

Compliance Monitoring for Preparedness Grants Managed by the Indiana Department of Homeland Security

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I. Purpose

The Indiana Department of Homeland Security (IDHS) is responsible for managing the day-to-day operations of grant and sub-recipient activities and ascertaining that all fiscal, compliance, and programmatic responsibilities are fulfilled. This responsibility includes monitoring sub-recipient reporting, record-keeping, and internal operation and accounting control systems. Grant management ensures that the grant program is operating efficiently, its internal control program is operating successfully, and any deficiencies detected are corrected in a timely manner. IDHS grant programs subject to these general monitoring efforts include, but are not limited to:

- BZPP – Buffer Zone Protection Program
- CCP – Citizen Corps Program
- EMPG – Emergency Management Performance Grant program
- HMEP – Hazardous Materials Emergency Preparedness grant program
- HSGP – Homeland Security Grant Program
- MMRS – Metropolitan Medical Response System grant program

Overview

Fiscal reviews are accomplished in accordance with federal Single Act Audit requirements, or by audits conducted by the State Board of Accounts (SBOA) office and/or the DHS Office of Inspector General (OIG). *Note: IDHS Grants and/or Fiscal staff do NOT complete independent financial or fiscal audits of grant recipients.*

Grant recipients are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) and revised OMB Circular A133, “Audits of States, Local Governments, and Non-Profit Organizations.” The Audit shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial audits. This requirement is defined in the sub-recipient agreement, as well as the respective local and federal grant guidance. The results of each grant recipient’s Single Audits are reviewed by the respective Grants/Program/Fiscal staff to identify, address, and attempt to resolve any findings directly with the grant recipient. SBOA-based financial audits of grant recipients may be accomplished by reviewing their internal agency requirements and timelines. IDHS Grants/Program Staff reviews and addresses the SBOA audits as necessary.

IDHS Grants/Program Staff:

- Reviews the SBOA website and obtain released audit reports and as necessary request any management letters issued by the SBOA for those audit reports.
- Identifies any findings, recommendations, or corrective actions related to Homeland Security Grant funds in the audit reports and/or management letters.
- Necessitates taking action with/against a grant recipient if findings are issued. Appropriate IDHS Grants/Program Staff:
 - Review internal records, with internal fiscal staff as needed, to confirm or deny the findings.
 - Contact the grant recipient in question to review the findings, and identify steps/actions needed to address and resolve those findings.
 - Document in the grant recipient’s file those actions taken with/by the grant recipient to address and resolve the findings (to include an on-site monitoring visit if warranted).

- Direct the sub-recipient agency on how to repay funds that need to be returned via IDHS fiscal office. If findings are not issued, appropriate fiscal staff simply annotates in the grant recipient's file that the Single Audit was reviewed and found to contain no findings.

II. Financial/Programmatic Monitoring

The respective IDHS Grants/Program Staff monitors the grant recipient to ensure they implement the directed steps/actions as intended. Failure to comply may result in the suspension or termination of the grant recipient's award. Staff files all related reports and letters in the appropriate grant recipient file.

Financial audits of grant recipients may also be accomplished by the DHS OIG based on their internal agency requirements and timelines. IDHS Grants/Program Staff reviews and addresses any findings or recommendations provided in the DHS OIG audit.

Programmatic reviews are done in order to validate a grant recipient's compliance and adherence to the particular grant program's requirements and restrictions. Scheduling of programmatic reviews is completed on a risk based formula.

1. Office-Based Monitoring

For each active grant program, the IDHS Grants Management Section conducts office-based monitoring reviewing for ***100% of all sub-recipients***. Office-based monitoring occurs continually throughout the year. By combining efforts, the project manager and the grants management staff review proposals, budget submissions, invoices, expenditure requests, and Fiscal and Programmatic Quarterly Reports.

The Grants Management Section Chief conducts monthly meetings with IDHS project managers with respect to programmatic reporting. All open projects are reviewed, addressing the progress of the sub-recipient's timeline. Conferring with the project manager, the Grants Management Section Chief addresses irregularities or any apparent problem(s) the sub-recipient or the project manager is experiencing.

Reporting Requirements

Quarterly Reports are to be completed, signed, and submitted electronically by the sub-recipient project manager and financial officer. These reports must be received in the IDHS Grants Management Office within 15 days after the end of each fiscal quarter. Quarterly reports must contain the following:

- Sub-recipient name
- CFDA #
- Term
- Grant title
- Approved budget
- Disbursed total
- Balance of remaining funds
- Results for quarter reported
- Anticipated activity for next quarter
- Name of the Project Director (Signature)
- Name of Financial Officer (Signature)

Internal monitoring processes are in place to enforce the completion of all projects for every grant that remains open.

2. On-Site Monitoring

IDHS conducts on-site monitoring visits for a minimum of 12 sub-recipients each fiscal year. On-site monitoring builds upon the sub-recipient master grant file reviews and conversations undertaken as part of office-based monitoring. The Grants Compliance Monitor:

- Contact the grant recipient, a minimum of 30 days prior to the review, and identify the intent to complete an on-site review and to set a date for the review. All signatory authorities of these open grants are notified and invited to attend.
- Provide sub-recipient a monitoring packet in advance. This includes a cover letter, draft meeting agenda, and a list grants to be reviewed, a copy of the Indiana Department of Homeland Security Monitoring Policy. The grant recipient is asked to provide specific documentation clarifying their local policies and processes. The grant recipient may also be required to present particular documentation that further supports specific costs or grant activity.
- Conduct the review. IDHS staff and the sub-recipient may assist with the substance of the on-site visit; the Grants Compliance Monitor distinguishes the review of fiscal and grant compliance issues from programmatic discussions. Fiscal and compliance issues are generally discussed with the sub-recipient project manager, Chief Financial Officer, and/or fiscal coordinator. Programmatic issues are discussed with the sub-recipient project manager, local authorizing officials, and other recipient agencies or response representatives. Sub-recipient is requested to encourage the corresponding responsible parties make themselves available to participate in meetings during the site visit. The sub-recipient should expect IDHS to spend a minimum of one and up to three business days on-site.

A post visit review is conducted to document strong points, observations, and recommendations. Grant recipient, local signatory authorities, and the Grants Management Section Chief is provided with a formal written report within 30 days of the visit that identifies:

- Program activities that are being successfully completed and could be shared with other grant recipients as a best practice.
- Weaknesses in the management of a cost or activity; recommendations are made on how to strengthen the weakness. Sub-recipient is required to provide documentation within specified timeframe identifying the implementation of the new process.
- Findings that require immediate corrective actions and possible suspension or termination of an award; this requires staff to direct the sub-recipient to immediately initiate corrections and provide additional documentation to show how the corrective actions are to be implemented. Failure to comply is grounds for suspension or termination of the grant recipient's award and inclusion as a high risk recipient.

The following risk based formula is used to determine the priority of conducting an on-site programmatic review.

Time since last programmatic review. (weighted times 2)

- Less than 1 year(1 point)
- Less than 2 years (2 points)
- Less than 3 years (3 points)
- Has not been monitored (4 points)

Single Audit Result. (weighted times 3)

- No findings or management letter for sub-recipient or parent organization (1 point)
- No findings but management letter associated with Homeland Security Programs (2 points)
- Homeland Security Programs not reviewed in single audit (3 points)
- Finding for parent organization but not related to Homeland Security Programs (4 points)
- Finding for sub-recipient but not associated with Homeland Security Programs (5 points)
- Finding for Homeland Security Programs (6 points)

Level of funding.

- \$0 to \$50,000.00 (1 point)
- \$50,000.01 to \$100,000.00 (2 points)
- \$100,000.01 to \$250,000.00 (3 points)
- \$250,000.01 to \$1,000,000.00 (4 points)
- \$1,000,000.01 and higher (5 points)

Statues of recipient as “high risk¹” (weighted times 2)

- Fewer than two criteria met (1 point)
- Two criteria met (2 point)
- Three criteria met (3 point)
- Four criteria met (4 point)
- Five criteria met (5 point)

¹ “High risk” criteria specified in *Grant Recipient Pre-Award Administration 2.b.i-v.*

III. Equipment Inventory Requirements

According to federal guidelines and regulations, sub-recipients are required to be prudent in the acquisition and management of property acquired with federal funds. Failure to employ an adequate property management system may result in project costs associated with the acquisition of the property being disallowed.

Definition

IDHS identifies equipment as tangible, non-expendable property having a useful life of more than one year and an acquisition cost of **\$500** or more **per unit**.

- Headsets with a per unit value of \$498, quantity of 20, with a cumulative acquisition price of \$9960 need not be inventoried and reported.

Property records

Sub-recipients are required to maintain accurate property and equipment records to include:

- Description of the property

- Manufacturer's model number
- Manufacturer's serial number or other identification number
- Vendor
- Acquisition date
- Award number
- Federal grant number
- Percentage of federal participation in the cost of the project for which the property was acquired
- Unit acquisition cost
- Physical location of the equipment
- Condition of the equipment as of the date the information is reported
- Disposition of the equipment: date of disposal, how and to what entity equipment was disposed, sale price

The sub-recipient is required to conduct a physical equipment inventory and submit its reconciled physical equipment inventory report with the quarterly progress report due on ***April 15th of each year*** to IDHS. .

Sub-recipients are also required to:

- Implement Safeguards to Prevent Loss, Damage or Theft of Equipment. A control system shall be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the property. A sub-recipient must submit a description of its control system ***April 15th of each year*** to IDHS. Sub-recipients are responsible for replacing or repairing the property which is willfully or negligently lost, stolen, damaged or destroyed. Any loss, damage or theft of the property must be investigated and fully documented, and made part of the official project records. The investigation report and documentation shall be submitted with the annual physical equipment inventory report submitted to IDHS.
- Implement Equipment Maintenance Procedures. Adequate maintenance procedures shall be implemented to keep the property in good condition. A sub-recipient must submit a description of its equipment maintenance procedures either in its grant application or when otherwise requested by IDHS.
- Track disposition of equipment with a fair market value of \$5,000 or more. This equipment must include reimbursement to the Federal government using the percentage of Federal participation in the original cost of the equipment. Equipment with a fair market value of less than \$5,000 may be used by a sub-recipient for other activities, sold, transferred, parted out as salvage, or otherwise disposed without reimbursement to the Federal government of its percentage share, and retain the proceeds. In any case, documentation must include the method used to determine current fair market value. All dispositions shall be coordinated with IDHS, and Federal reimbursements shall be processed through IDHS.
- The HSGP grant guidance requires applicants to, when practicable, any equipment purchased with federal grant funding shall be marked prominently with the following phrase "Purchased with funds provided by the U.S. Department of Homeland Security."

Example

Acquisition cost of a boat purchased in 2004	\$50,000
Percentage of Federal funding at acquisition	100%
If fair market value of the boat in 2009	\$15,000
Then reimbursement to the Federal government in 2009	\$15,000
If fair market value of the boat in 2014	\$4,500
Then reimbursement to the Federal government in 2014	\$0

iGMS Equipment Tracking Module

IDHS Grants Management has recently implemented an Equipment Tracking Module in the Indiana Grants Management System (iGMS) for sub-recipients to track the equipment purchased with Federal Grant funds. This module has been created to ensure that all opportunities possible have been offered to sub-recipients to become compliant with their equipment reporting. ***This is not a required manner of reporting, but strongly suggested.*** Technical assistance is provided to grant recipients via conferences, workshops, online training, and individual recipient training.

IV. Training Opportunities

IDHS Grants/Program Staff provides instruction and guidance on grant programs during annual IDHS/EMA Conferences. Additional training is provided through:

- State and/or District workshops. These workshops are provided as needed to explain new federal or state initiatives in more detail or to address specific local-regional questions. Workshops are also be provided, schedule permitting, to groups of eligible grant recipients requesting specific training or education on grant program activities.
- Indiana Grants Management System training manual (http://www.in.gov/dhs/files/iGMS_Manual_2_10.pdf)
- Individual training. This training is limited to the availability of IDHS Grants Staff to provide assistance to a single grant recipient. Preference is given to new grant recipient program managers, EMA directors or administrators.

V. Monitoring Guiding Principles

For reference, IDHS conducts sub-recipient fiscal, compliance and programmatic monitoring based upon the following:

- *OMB Circular A-87*
- *OMB Circular A-110*
- *OMB Circular A-21*
- *OMB Circular A-122*
- *OMB Circular A-133*

- *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*
- *Certifications and Assurances*
- *Grant Program Guidance*
- *Applicable Code of Federal Regulations*
- *US DOJ/OJP Office of the Comptroller Financial Guide*
- *US DHS/GPD State and Local Government Coordination & Preparedness, Office of Grant Operations*
- *Federal Grants Management Handbook, Thompson Publishing Group*
- *Sub-recipient Obligating Award Document*