

# Grant Financial Management: From Beginning to End

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# Introductions

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Grants Lifecycle Solutions Lead

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In Cherry Bekaert's Government & Public Sector industry group, Paula is a senior associate as part of the advisory team for grant administration and compliance engagements. Her career in accounting and grants management spans over 25 years in the not-for-profit, public, and private sectors. Her specialties include full cycle grant management and accounting, risk assessment, subrecipient monitoring, 2 CFR 200 Uniform Guidance compliance, internal controls, grant reconciliations, staffing structures and workflow analysis, and policy and procedure development.

# Introductions

## Amelia Crawford, CPA

Audit Director

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As a Director in Cherry Bekaert's Assurance practice, Amelia focuses her practice on the not-for-profit industry. With more than thirteen years of experience, she has performed all phases of financial audits, including engagement planning, performance of audit testing, supervision of other staff and report writing. Clients depend on Amelia for timely, practical guidance on many technical accounting and compliance issues, such as implementation of new standards, compliance with federal and state laws and grant programs, fair value matters, endowment accounting and not-for-profit industry insights. Amelia serves organizations of all shapes and sizes, allowing her to advise clients on best practices and operating efficiencies as they continue to grow and enter new phases of maturity in their operations.







## **Objective:**

Provide an overview of grant financial management for the full award lifecycle.

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## **Importance:**

Effective financial management is critical for grant-funded projects and programs.

# Agenda





# Agenda

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- ▶ Understanding Grants
- ▶ Pre-Award Phase
- ▶ Award Acceptance & Setup
- ▶ Post-Award Financial Management
- ▶ Award Closeout
- ▶ Best Practices
- ▶ Case Studies
- ▶ Resources & Tools
- ▶ Q&A



# Understanding Grants









# What is a Grant?

A grant is a sum of money given by an organization, government, or foundation to individuals, businesses, or institutions for a specific purpose.

Unlike a loan, a grant does not need to be repaid, making it a valuable source of funding for projects, research, education, business ventures, and community initiatives.

Grants are often awarded based on eligibility criteria, which might include financial need, project impact, innovation, or alignment with the goals of the granting organization.

# Types of Grants

Some common types of grants include:

- ▶ **Government Grants:** Offered by federal, state, or local agencies to support public projects, education, or research.
- ▶ **Educational Grants:** Provided to students or institutions to fund scholarships, tuition, or academic programs.
- ▶ **Business Grants:** Given to entrepreneurs, startups, or small businesses to promote economic growth and innovation.
- ▶ **Nonprofit Grants:** Funding for charities, social programs, or community development projects.

# Types of Funding

- ▶ **Restricted Grants:** Funds that must be used for a specific purpose or project outlined by the grantor. The recipient is required to follow strict guidelines on how the money is spent.
- ▶ **Unrestricted Grants:** Funds that can be used at the recipient's discretion, without limitations. These grants provide flexibility for organizations or individuals to allocate the money where it's most needed.
- ▶ **Conditional Grants:** Funds that come with certain requirements or performance benchmarks that the recipient must meet. If these conditions are not fulfilled, the grant may need to be returned or may not be fully disbursed.
- ▶ **Unconditional Grants:** Funds provided with no strings attached. The recipient is free to use the money as they see fit, without any obligations to the grantor.

# Common Accounting Vocabulary

- ▶ **Obligated Funds:** Money that has been committed to a specific purpose or contract but has not yet been spent. For example, if an organization signs an agreement to purchase equipment, the funds allocated for that purchase are considered obligated.
- ▶ **Unobligated Funds:** Money that has been allocated but is not yet tied to a specific commitment or expense. These funds remain available for use without restriction until they are obligated.
- ▶ **Liquidated Funds:** Money that has been fully spent or disbursed. Once funds are liquidated, they are no longer available in the budget, as they have been used to fulfill obligations.



# Other Grant Terms

The **Statement of Expenditures of Federal Awards (SEFA)** is a financial report required for entities that receive federal funding. It provides a detailed account of how federal grant money was spent during a given fiscal year.

SEFA is prepared as part of an entity's **Single Audit**, which ensures compliance with federal regulations. It includes information such as:

- The total amount of federal funds received and expended.
- The names of federal programs that provided funding.
- The grant identification numbers and agencies responsible.
- Whether funds were **directly awarded** or **passed through** another organization.
- Any subrecipient payments.

# Other Grant Terms

In accounting, **indirect costs** are expenses that are not directly tied to a specific product, project, or service but are necessary for overall operations. These costs support business functions and cannot be easily traced to a single cost object.

Indirect costs are typically categorized into two types:

- **Fixed Indirect Costs:** Expenses that remain constant, such as rent, insurance, and administrative salaries.
- **Variable Indirect Costs:** Expenses that fluctuate based on business activity, like utilities or office supplies.

These costs differ from **direct costs**, which can be directly assigned to a specific product, project, or service, such as raw materials or labor.

# Other Grant Terms

An **Indirect Cost Rate Proposal** (ICRP) is a financial document submitted by organizations that receive federal funding to determine the rate at which they can recover indirect costs. It outlines the methodology for allocating indirect expenses, ensuring compliance with federal regulations.

The proposal typically includes:

- ▶ **Total indirect costs** incurred by the organization.
- ▶ **Direct cost base** used to allocate indirect expenses.
- ▶ **Proposed indirect cost rate**, calculated as a percentage.
- ▶ **Supporting financial data** and justification for the rate.
- ▶ **Negotiation process** with the awarding agency.

Once approved, the indirect cost rate is applied to eligible expenses, helping organizations recover administrative and operational costs related to federally funded programs.

# Audit Terminology

- ▶ **Single Audit:** an audit of a non-Federal entity's financial statements and of its expenditures of Federal awards. Single Audits are conducted in accordance with Generally Accepted Auditing Standards, Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, and the requirements of the Uniform Guidance.
  - ▶ Note for North Carolina: NC has single audit requirements in addition to the federal requirements.
- ▶ **Generally Accepted Government Auditing Standards (Yellow Book):** Set of standards for conducting government audits.



# Audit Terminology

- ▶ **OMB Uniform Guidance:** Set of federal regulations that provide consistent administrative requirements, cost principles, and audit requirements for federal awards.
- ▶ **Compliance Requirement:** Directives based on the OMB Uniform Guidance related to the funding based on the nature or purpose of the program.
- ▶ **Clusters:** groupings of closely-related programs that share common compliance requirements and treated as one program for single audit testing.

# Pre-Award Phase



# Why Pre-award Grant Readiness Assessment is Important For Grant Recipients



## High Impact

Improperly managed grants expose an organization to a high risk of non-compliance and the potential misuse of taxpayer dollars.



## High Expectations

Public sector organizations face unique challenges to be compliant with extensive rules and regulations stipulated by various donors, often under enormous public pressure of transparency.



## Limited Resources

Organizations may not be adequately staffed to effectively manage and report on grants in a manner compliant with donor requirements.



# Strategy 1: Complete a Strategic Assessment

## ► Organizational Profile Assessment

- Mission, Vision, Values
- Sector Research
- Financial Analysis
- Needs Assessment
- Organizational Capacity Assessment





# Strategy 2: Identify Funders

## STEPS TO TAKE:

- ▶ Utilize the results of the organizational profile to identify the types of funding being sought
- ▶ Research potential funders across sectors using high-quality grant maker profile databases
- ▶ Key components include evaluation for strategic alignment and organizational capacity
- ▶ If it does not align or if your organization does not have the capacity, think carefully about pursuing the funding
- ▶ Develop a targeted list of funders and grant opportunities ranked by fit to strategic plan and organizational capacity
- ▶ Share the list with leadership to evaluate

## High-Quality Grant Maker Databases:

- ▶ [Instrumentl](#)
- ▶ [Foundation Directory Online \(aka Candid\)](#)
- ▶ [Grants.gov](#)
- ▶ [GrantStation](#)
- ▶ [Devex Pro Funding](#)
- ▶ [GrantScape](#)
- ▶ [The Catholic Funding Guide](#)
- ▶ [GrantForward](#)
- ▶ [Grant Gopher](#)
- ▶ [Pivot](#)
- ▶ [GrantSelect](#)
- ▶ [GrantWatch](#)

Source: [Learn Grant Writing](#)



# Strategy 3: Write the Proposal

## Elements of a Grant Application

- ▶ Statement of Need
- ▶ Project Description
- ▶ Goals and Objectives
- ▶ Methods and Strategies
- ▶ Evaluation and Evaluation Plan
- ▶ Budget and Budget Narrative
- ▶ Organizational Chart
- ▶ Resumes of Key Stakeholders



# Budget Components

1. **Personnel Costs:** Salaries, wages, and benefits for staff involved in the project. This can include full-time and part-time employees, as well as consultants or contractors.
2. **Fringe Benefits:** Additional costs associated with personnel, such as health insurance, retirement contributions, and other employee benefits.
3. **Travel Expenses:** Costs for travel related to the project, such as transportation, lodging, and meals.
4. **Equipment:** Expenses for purchasing or leasing equipment necessary for the project. This might include computers, laboratory equipment, or other specialized tools.
5. **Supplies:** Consumable items needed for the project, such as office supplies, lab materials, or educational materials.
6. **Contractual Services:** Fees for services provided by external entities, such as consultants, subcontractors, or other vendors.
7. **Other Direct Costs:** Miscellaneous expenses directly tied to the project, such as printing, publishing, or communications.
8. **Indirect Costs (Overhead):** Costs that are not directly attributable to a specific project but are necessary for the operation of the organization, such as utilities, administrative support, and facility maintenance. These are usually calculated as a percentage of direct costs.
9. **Matching Funds or Cost Sharing:** Contributions from the organization or other sources that match or supplement the grant funding. Some grants require a certain percentage of matching funds.



# Budget Development

1. **Understand the Grant Guidelines:** Carefully review the grant application instructions to understand what costs are allowable, any restrictions, and the format required for the budget.
2. **Define Project Scope and Objectives:** Clearly outline the goals, activities, and timeline of your project. This will help identify the resources needed and the costs associated with each activity.
3. **Identify and Categorize Costs:** Break down your project into specific categories. Common categories include personnel costs, travel expenses, equipment, supplies, contractual services, and indirect costs.
4. **Estimate Costs:**
  - **Personnel:** Calculate salaries and wages for all staff involved, including the percentage of time they will dedicate to the project. Consider fringe benefits.
  - **Travel:** Estimate costs for transportation, lodging, and meals based on the project's travel needs.
  - **Equipment and Supplies:** Research costs for necessary equipment and supplies. Be realistic about what is needed and avoid overestimating.
  - **Contractual Services:** Obtain quotes from vendors or consultants, if applicable.
  - **Indirect Costs:** Determine the allowable rate for indirect costs, often provided by the grantor or your organization's negotiated rate.





# Budget Development

5. **Include Matching Funds or Cost Sharing:** If required, specify any matching funds or in-kind contributions. Ensure these are documented and align with the grant's requirements.
6. **Prepare a Budget Narrative:** Develop a budget justification that explains each line item. Justify the necessity of the cost and how it relates to the project objectives. Explain how costs were calculated.
7. **Review and Revise:** Double-check your figures for accuracy and completeness. Ensure that the budget aligns with the project scope and objectives.
8. **Align with Organizational Financial Policies:** Ensure that your budget aligns with your organization's policies and financial practices.
9. **Consult with Experts:** If possible, have someone with experience in grant writing or budgeting review your budget. They can provide valuable feedback and help identify any potential issues.
10. **Prepare for Contingencies:** Consider including a small contingency fund to address unforeseen expenses, if allowable by the grantor.



# Budget Recommendations

- For multi-year awards, consider personnel raises and increased fringe benefits costs
- Grant writers should work with accounting staff (preferably post-award financial managers) as they best know allowability and reasonableness of costs
- Someone should double check and triple check the calculations in the Excel budget and in the Word budget justification
- Follow formatting guidelines
- Be realistic and detailed with costs – an approved budget becomes the LAW when spending afterwards



# Award Acceptance and Setup



# You Got the Award – Now What?

- ▶ Reviewing Grant Terms and Conditions and funder guidance
- ▶ Reviewing financial reporting requirements and setup systems to comply with it
  - ▶ Timing
  - ▶ Format
- ▶ Identify types of funding: restricted, unrestricted, conditional, unconditional
- ▶ Setting Up Financial Systems
  - ▶ Creating award and budget in ERP
  - ▶ Set up tracking mechanisms
    - ▶ BvA (spreadsheet)
    - ▶ Monitor rate of spending



# Conditions vs. Restrictions

## CONDITIONS

- ▶ Affect the timing of revenue recognition
- ▶ Conditions are barriers that must be overcome before the NFP is entitled to the funds.

## RESTRICTIONS

- ▶ Do not affect timing of revenue recognition
- ▶ Affect the classification of the revenue
- ▶ Do not affect whether the NFP is entitled to the funds.





# Conditional Contributions or Promises to Give

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A contribution or promise to give is conditional if it has both of the following:



One or more **Barriers** that must be overcome before the recipient is entitled to the assets transferred or promised



**Right of Return** to the contributor  
**OR**  
**Right of Release** of the promisor

# Indicators of Barriers



**Measurable  
Performance  
Related Barrier**



**Limited Discretion  
by the Recipient  
on the Conduct of  
an Activity**



**Stipulations That  
Are Related to the  
Purpose of the  
Agreement**



# Budget vs. Actual Report

## Budget vs. Actual Reports with Encumbrances

Award: County Healthcare Work

Budget: Fiscal Year 2024

		Original Budget	Amended Budget			Unencumbered Balance	Pre-encumbered Balance	Encumbered	Remaining Unencumbered Balance	% Remaining Available	% Remaining Unavailable
Account	Description			MTD Actual	YTD Actual						
31000	Professional Services	1,356,890	1,356,890	22,890	210,050	1,146,840	55,000	322,000	769,840	56.7%	43.3%
31102	Medical Examination Fees	470,000	470,000	100,000	122,000	348,000	-	150,000	198,000	42.1%	57.9%
31238	Locksmith Services	500	500	120	260	240	240	-	-	0.0%	100.0%
33210	Maint. Contract - Equipment	5,000	24,000	11,000	11,000	13,000	6,780	7,342	(1,122)	-4.7%	104.7%
34305	Towing - External	1,000	1,000	-	1,000	-	-	-	-	0.0%	100.0%
35000	Print & Binding - External	6,600	6,600	566	5,200	1,400	-	498	902	13.7%	86.3%
37000	Laundry & Dry Cleaning	36,600	36,600	2,900	30,000	6,600	-	2,120	4,480	12.2%	87.8%
39000	Other Purchased Services	8,500	38,000	1,789	33,974	4,026	849	389	2,788	7.3%	92.7%
Total for Account Category		1,885,090	1,933,590	139,265.00	413,484.00	1,520,106.00	62,869.00	482,349.00	974,888.00	50.4%	49.6%



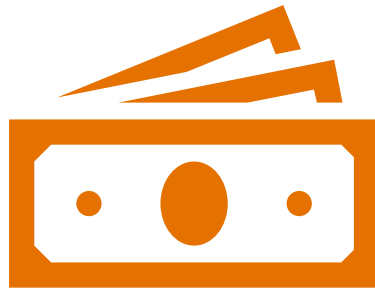
Expended



Obligated

# Set up the Audit Trail for the Single Audit

Be sure to get an understanding of not only the grant itself but the compliance supplement for that program.



Have clearly defined procedures for how you are overseeing the funds, especially if received in advance of expenditures.



Ensure proper controls are defined and followed – how are funds approved and monitored for all compliance requirements.

# Post-Award Financial Management



# Where to Locate Compliance Requirements

## Grant Compliance Requirements Sources

Grant Agreement  
(For Grant Specific  
terms and conditions)

State and Local  
statutes (For state  
and local  
government grants)

Uniform Guidance  
and Federal  
Compliance  
Supplement (For  
federal grants)

Ask your  
auditor/grant  
advisors/program  
officer (To ensure  
correct interpretation)



# Federal Written Policies and Procedures

Required Policies	Recommended Policies	Required Procedures
Internal Controls 2 CFR 200.303(a)	Time & Effort 2 CFR 200.430(g)	Cash Management 2 CFR 200.302(b)(6)
Conflict of Interest 2 CFR 200.318(c)	Accounts Payable Workflow	Cost Allowability 2 CFR 200.302(b)(7)
Compensation & Fringe Benefits 2 CFR 200.430-431	Grants Management	Asset Management 2 CFR 200.313(d)
Participant Support Costs 2 CFR 200.456	Indirect Cost Allocation 2 CFR 200.405(b)	Procurement 2 CFR 200.320
Travel 2 CFR 200.475(a-b)	Record Retention 2 CFR 200.334-338	Record Conversion Quality Control 2 CFR 200.336
	Sub Monitoring and Management 2 CFR 200.332	



# Managing Grant Funds

Monitoring Spending and Compliance



## Chart of Accounts

### Assets

Office Equipment  
Computers  
Accounts Receivable  
Bank Accounts  
Inventory

### Liabilities

Accounts Payable  
Credit Cards  
Current Liabilities  
Long-Term Liabilities

### Equity

Net Assets with Donor Restrictions  
  
Net Assets without Donor Restrictions

### Revenue

Grant Revenue  
Contribution Revenue  
Fundraising Revenue  
Sponsorship Revenue

### Expenses

Program Expenses  
Administrative Expenses  
Fundraising Expenses  
Payroll Expenses

## Supporting Documentation

### Procurement Requisition Form

**PROCUREMENT REQUISITION FORM (PR)**  
For Goods and Services

Requisition/PR # (assigned by purchasing staff)

Donor/Project  
Location  
PR raised  
Date PR raised  
Requested  
Delivery Date

If Specialized Items, suggest supplier:

\* Attach sample pictures, detailed specification, as required.  
\* Please separate requisition for different categories of items.  
\* Requester / Budget Holder to input prices.

No.	Description & Quantity
1	

**INVOICE**

**Equipment Repair Specialists**

Your Business Name  
City  
Country  
Postal

**BILL TO:**  
ABC Company  
Address  
City  
Country  
Postal

**INVOICE NO #**  
123456  
**DATE**  
11/02/2024  
**INVOICE DUE DATE**  
12/02/2024

ITEMS	DESCRIPTION	QUANTITY	PRICE	TAX	AMOUNT
Item 1	Repair of machinery	3	\$75	0%	\$225.00
Item 2	Description	1	\$0	0%	\$000.00
Item 3	Description	1	\$0	0%	\$000.00
Item 4	Description	1	\$0	0%	\$000.00
Item 5	Description				
Item 6	Description				

**Check Viewer**

**NOTES:**  
Add your notes here

Commercial Bank  
1454  
\$ 1.00  
One dollar and 00/100  
1454



# Expenditures

Definition: Expenditure means charges made by a non-Federal entity to a project or program for which a Federal award was received.

## Example

- (i) Cash disbursements for direct charges for property and services;
- (ii) The amount of indirect expense incurred;
- (iii) The value of third-party in-kind contributions applied; and
- (iv) The net increase or decrease in the amounts owed by the non-Federal entity



# How to Support Non-Personnel Costs

- ✓ Description of the item (with accounting codes if required by your organization)
- ✓ Quantity and Unit Price
- ✓ Payment confirmation including payment amount and payment date
- ✓ Proof of Delivery
- ✓ Proper Approval (signatures, stamps, etc.)



# How to Support Non-Personnel Costs

Use a process to make a purchase – create a requisition that leads to a purchase order, use a purchase card, place an order with a vendor on credit line

**Procurement Requisition Form**

**PROCUREMENT REQUISITION FORM (PR)**  
For Goods and Services

Requisition/PR # (assigned by purchasing site): \_\_\_\_\_

Page Number: **1 / 1**

Location PR raised: \_\_\_\_\_ Delivery Location: \_\_\_\_\_

Date PR raised: \_\_\_\_\_ Preferred Delivery Mode: **NA**

Requested Delivery Date: \_\_\_\_\_ QC Required? **Y/N**

Is PR part of Proc. Plan: \_\_\_\_\_

If Specialized Items, suggest Supplier: \_\_\_\_\_

\* Attach sample picture, detailed specification, as required.  
\* Use ONE line per item only by including all specifications.  
\* Note separate requisition for different categories of goods or services.  
\* Requester / Budget Holder to input prices.  
\* Use multiple pages where required. Number EACH page (1/2, 2/2, etc.).  
\* Use USD when unsure about payment currency / procurement loc.

No.	Description & Specifications	Unit	Qty of Units	Estimated Cost per unit	Estimated Line Item total Cost	Budget Line Allocation
1						

Receive the items purchased and receive an invoice from the vendor or have a P-card charge

**INVOICE**

**Equipment Repair Specialists**

Your Business Name: \_\_\_\_\_  
City: \_\_\_\_\_  
Country: \_\_\_\_\_  
Postal: \_\_\_\_\_

**BILL TO:**  
ABC Company  
Address: \_\_\_\_\_  
City: \_\_\_\_\_  
Country: \_\_\_\_\_  
Postal: \_\_\_\_\_

**INVOICE NO #** 123456  
**DATE** 11/02/2024  
**INVOICE DUE DATE** 12/02/2024

ITEMS	DESCRIPTION	QUANTITY	PRICE	TAX	AMOUNT
Item 1	Repair of machinery	3	\$75	0%	\$225.00
Item 2	Description	1	\$0	0%	\$000.00
Item 3	Description	1	\$0	0%	\$000.00
Item 4	Description	1	\$0	0%	\$000.00
Item 5	Description	1	\$0	0%	\$000.00
Item 6	Description	1	\$0	0%	\$000.00

**NOTES:**  
Add your notes here

**TOTAL** **\$225.00**

Document every step of the process for an audit trail!

Document proof of payment – P-card payment, ACH payment on bank statement, or cleared check

**Check Viewer**

Constitution Bank  
General Remittance Expense  
1424  
01/11/2024  
\$ 1.00  
One dollar and 00/100  
40943007496 500041990 1424



# What Is Included in Personnel Expense?



❑ **Salary/Wage Item:** Periodic payment from an employer to an employee

❑ **Other Personnel Expense:** Cost associated with an employee, paid by an employer, but not in the form of direct payment to the employee

- Fringe Benefit (health, dental, vision, retirement etc.) paid to a 3<sup>rd</sup> Party business
- FICA and Worker's Compensation paid to the government on behalf of your employee

# Overview of Personnel Costs

## PERSONNEL COST BEST PRACTICES



### Internal Controls

Measure, document, and report the *percentage of effort* on each award

Maintain *adequate staff* to review and certify reporting forms

Be *timely* with reporting

*Train* your grants staff

### Supervision

Certify time and effort is *accurate and allowable* in a timely manner

Verify cost objects are *aligned* with the grant requirements

Track your expenses. *Ensure resources are available* throughout grant period.

*Assure compliance* before the end of the period/grant

### Communication

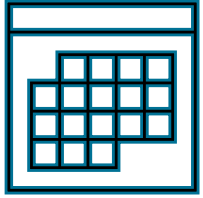
Create *organizational charts*

Develop *job aids* like checklists

Implement *grant workflow process* and train them out.

*Specify roles* of all grant staff

# Documentation Supporting Gross Salary/Wages

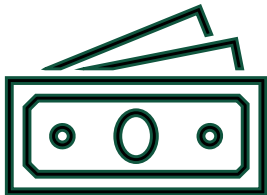


Timesheet

Auditors may require employee agreements to verify the annual salary and hourly rate on the payroll documentation.



Payroll Register



Payment Confirmation

# Documentation of Personnel Time & Effort

Personnel Activity Report			
LGU: Stormy County/SWCD		Employee: June Smith	
Reporting Period: October 1-31, 2014		Title: Clean Water Specialist	
Program/Grant	Activity Category	Number of Hours	Distribution of Time
FY 15 WCA	Administration/Coordination	56.00	30%
FY 15 WCA	Technical/Engineering Assistance	75.00	41%
FY 15 WCA	Project Development	10.00	5%
FY 15 Conservation Delivery	Administration/Coordination	12.00	7%
Other Activities		15.00	8%
Leave		8.00	4%
General Administration		8.00	4%
Total:		184.00	100%
<i>I hereby certify this report is an after-the-fact determination of total activities and actual time expended for time period indicated.</i>			
Employee Signature: June Smith		Date: 11/5/2014	

SEMI-ANNUAL CERTIFICATION					
This is to certify that the following individuals have worked <b>100%</b> of their time during the last six months under the cost objective identified below:					
First Name	Last Name	Cost Objective	Position	Location	Signature
Ima	Worker	\$330	Physician	East Clinic	
Happy	Camper	\$330	R.N.	West Clinic	
Green	Eyeshades	G&A	Accountant	Headquarters	
Signature of Supervisor: _____ Date: _____					

Sample Simple Timesheet	
Period Covered	Pay Period: April 1 through April 14, 2021
Activity	Percent of Time
Classroom Supervision	80%
Curriculum Development	10%
Teaching Children	15%
PTO	5%
Total	100%
Employee Certification:	
I have reviewed the time allocations set forth above and confirm they accurately reflect my effort during the covered period.	
Name	Date

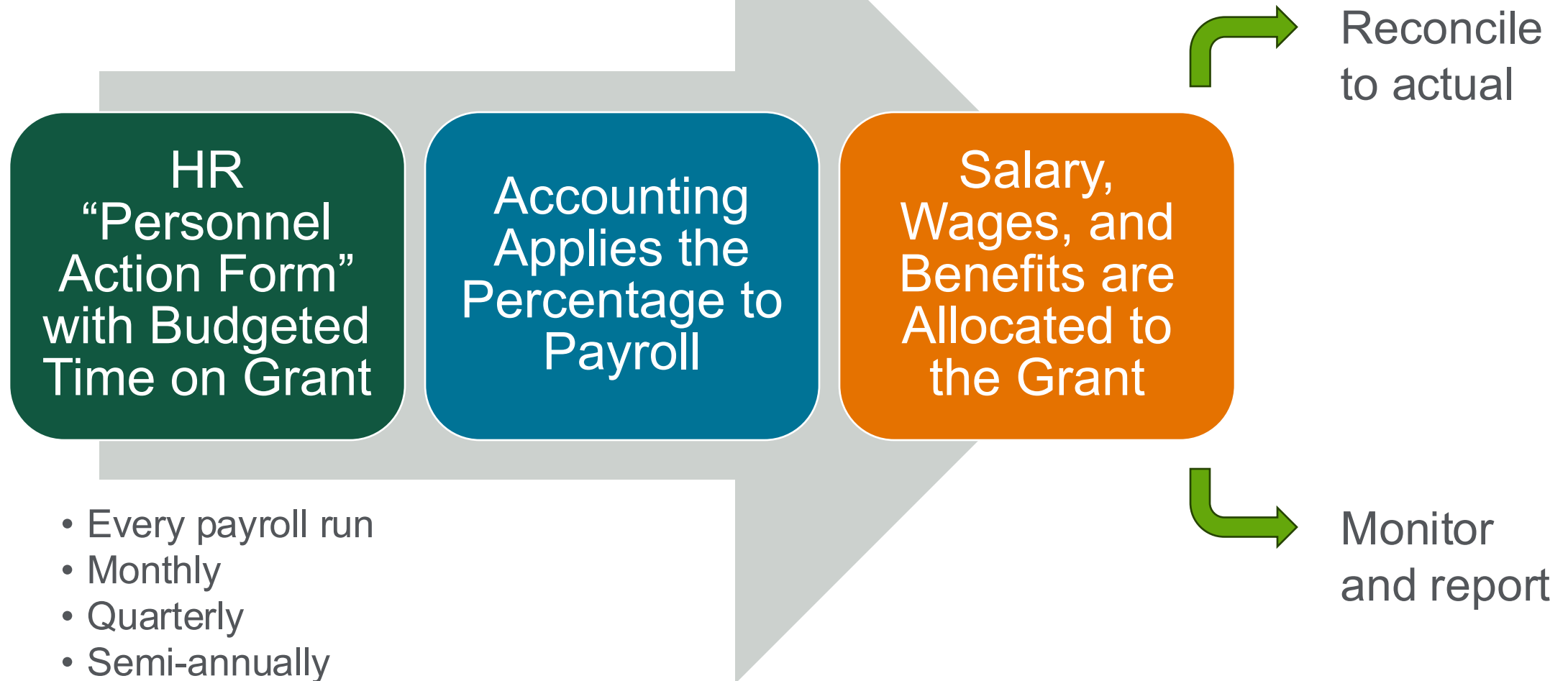
Sample Detailed Timesheet																
Period Covered										Pay Period: August 1 - 14, 2022						
Activity	Week 1							Week 2							Total Hours	Percent
	1	2	3	4	5	6	7	1	2	3	4	5	6	7		
Research																
Admin																
CQM																
Clinical Work																
Total																

What method do you use?





# Allocating Personnel Costs Based on Time & Effort



# Budget vs. Actual Report

## Budget vs. Actual Reports with Encumbrances

Award: County Healthcare Work

Budget: Fiscal Year 2024

Account	Description	Original Budget	Amended Budget	MTD Actual	YTD Actual	Unencumbered Balance	Pre-encumbered Balance	Encumbered	Remaining Unencumbered Balance	% Remaining Available	% Remaining Unavailable
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Expended

Obligated

# Monitoring the Award and Subawards



# RECIPIENT & SUBRECIPIENT MONITORING

**A funder and a pass-through entity must:**

Identify the  
Award and  
Applicable  
Requirements

Evaluate Risk

Monitor

Follow Up



# Step 1 - Risk Assessment



# Risk Assessment

## What is a risk assessment?

Assesses the risks facing the entity as it seeks to achieve its objectives.

This assessment provides the basis for developing appropriate risk responses.



# How does the pass-through entity assess risk?

## Pre-Award Risk Assessment

**Review Organizational Capacity:** Assess the subrecipient's experience in managing similar grants.

**Examine Financial Stability:** Evaluate financial statements, audit history, and internal controls.

**Assess Prior Performance:** Consider previous grant management performance, including timeliness and accuracy of reports.

**Confirm Compliance History:** Check for past findings related to non-compliance, audit issues, or funder concerns.



# Examples of Possible Risk Assessment Questions

▶ Is this a new or existing program?

▶ Does the grantee have other Federal or State grants they administer?

▶ Is this program complex?

▶ Is the organization staffed appropriately?

▶ Is the program deemed higher risk by the granting agency?

▶ Does the grantee have a process in place to identify and respond to risks?

▶ Has the grantee had a single audit in the past?

▶ Is the grantee currently under any corrective action measures?

▶ Does the grantee have strong leadership?

▶ What training/skills does the grantee have in relation to administering the program?

▶ How is information/changes communicated throughout the organization?

▶ What could go wrong?





# Reducing Risk Using the COSO Components



# Risk Outcomes

## Monitoring Plans

**Standard Monitoring:** Routine desk reviews, reporting schedules, and annual site visits for low-risk subrecipients.

**Enhanced Monitoring:** More frequent financial reconciliations, additional reporting, and audits for moderate-risk subrecipients.

**Stringent Monitoring:** On site reviews at the subrecipients location for detailed audits for high-risk subrecipients.



# Step 2 – Monitoring



# Monitoring

## What is Monitoring?

Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.



# Funder & Recipient Monitoring Processes

## Develop a Standard Monitoring Tool

This would include standard questions that can be utilized for any monitoring of any grantee and any program.

## Identify Specific Requirements

Each grant is unique and will have unique compliance requirements to be tested.

Review the Federal Award Notice and the OMB Compliance Supplement to develop your testing.

## Testing

Determine your sample size based on your risk assessment.

Perform testing of direct and material requirements of the program.

## Documentation

Ensure all testing is thoroughly documented and includes the reviewer's signature and date.

An outside party should be able to review and reperform the monitoring and come to the same conclusion as the reviewer.



# Best Practices for Subrecipient Monitoring

## Define Expectations and Controls

**Clear Subaward Agreements:** Outline compliance obligations, performance requirements, and reporting deadlines.

**Training and Technical Assistance:** Offer guidance on financial management, documentation, and regulatory adherence.

**Periodic Reviews:** Conduct ongoing risk assessments throughout the subaward period to adjust oversight levels.



# Step 3 – Follow Up on Monitoring



# Best Practices for Subrecipient Monitoring Follow Up

## Conducting Post Award Reviews

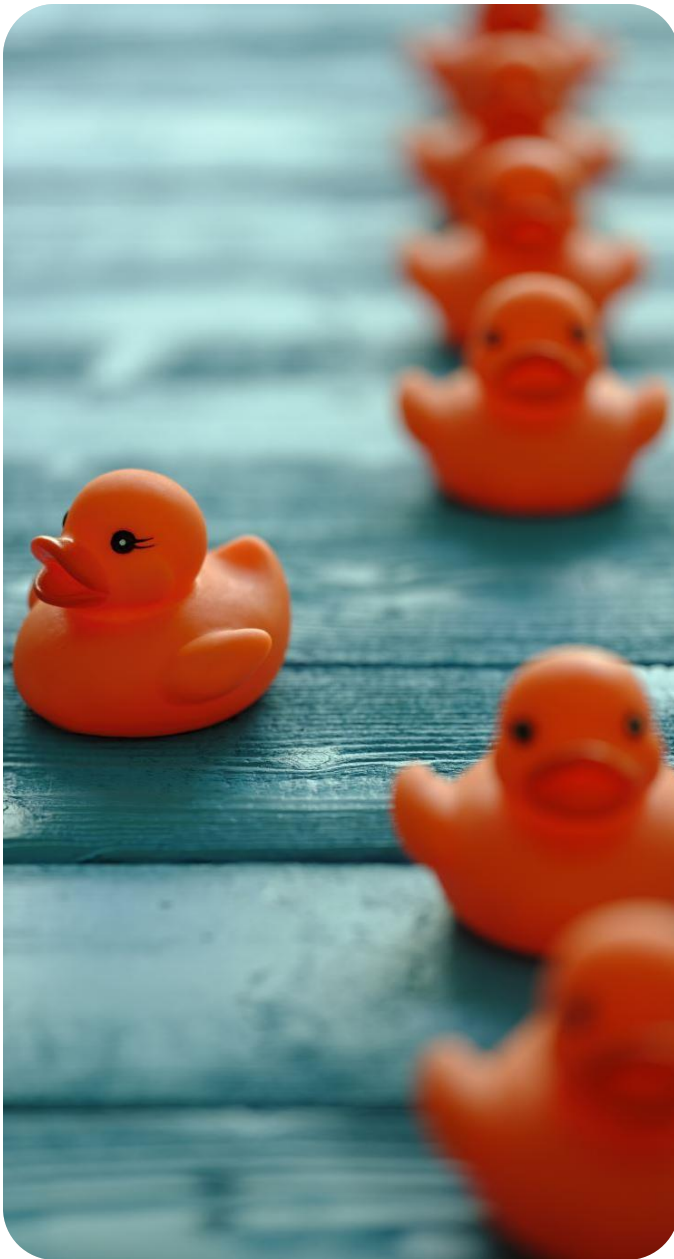
**Performance Evaluation:** Assess whether the subrecipient meets program goals and funder expectations.

**Financial Review:** Verify appropriate fund usage, adherence to allowable costs, and timely reporting.

**Audit Follow-Up:** Ensure corrective actions are implemented for any compliance findings.







## Following Up

Once monitoring is completed, a formal letter signed by the grantor should be issued stating if any findings were identified. If findings were identified, the letter should also include the corrective actions needed to remediate the error(s) and a timeline for the grantee to respond to the errors reported.

Follow up should be completed in a timely manner that allows the grantee reasonable time to correct the issue and formally respond to the finding.

A follow up visit should be scheduled to confirm all findings have been appropriately addressed.

# Common Audit Findings

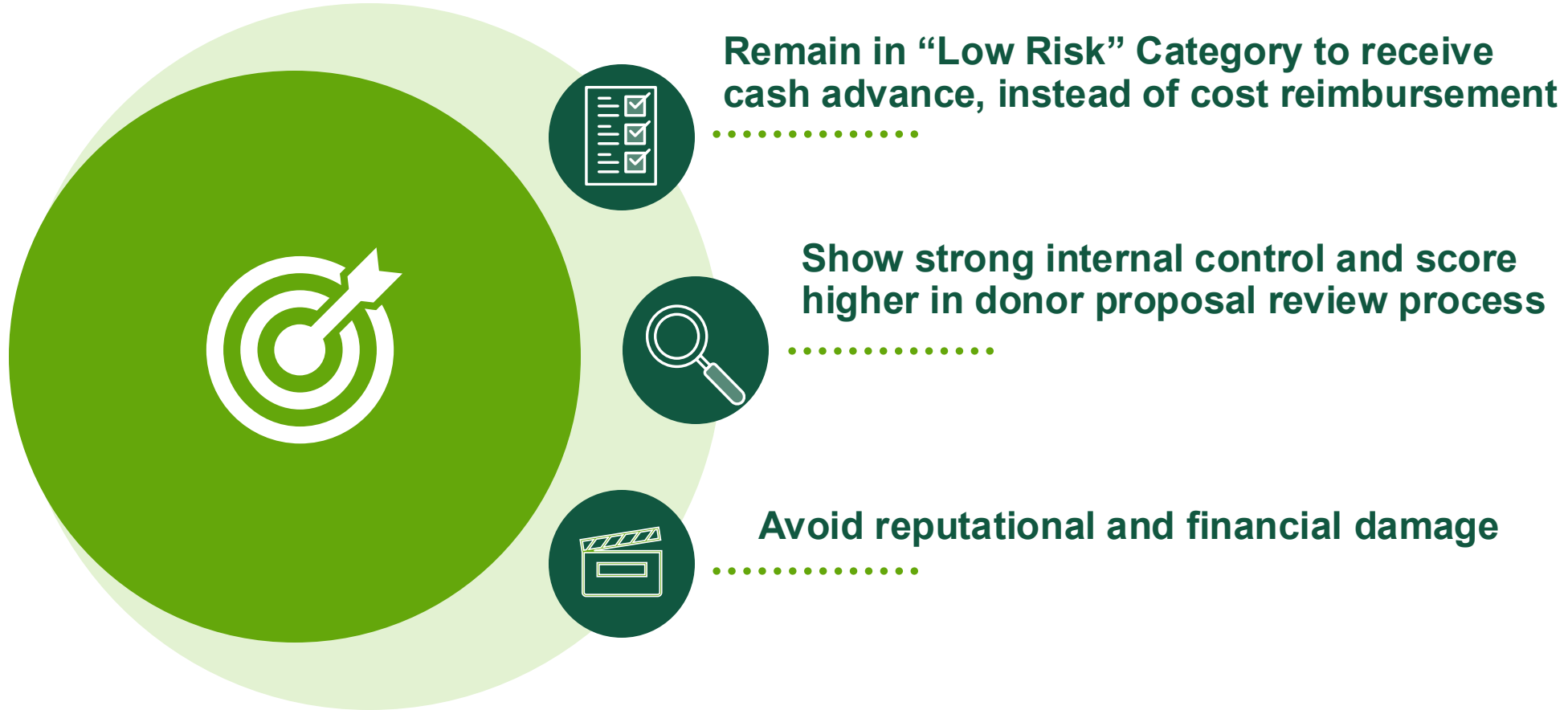
Effective Monitoring Can Prevent Them!

# Grant Related Activities May Be Audited During...



- *Annual Organizational Financial Audit*
- *Single Audit (Federal)*
- *Financial-Related Audits (state auditors)*
- *Grant Specific Audit*
- *Internal Audit*

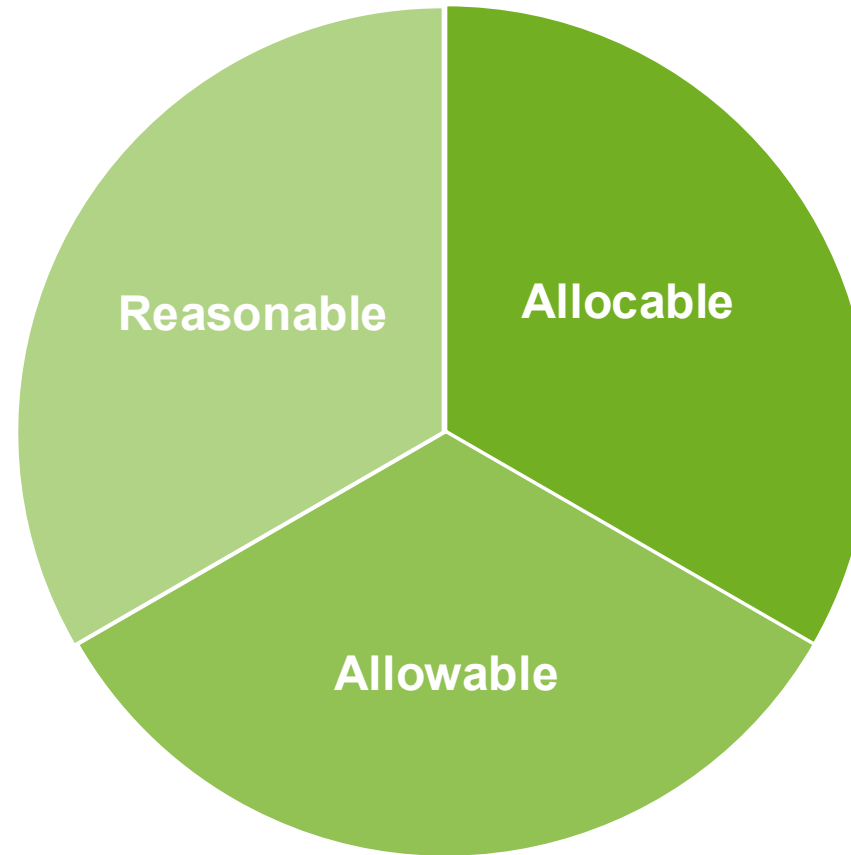
# The Importance of a Clean Grant Audit





# Audit Findings and Uniform Guidance Cost Principles

- Typical grant related audit findings are those that are caused by insufficient expenditure justifications.
- Let's discuss these findings through case studies on the following slides.



# Common Procurement Audit Findings

- ▶ Non-compliance with procurement standards for competition and procurement processes
- ▶ Lack of supporting documentation
- ▶ Improper use of sole source justifications
- ▶ Inadequate internal controls
- ▶ Non-adherence to conflict-of-interest policies
- ▶ Insufficient competitive bidding
- ▶ Failure to verify vendor eligibility (SAM.gov)
- ▶ Inadequate monitoring of subrecipients
- ▶ Improper cost allocations
- ▶ Late or incomplete reporting



## CASE EXAMPLE

### Failure to Identify Vendor Eligibility

In June 2022, a former Western Area Power Administration contractor was **sentenced to 55 months in Federal prison** for his involvement in a \$879,392 corruption scheme. An OIG investigation found that the contractor **enlisted the assistance of friends and family members to create various shell companies which were in turn used to submit fraudulent invoices** to the Western Area Power Administration for goods which were never provided to the Government.





# CASE EXAMPLE

## Conflict of Interest

In April 2022, investigation conducted jointly by the DOE OIG and the National Science Foundation OIG found that a principal investigator at the University of Kansas created a scheme to defraud the Government by **failing to disclose on grant proposals to the Department an existing affiliation with, and contractual obligations to a Chinese university. The grant recipient also failed to disclose this conflict of interest to the University of Kansas.** The professor was today convicted by a federal jury on three counts of wire fraud and one count of false statements after he deliberately concealed that he was also employed by a government-affiliated university in the People's Republic of China (PRC), while working on U.S. government funded research at KU. **The professor faces up to 20 years in federal prison and a fine up to \$250,000 for wire fraud, and up to 10 years and a fine up to \$250,000 on each of the program fraud counts.**



# Common Unallowable Costs Findings

- ▶ Lack of Documentation
- ▶ Non-compliance with Grant Terms
- ▶ Exceeding Budget Limits
- ▶ Unapproved Indirect Costs
- ▶ Ineligible Expenses
- ▶ Personal Expenses
- ▶ Allocation of Costs
- ▶ Unallowable
- ▶ Salaries and Wages
- ▶ Late or Unsupported Cost Transfers
- ▶ Travel Costs Not in Compliance



# CASE EXAMPLE

## Unallowable Costs – Terms & Conditions of Award and Performance Period

In 2002, the Village of Laurelville received an EPA Special Appropriation Act Project grant, XP97579701. The purpose of the grant was to provide Federal assistance of \$376,000 to renovate the Laurelville wastewater treatment facility. The grantee was required to provide local matching funds equal to 45.75 percent of the EPA-awarded funds.

The grantee claimed costs of \$207,476 that were **not allowable under Federal regulations and grant conditions**. These costs were associated with pre-award expenses, repayment of a loan and interest, a garage extension, office and maintenance equipment, and consultant fees.

We are also questioning costs the grantee claimed of \$5,018 for an ultraviolet disinfection system that was **not installed as of August 2007**.



# CASE EXAMPLE

## Unallowable Costs – Fraudulent Documentation of Personnel Costs

The National Science Foundation (NSF) has ordered Northeastern University in Boston to **pay back \$2.7 million** for nearly a decade of mishandling a grant from the agency. At the center of the case is former Northeastern physicist Stephen Reucroft, who headed up the university's participation at CERN, the European Organization for Nuclear Research, from 2001 to 2010.

The civil settlement stated that **Northeastern paid salaries without proper documentation and covered expenses through the grant based on fraudulent documentation**, some of which may have been submitted by Reucroft. The university "approved and disbursed at least 26 advances, totaling approximately \$8.4 million in NSF funds, to CERN team accounts without required verification of need and sufficient oversight," according to the settlement.





# Consequences of Non-Compliance

Fraud, Waste, & Abuse

# General Definitions

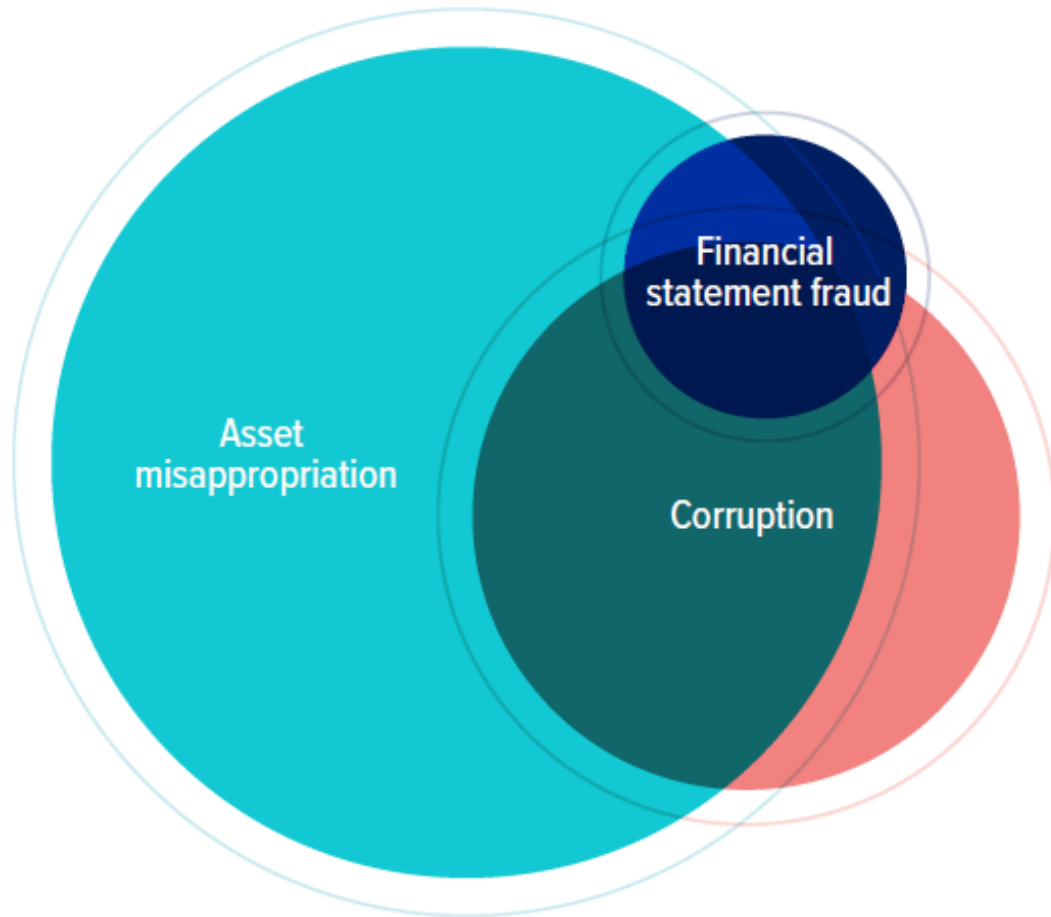
**Fraud** is a false representation about a material fact. It is any intentional deception designed to unlawfully deprive the United States, the EPA or the CSB of something of value or to secure for an individual a benefit, privilege, allowance or consideration to which he or she is not entitled.

**Waste** involves the taxpayers not receiving a reasonable value for money in connection with any government-funded activities due to an inappropriate act or omission. Most waste does not involve a violation of law; rather, waste relates primarily to mismanagement, inappropriate actions and inadequate oversight.

**Abuse** involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud or violation of laws, regulations or provisions of a contract or grant agreement.



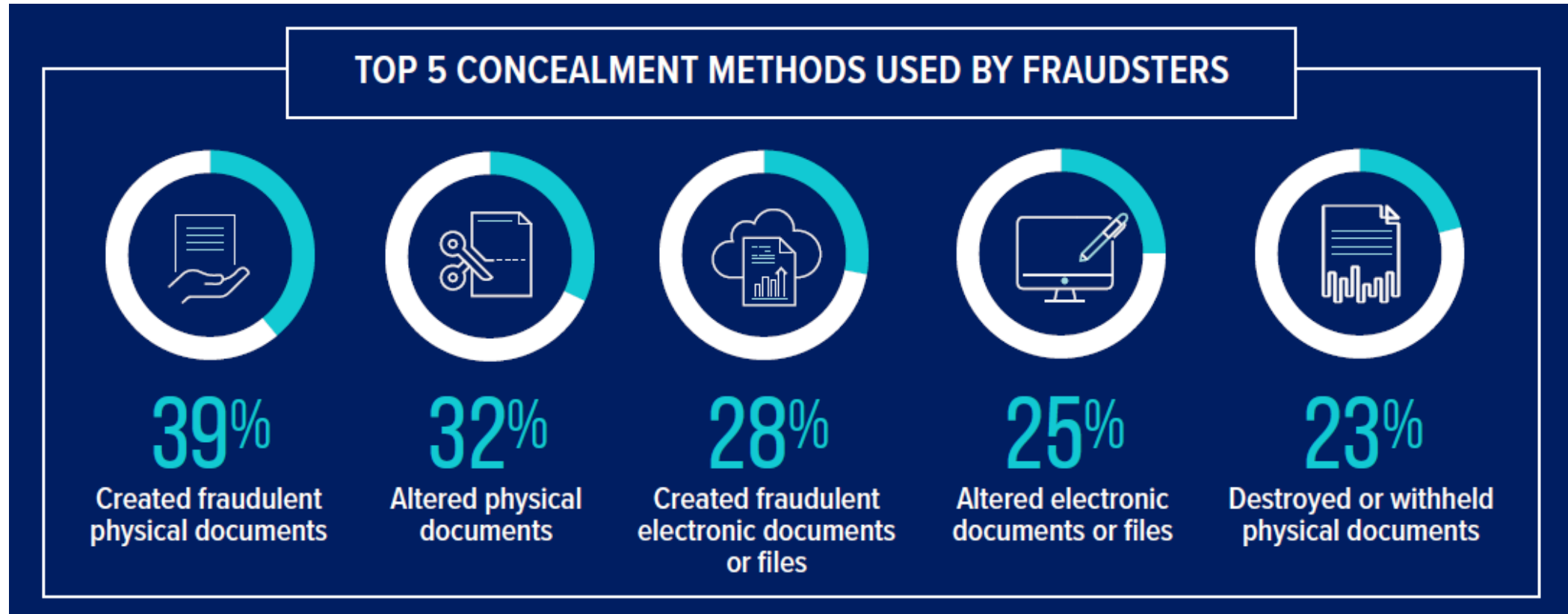
# How Fraud is Committed



Asset misappropriation only	47%
Asset misappropriation and corruption	32%
Corruption only	12%
Corruption, asset misappropriation, and financial statement fraud	5%
Asset misappropriation and financial statement fraud	2%
Financial statement fraud only	1%
Corruption and financial statement fraud	1%



# How Is Fraud Concealed?



# Example



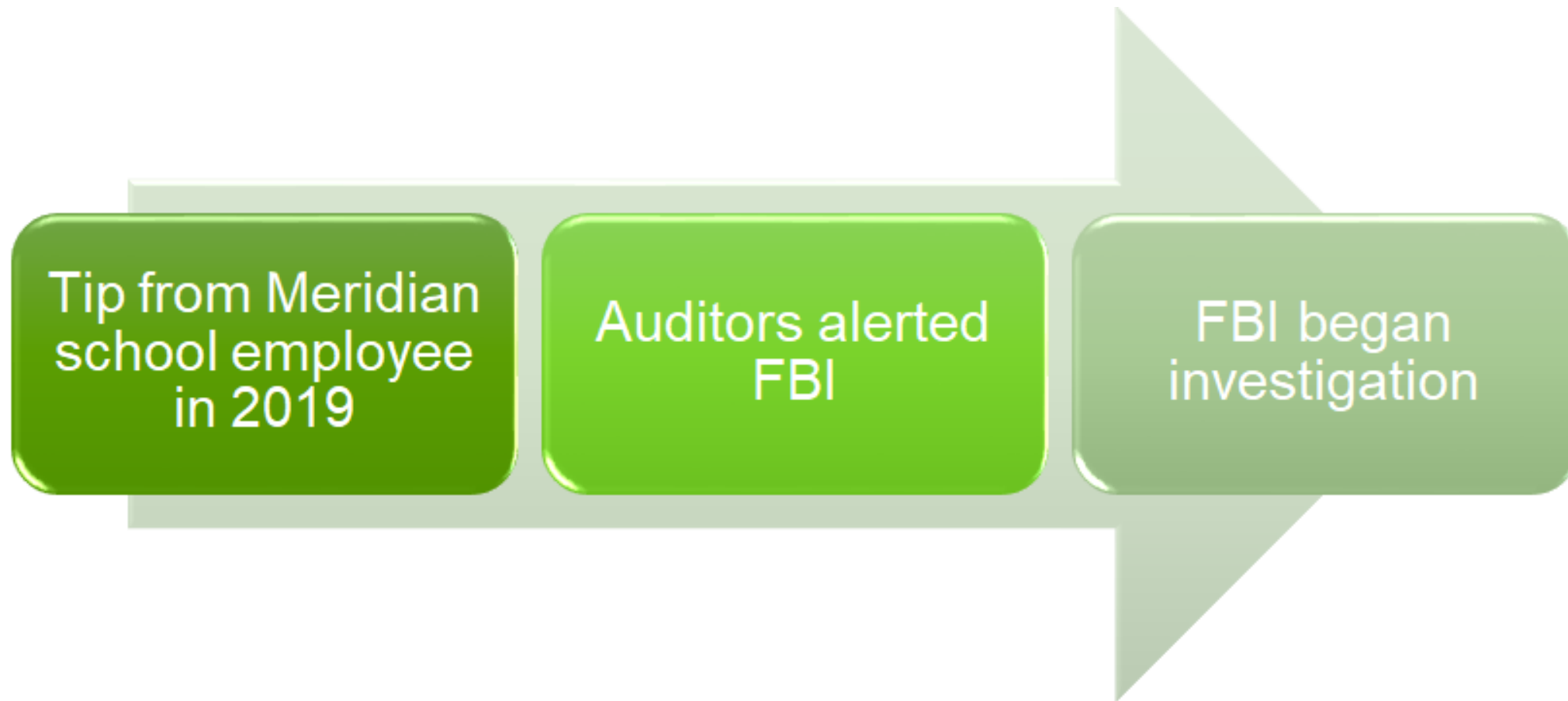
## Daniel Brue, Superintendent

Superintendent –  
Bement Community  
Unit School District  
#5 from 2009 to  
2013

Superintendent –  
Meridian Community  
Unit School District  
from 2013 until his  
resignation in 2019

Plead guilty to 4  
counts of wire  
fraud in March  
2021

# How Was He Caught?



# CASE EXAMPLE

## Federal Government Program Theft

On May 27, 2021, A former interim executive director for the Hancock County Planning Commission was **sentenced to two years in prison and three years of supervised release, as well as ordered to pay approximately \$325,000 in restitution**, after pleading guilty in federal court on December 10, 2020, to wire fraud and federal government program theft. From June 2015 through April 2019, this individual embezzled more than \$325,000 from the Hancock County Planning Commission and another nonprofit organization where the individual worked. The individual perpetrated the scheme by fraudulently transferring funds from one organization to another and converting the funds for personal use. During the relevant period, the Hancock County Planning Commission received federal grant monies from both EPA and the U.S. Department of Agriculture, including \$400,000 in EPA grant funds to conduct inventory of, characterize, and assess Brownfields sites in Hancock County, Maine.



# CASE EXAMPLE

## Mishandling a Grant

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# Questions?

## Contacts

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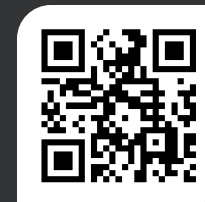
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