

OVC's Human  
Trafficking  
Grantee Meeting  
February 8, 2023

# DELIVERING IMPACT

## through Effective Grants Compliance and Oversight



# Getting to Know Your Presenter



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# Agenda

## 1 Introductions

## 2 Effective Grants Compliance & Oversight

- **Subrecipient Monitoring**
- **Reducing the Risk of Fraud**
- **Audit Requirements and Findings**

## 3 Q & A

# Learning Objectives

**As a result of this training, you should be equipped with tools and knowledge to:**

- Understand where to go for guidance on grant management requirements
- Understand financial management and internal control requirements
- Understand for subrecipient management and monitoring requirements
- Recognize and avoid common pitfalls that result in audit findings

***Effective grants compliance and oversight will allow you to provide greater support to survivors of human trafficking***

# Compliance & Oversight Requirements At-A-Glance

## Key Compliance Resources



[2 CFR 200](#)

Uniform Guidance



[The Green Book](#)



[DOJ Grants Financial Guide](#)

# Compliance Resources – 2 CFR 200

- Commonly referred to as the Uniform Guidance
- Provides the overarching guidelines and requirements for administering Federal awards and expenditures
- Aimed at reducing administrative burden and improving outcomes



Administrative  
Requirements



Cost Principles  
Requirements

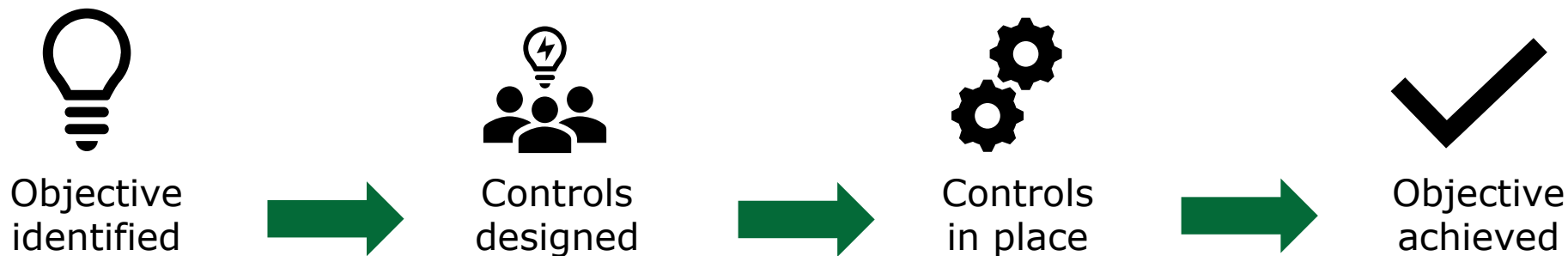


Audit  
Requirements



# Compliance Resources – Green Book

- Adapts the internal control principles outlined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for a Federal environment
- **Internal control** is a process used by management to help an entity achieve its objectives related to operations, reporting, and compliance. It is the first line of defense in safeguarding public resources



# Compliance Resources – DOJ Grants Financial Guide

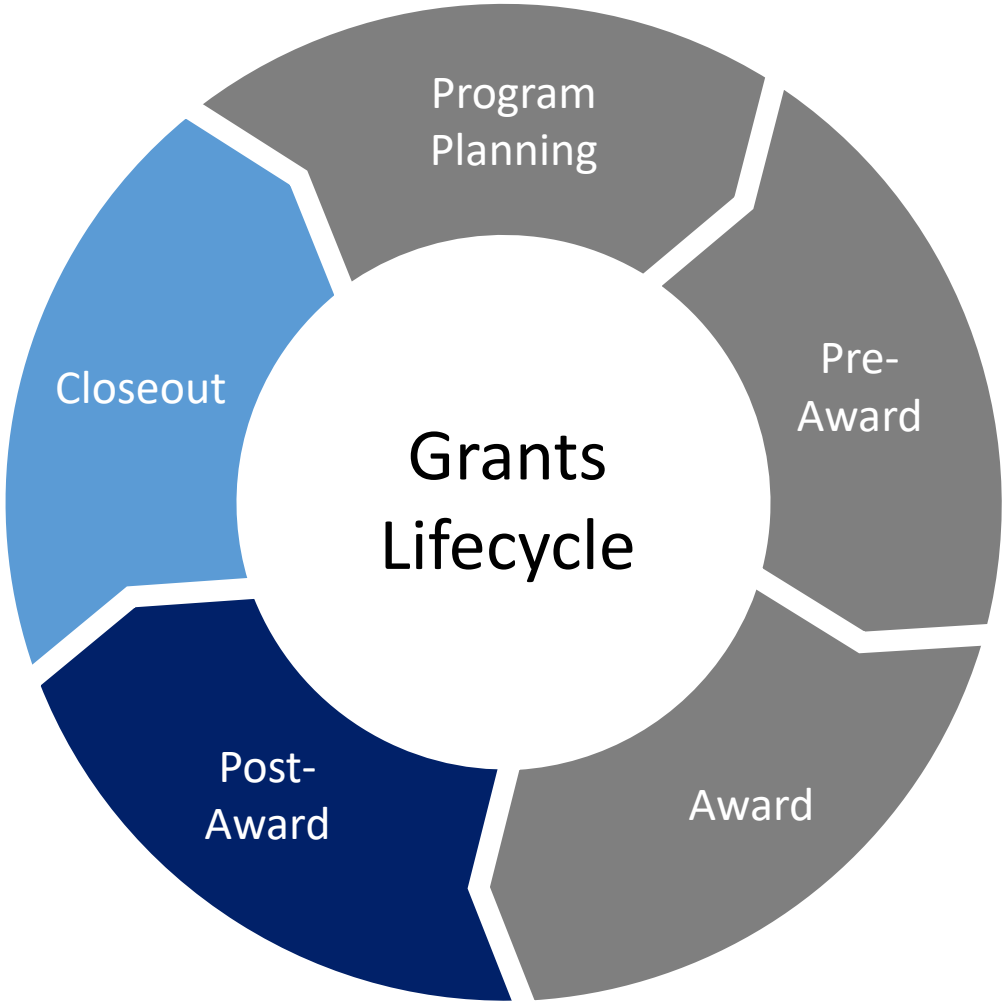
- Starting point for all grant recipients and subrecipients of DOJ grants and cooperative agreements in ensuring the effective day-to-day management of awards
- Primary reference manual to assist OJP, OVW, and COPS office recipients in fulfilling their fiduciary responsibility to safeguard grant funds
- May give additional details on precisely how specific provisions of the 2 CFR 200 requirements operate in the context of OJP awards
  - For example, guidance on conference costs approval for DOJ awards can be found here





# Administrative Requirements











# What do we mean by Administrative Requirements?



# Administrative Requirements

## 2 CFR 200 outlines the administrative requirements for Federal awards:

### ➤ Post-award requirements

-  Standards for Financial and Program Management
-  Property Standards
-  Procurement Standards
-  Performance and Financial Monitoring and Reporting
-  **Subrecipient Monitoring and Management**
-  Record Retention and Access
-  Remedies and Noncompliance
-  Closeout
-  Post-Closeout adjustments and continuing responsibilities
-  Collection and Amounts Due



# Standards for Financial and Program Management

# § 200.302 Financial management

The financial management system of each non-Federal entity must provide for the following:

Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received

Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are **used solely for authorized purposes**

Accurate, current, and complete disclosure of the financial results of each Federal award

Comparison of expenditures with budget amounts for each Federal award

Records that identify adequately the source and application of funds for federally-funded activities

**Written procedures** to implement the requirements of § 200.305 (cash management)

**Written procedures** for determining the allowability of costs



# § 200.303 Internal controls

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the [Committee of Sponsoring Organizations of the Treadway Commission \(COSO\)](#).



[The Green Book](#)



# Effective Internal Control Systems (excerpt from Green Book)

**Control Environment** - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

**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.

**Control Activities** - The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.

**Information and Communication** - The quality information management and personnel communicate and use to support the internal control system.

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

# § 200.303 Internal controls

The non-Federal entity must:

Comply with the U.S. Constitution, Federal statutes, regulations, and the **terms and conditions of the Federal awards**.

Evaluate and **monitor** the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

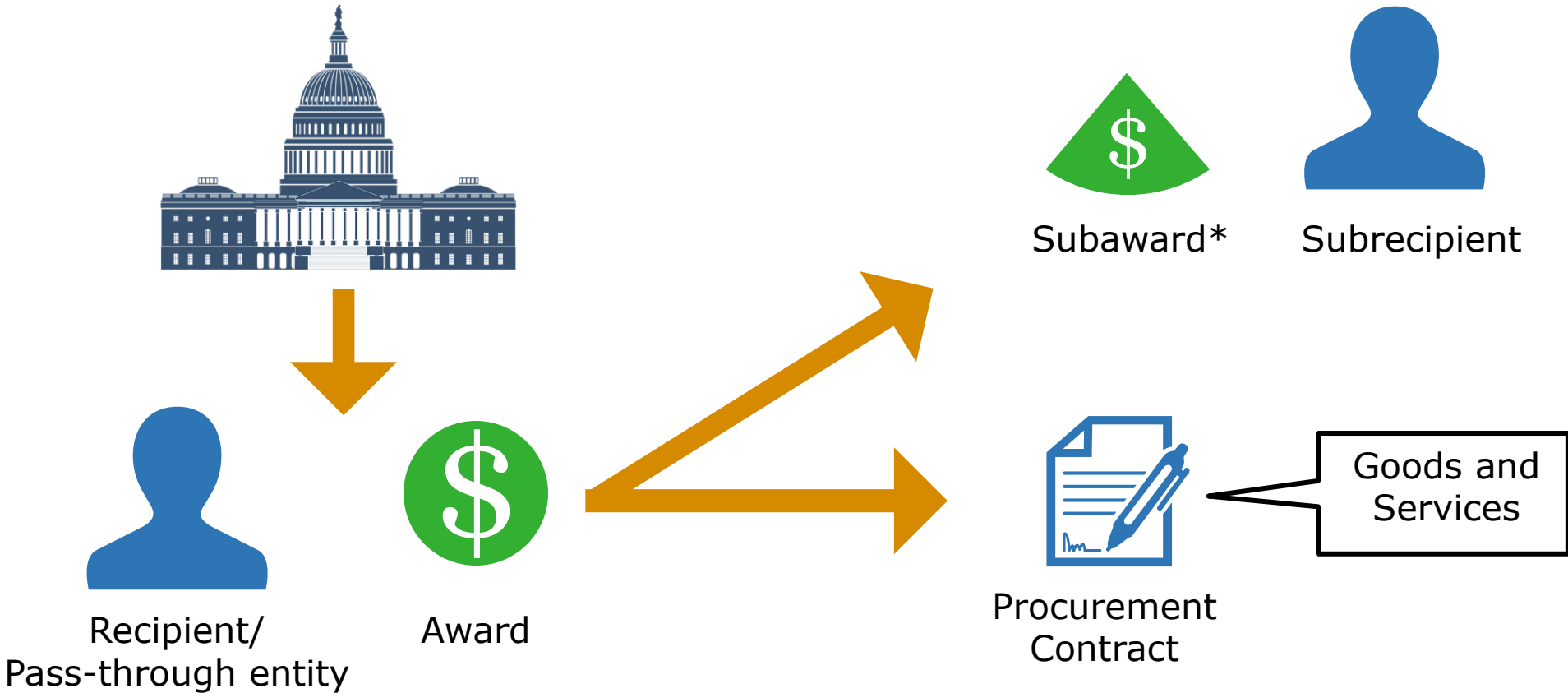
Take reasonable measures to **safeguard** protected **personally identifiable information** and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.





# Subrecipient Monitoring

# What is a Subrecipient



\*All subawards must be authorized by the awarding agency



# Subrecipient vs Contractor Determination

<b>Subrecipient</b>	<b>Contractor</b>
Determines who is eligible for what Federal assistance under the program guidelines	Provides the goods and services within normal business operations
Performance is measured in relation to whether objectives of a Federal program were met	Provides similar goods or services to many different purchasers
Has responsibility for programmatic decision making	Normally operates in a competitive environment
Must adhere to applicable program requirements specified in the federal award	Provides goods or services that are ancillary to the operation of the Federal program
Uses Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity	Is not subject to compliance requirements of the federal program as a result of the agreement, though similar requirements may apply for other reasons



# Post-Award Process – Risk Assessment

- The pass-through entity must perform a risk assessment of each subrecipient for noncompliance with federal statutes, regulations, and the terms and conditions of the subaward
- The pass-through entity should develop a methodology to determine risk levels and the reason for assigning each subrecipient into risk categories
- The overall level of risk identified should provide the basis for developing a monitoring plan and a strategy for monitoring subrecipients



# Post-Award Process – Monitoring Plan

The pass-through entity's risk assessment should inform their annual **monitoring plan**, which should include:

- Type and timing of monitoring (desk reviews, on-site)
- Identification of subrecipients that will receive monitoring

The pass-through entity should **carry out monitoring activities** to verify that subrecipients:

- Carry out program activities as stipulated in the subaward
- Have adequate internal controls to protect federal funds
- Claim reimbursement for costs that are allowable, reasonable, allocable, and necessary under program guidelines
- Identify any conflicts of interest that exist
- Maintain required supporting documentation/records



# Reducing the Risk of Fraud

# Internal Controls

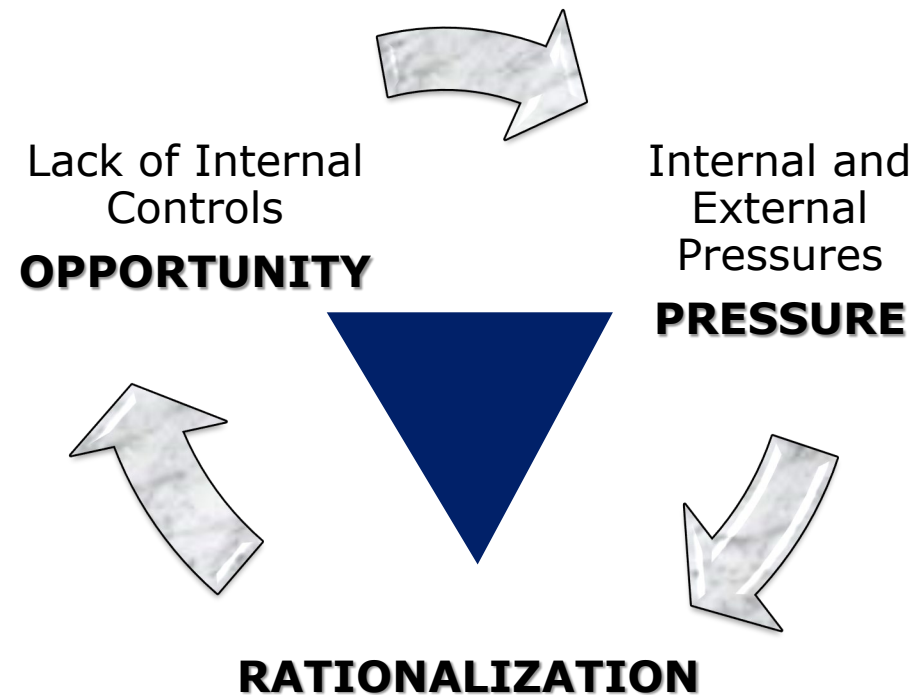
- Strong internal controls can help reduce the risk of fraud, waste, and abuse
- 2 CFR 200 requires all recipients to have an internal controls program in place
- The Green Book is aligned with COSO and provides standards for effective internal controls systems for federal agencies



# What is Fraud?

Grant funds are awarded for specific purposes and grant recipients must use them according to the cost principles outlined in 2 CFR 200

- Grant award documents are legal documents
- Grant Fraud = **lying**, **cheating**, or **stealing** anywhere in the process
- Fraud can be prevented and detected early
- Operating assumption = 10% of funds lost to fraud





# Fraud, Waste, & Abuse



## Fraud

- Attempting to obtain something of value through willful misrepresentation



- Errors & waste are squandering money or resources, even if not explicitly illegal



- Behaving improperly or unreasonably or misusing one's position or authority



# Question - Fraud or Not?

**You are planning to have a booth at an upcoming community event to provide information about your program. You purchase a high end projector so that you can have a slide show playing in the background during the event. You decide that since you'll be able to use it at home to watch movies in the future it is a worthwhile purchase.**

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Fraud

Waste

Abuse

Nothing  
wrong with  
this  
behavior!



# Question - Fraud or Not?

**You are taking a trip to attend a grantee meeting. You charge the penthouse suite to the grant, but when you arrive at the hotel, you actually stay in an economy room. You decide not to update your expense report.**

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Fraud

Waste

Abuse

Nothing  
wrong with  
this  
behavior!



# Question - Fraud or Not?

**You were recently awarded a federal grant and you are going to hire a contractor to supply and manage your office equipment. You choose to contract with Randy over at Office Services Inc. since you know his wife owns a car dealership and could give you a good deal on your next car.**

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Fraud

Waste

Abuse

Nothing  
wrong with  
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behavior!



# DOJ Office of the Inspector General

**Mission:** To promote integrity, efficiency, and accountability within the Department of Justice (DOJ)

The DOJ OIG investigates alleged violations of criminal and civil laws by DOJ employees and also audits and inspects DOJ programs



# Audit vs. Investigation

## Audit

Objective and systematic assessments of how well recipients carry out the **programs and operations** stipulated by their award

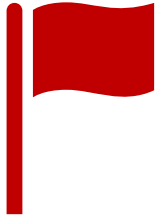
## Investigation

Generally undertaken when there is the **possibility of misconduct**. If misconduct is confirmed, the consequences may vary from administrative to criminal



# Fraud “Red Flags”

**Information which “indicates” that there is a risk grant funds may not be properly used, tracked, and/or reported. Some possible examples:**



- Excess Cash
- Unsupported Expenditures
- Commingling of Funds
- Performance and Financial Data Don't Match
- Conflict of Interest (actual or apparent)
- Substantially High Salary/Contractor Rates
- Actual Costs > Budgeted Costs
- Lack of Controls (i.e., separation of duties, policies/procedures, etc.)

***For fraud, there must be “intent”. However, that is not typically something that is known without further investigation.***



# What to do with Red Flags

- Evaluate all known information
- Refer to the DOJ Grants Financial Guide, award document, 2 CFR 200
- Submit a report to the OIG Hotline
- Do not ignore



# Reducing the Risk of Fraud, Waste, and Abuse

Recipients can reduce the risk of fraud, waste, and abuse through -

**Strong internal controls**

**Segregation of duties**

**Robust documentation & policies and procedures**

## Resources

- [OIG Hotline](#) – Report instances of suspected fraud, waste, abuse, misconduct, or whistleblower retaliation
- [DOJ Grants Financial Guide](#) – Primary reference manual to assist recipients in fulfilling their fiduciary responsibility to safeguard grant funds and ensure funds are used for the purposes for which they were awarded



# Audit Requirements – Audit types

## Single Audit

### Single Audits assess a grant recipient's:

- Compliance with federal awards, regulations, and the grant(s) terms and conditions that may have a direct and material effect on its programs
- Financial records and statements
- Federal award transactions and expenditures
- Internal controls
- Follow up on prior audit findings

**Conducted by external CPA firms of the recipient's choice**

## OIG Grant Audit

### OIG Grant Audits assess a grant recipient's:

- Compliance with grant terms and conditions, and other requirements
- Internal controls
- Program performance
- Expenditures for allowability
- Drawdown and reimbursement requests, program income, matching funds
- Reporting (programmatic and financial)
- Subrecipient oversight

**Conducted by OIG Regional Offices**



# Audit Requirements – Single Audits

When is a Single Audit required?

**\$750,000**

When a recipient expends **\$750,000 or more** of Federal awards (whether direct or indirect awards) in a Fiscal Year (2 CFR 200.501)\*

\*This threshold was updated in the revised 2 CFR 200, which became effective on November 12, 2020.



# Audit Requirements – Single Audits

## What are your key responsibilities on Single Audits?

- Applicable recipients arrange for a Single Audit by an external CPA firm of their choice
- Recipients must submit single audit reports to the Federal Audit Clearinghouse (FAC) and are due 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period, whichever occurs first
- The OIG is responsible for reviewing the FAC and determining whether Single Audit findings require corrective action
- **If corrective actions are required, recipients will work with OJP to close the recommendations**



# Audit Requirements – OIG Grant Audits

## How do I know if the OIG will conduct an audit?

- OIG conducts risk assessments, which inform the programs that they will audit
- OIG will issue a memorandum to OJP and the recipient if they have been selected for an OIG grant audit
- The memo will include:
  - The specific awards and/or cooperative agreements that will be audited
  - When and where the audit is scheduled to take place
  - A request for specific information



### NOTIFICATION

**Grant Number:**

**Date:**

**Location:**

**Please provide this information:**

- detailed summary of accounting records for all expenditures charged to the grant;
- documentation to support quarterly Federal Financial Reports;
- all funding drawdown requests;
- documentation of any OJP site visits or grant monitoring activities



# Audit Requirements – Grant Audits

## What are your key responsibilities on OIG Grant Audits?

- Provide requested documentation in a timely manner
- Participate in an exit call with OIG—the purpose of which is to discuss the preliminary results of the OIG Grant Audit
- Review the OIG audit and provide a response to OIG, copying OJP
- **If corrective actions are required, recipients will work with OJP to close the recommendations**



# Audit Findings

# Audit Findings – Non-Compliance Implications

**Failure to have audits performed or to address findings will result in the awarding agency, OJP, taking remedial action, as allowed by the law**

**This may include, but not be limited to:**

- The withholding of new and awarded funds
- Disallowance of costs
- Designation as high-risk
- Referral for debt collection





# Audit Findings – High-Risk Designation

## **A high-risk recipient is one that:**

- Based on past performance and/or business attributes, poses a higher than normal risk to Federal Assistance award funds
- These recipients must be managed more closely, and provided with additional oversight, to ensure that Federal Funds are adequately protected

## **Criteria for high-risk Designation:**

- Some criteria automatically result in high-risk designation include (e.g., Audit Reports open for over a year, non-responsive to requests for documentation to address audit issues)
- OJP offices may also refer grantees for high-risk designation based on monitoring results or other indicators



# Top 10 Audit Findings

- 1 Procedures not documented or need improvement
- 2 Financial and Program Reports not accurately Prepared
- 3 Award conditions not met by award recipient
- 4 Questioned Costs – Unsupported costs charged to awards
- 5 Questioned Costs – Unallowable Costs charged to awards
- 6 Drawdowns not adequately supported/ Excess cash-on-hand identified
- 7 Matching funds not provided and/or adequately supported
- 8 Procurement not supported – inadequate pre-procurement documentation (RFPs, Bids, etc.)
- 9 Suspension and Debarment - verification not performed or not properly documented
- 10 Accounting system inadequate or not effectively utilized to account for grant funds



# Q & A

Enter your question into the Q&A Box  
and select All Panelists

Thank you!