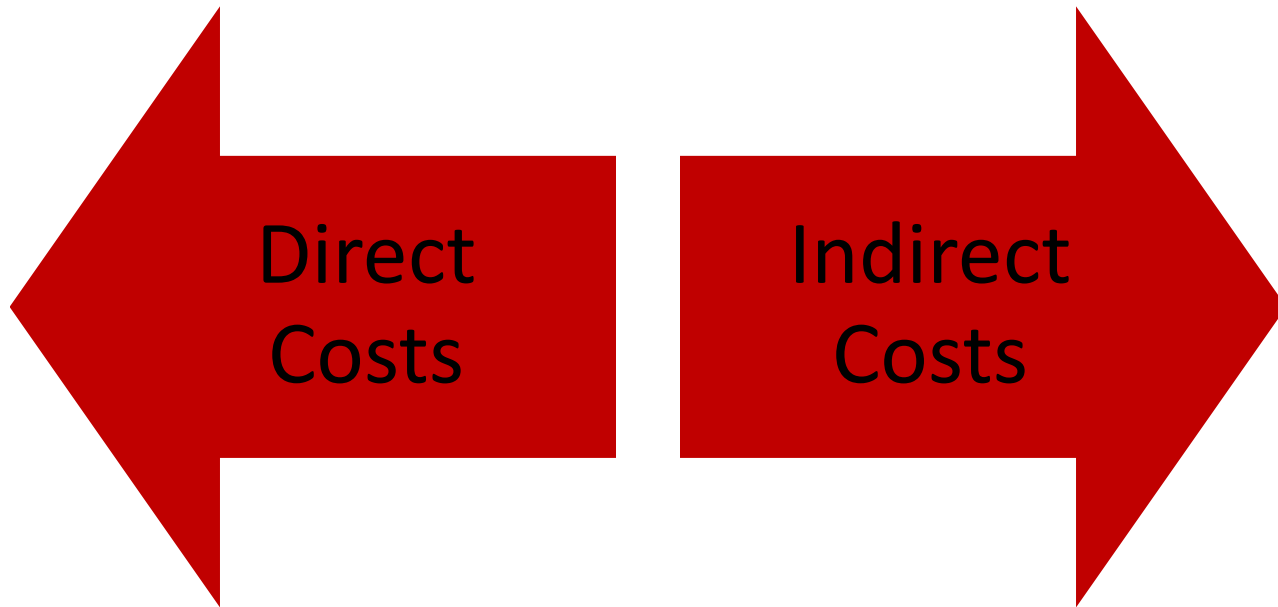
- ✓ Necessary and reasonable
- ✓ Directly related to the grant
- ✓ Authorized
- ✓ Not prohibited
- ✓ Consistently treated
- ✓ Allocable
- ✓ Adequately documented



# Allowable Costs (cont.)



# Allowable Costs (cont.)



# Allowable Costs (cont.)

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

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





# 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



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# Red Flags

- Cost allocations
- Personnel costs
- Vendor purchases
- Invoice (Bill To)
- Unapproved documents
- Spreadsheet





# Questions???



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