

Commonwealth of Virginia

Department of Emergency Management

Homeland Security Grants Office



Best Practices

Topic: General – Department of Homeland Security, Office of Grants and Training - Subrecipient Grants Management

Audience: State Administrative Agency; State and Local Subrecipients

Description: The Virginia Department of Emergency Management (VDEM), Homeland Security Grant Office has prepared an “Administrative Guide” to serve as a reference for subrecipients receiving federal homeland security funds from the Department of Homeland Security. The guide takes the subrecipient from the point of receiving the award letter from VDEM, through the life cycle of the grant to closeout and audit. There is significant discussion of forms and reports that are required or necessary to modify the grant. In, addition, detailed guidance is provides to assist the subrecipient in proper record keeping and budgeting.

Administrative Guide

To Administer Federal Grants from the United States Department of Homeland Security, Office of Grants & Training

Purpose and Organization of this Guide

The **Administrative Guide** is a reference for subrecipients receiving federal funds through the Virginia Department of Emergency Management (VDEM). The Guide will help subrecipients understand and meet the financial, administrative, and audit requirements for the use of these funds. The primary source document for these requirements is the federal *Office of Grant Operations, Financial Guide*, as revised.

Subrecipients must meet certain requirements to receive funding from federally funded grant programs. The requirements contained in this *Guide* are not all-inclusive and can change from time to time. In addition, other source materials will be referenced in this *Guide*.

Subrecipients are encouraged to contact the Department of Emergency Management - Homeland Security Grant Office for clarification of any requirements.

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CHAPTER 1

Introduction & Award

I. INTRODUCTION

The grant process began with the issuance of an *Allocation of Federal Funds Notice* by the Virginia Department of Emergency Management, Homeland Security Grants Office. Subrecipients responded to the Announcement and completed a grant application on the forms provided by VDEM.

After review of the application by VDEM staff, successful applicants were then notified of their award to receive federal funds.

II. GRANT AWARD LETTER

Definition and Contents:

The *Grant Award Letter* reserves a specific amount of federal funds for the subrecipient. It is the official notification to the subrecipient that the award of federal funds has been approved. When applicable, it also specifies the amount of cash or in-kind match (if required) by the federal grant award as part of their project, the federal award number, the *Catalog of Federal Domestic Assistance (CFDA)* title and number, the subrecipient name, the VDEM grant number/name, the subrecipient award period, the approved budget, and *Special and Standard Conditions* which must be met in accepting the award.

The signed Grant Award Letter, including the approved grant application, is the contract between the grantor and the subrecipient

III. COMMENCEMENT OF AWARD

A. Ready to Begin:

After VDEM issues the signed Grant Award Letter to the subrecipient, and the project has begun or is ready to begin start-up activities, the subrecipient may request federal dollars. (See Chapter 2)

No expenditures occurring before the approved start date indicated on the Grant Award Letter may be charged against the grant.

B. What to do if Implementation is delayed:

Implementation can be delayed during the Start-Up Period, the time required to set up the grant and develop final details of the project. Start-Up time should be brief, allowing the project to begin within sixty (60) days of the grant award date.

1. Sixty (60) Day Delay: If a project is not operational within sixty (60) days of the approved award date of the grant period, the subrecipient must report by letter to VDEM the steps being taken to initiate the project, the reasons for the delay, and the expected starting date.
2. Ninety (90) Day Delay: If a project is not operational within ninety-days (90) of the approved award date, the subrecipient must submit a second written statement to VDEM explaining the implementation delay. Upon receipt of the 90-day letter, or in the absence of the 90-day letter, the grant award is subject to cancellation at the discretion of VDEM or the subrecipient. Where circumstances warrant, the subrecipient may request an extension of the start date past the 90-day period.

IV. TERMINATION OF PROJECT

A. Termination or reduction of grant award

VDEM will monitor the performance of the subrecipient according to the goals and objectives as agreed and specified in the Grant Award Letter. VDEM will provide technical assistance upon request to the grantee concerning project goals, performance standards, and grantee requirements.

If VDEM determines that performance is not occurring as agreed, VDEM may reduce the award or terminate the award under the following policies:

1. Reduction in Grant Award for Cause

- VDEM may reduce the total Grant Award Letter for cause, without compensation for reduction costs.
- If VDEM reduces the grant amount for cause, it will first give ten days notice to the subrecipient, stating the reasons for reduction, steps taken to correct the problems, and the date the award amount will be reduced in the event that problems have not been corrected to the satisfaction of VDEM.
- In the event the grant is reduced for cause, VDEM will reimburse the subrecipient only for acceptable work or deliverables received to the date of reduction.
- In the event the grant is reduced for cause, final payment to the subrecipient may be withheld at the discretion of VDEM until completion of final VDEM review.

2. Termination for Convenience

- Either party may terminate the grant with thirty days written notice of intent to cancel or terminate.
- The grant may be terminated by VDEM if it is in the best interest of the Commonwealth of Virginia to terminate the grant.
- If the grant is terminated for convenience by either the subrecipient or the State, the subrecipient will be paid the necessary and allowable costs incurred through the date of termination, but not exceeding a prorated amount based on the number of days of project operation prior to the date of termination.

3. Termination for Cause

- VDEM may terminate the grant for cause without compensation for termination costs.
- If the State terminates the grant for cause, it will first give ten days written notice to the subrecipient stating the reasons for termination, procedures completed to correct the problem, and the date the grant will be terminated in the event problems have not been corrected to the satisfaction of VDEM.
- In the event the grant is terminated for cause, VDEM will reimburse the subrecipient only for acceptable work or deliverables to the date of termination.
- In the even the grant is terminated for cause, final payment to the subrecipient may be withheld at the discretion of VDEM until completion of final VDEM review.

CHAPTER 2 REQUIRED REPORTS AND NOTIFICATIONS

I. INTRODUCTION TO VDEM FORMS

VDEM has developed a minimal number of reports/forms that are designed to assist subrecipients to meet the federal requirements for accountability, management, and auditing. This chapter discusses the various reports/forms that a grantee submits to VDEM. The forms that may be needed by the project were sent to the Project Director with the Grant Award Letter. They can also be requested from VDEM in hard copy, or in an electronic format.

Forms may be revised periodically. Please be sure to use the current form to avoid confusion.

By accepting a federal grant award, the subrecipient agrees to submit the applicable forms by the dates specified on the forms or in this chapter. Call your VDEM grant manager promptly if you cannot meet the deadline for reporting. A pattern of delinquent reports may result in termination of the grant award and may jeopardize future funding considerations by the various funding boards/councils.

Use of outdated forms may delay reimbursements and manager approval requests made to VDEM.

The Federal Office of the Comptroller does not allow for excess grant funds on hand with subrecipients. Subrecipients may request funds for reimbursement of project costs incurred or anticipated. Contact the VDEM grant manager for more specific instructions. Subrecipients should allow 30 days after the form is submitted to VDEM to receive the state warrant for the federal funds and should plan accordingly. Typically, the state warrant can be delivered in less time.

All forms and correspondence to VDEM regarding the grant must show the grant name assigned on the Grant Award Letter.

II. FORM SUBMISSION

A. Required Reports/Forms:

All subrecipients must submit the following forms:

1. ***Request for Drawdown form*** is submitted to drawdown awarded funds.

*The request cannot be approved unless all required reports are up to date and submitted in a timely manner. A list of all purchases and expenditures must be attached to the reimbursement report accounting for the total funds being requested. This Itemized Expenditure list should be the second page of the Request for Drawdown form. Reimbursement can be requested as needed; however, funds **MUST** be **expended** within 120 days of receipt.*

2. **Financial Report(s)** are submitted to report expenditures. The subrecipient must report expenditures of the federal funds or in-kind match designated in the budget on the Grant Award Letter, or the most current approved revised budget. If there are other funds also supporting project activities, they may be noted in the Quarterly Narrative reports.

The expenditures of all reported funds, including match, must reconcile to the agency's General Ledger. If sub-ledgers are used, a process to reconcile the sub-ledgers to the General Ledger must be in place. It is imperative that subrecipients have an accounting system that meets the criteria outlined in Chapter 3 of this *Guide*. Unpaid obligations (legal commitments the subrecipient has made for goods or services, but not yet paid) may or may not exist at the end of any given reporting period. The reporting of unpaid obligations is not a requirement but can be used as a tool by the agency to capture total obligations for a given reporting period. However, the final financial report cannot contain Unpaid Obligations.

Signed copies of the Financial Report must be received by VDEM within 15 days (15) after the end of each 120 day drawdown period; a Final Financial Report must be submitted within 30 days of the end of the grant period.

III. Change Requests

Grant extensions cannot be approved after the expiration date of the grant. Expenses incurred after the expiration date of the grant will not be eligible for reimbursement.

To request any change to the grant, submit the appropriate form below for **prior approval**:

- A. **Change of Signing Authority** is submitted whenever there is a change in the Grant Reporting Contact. It is very important that the persons signing the various reports and forms be the same persons that VDEM records indicated to sign reports. In requesting a change VDEM must receive a signed letter on the subrecipient's letterhead, with **original** signatures.

- B. **Modification of Other Grant Agreements** if, during the course of the project, the subrecipient finds it necessary to add, modify, or delete a goal or objective. The subrecipient should report these changes in the next Quarterly Report or the Biannual Strategic Implementation Reporting Period depending on your funding cycle. You may want to call the grant manager at VDEM to discuss this before making these changes.
- C. **Quarterly Reports** will be due fifteen (15) days after the end of each quarter. The first Quarterly Report will be due at the end of the first reporting period after the award.

Quarter	Report Due
January – March	April 15
April – June	July 15
July – September	October 15
October – December	January 15

- D. **Other Reports:**
Other reports or data required for the administration of a grant program or the federal funding agency might be required to be submitted by the subrecipient upon request of VDEM. Special reporting requirements and/or non-quarterly reporting dates will be specified in the Grant Award Letter.

CHAPTER 3

RECORD KEEPING RESPONSIBILITIES AND RULES ON USE OF BUDGETED FUNDS

I. REVIEW OF RECORDS

The Commonwealth of Virginia, the Department of Emergency Management-Homeland Security Grants Office, the U.S. Department of Justice, the U.S. Department of Homeland Security, the U.S. Comptroller General, or any of their authorized representatives shall have the right to access any records of the subrecipient. Monitoring and site visits may require access to and review of all records.

II. ACCOUNTING SYSTEM CRITERIA

The subrecipient is required to establish and maintain an accounting system and financial records to accurately account for awarded and matching funds. The subrecipient may use any state or federally accepted accounting system which meets the following minimum criteria:

A. Classify Revenues:

The system must classify ALL revenues and expenditures by funding source(s). All federal money received must be recorded as federal funds so that they may be included in the subrecipient agency's audit report or financial statement. Each grant award must be tracked separately. Funds for each grant award must be tracked and recorded separately with all revenues and expenditures reflecting the appropriate grant number.

B. Broad Budget Categories:

The accounting system must allow expenditures to be classified by the broad budget categories (i.e. Planning, Equipment, Exercise, Management and Administration, and Training).

C. Submission of Reports:

The system must contain adequate expenditure information for the prompt and proper submission of financial reports. Amounts reported on VDEM forms and the BSIR must match and be reconciled to the accounting sub-ledger or General Ledger.

D. Internal Controls:

The system must be designed with an adequate method of internal controls to safeguard the funds. Expenditures must be tracked and reconciled to the General Ledger. If the agency has more than one source of funds, sub-ledgers will be necessary and a process must be in place to reconcile to the General Ledger. The system must also provide cost and

property controls to assure optimal use of grant funds, conformance with management policies, and any general or specific conditions of the grantee.

III. ACCOUNTING CONTROLS

The subrecipient must establish and maintain financial controls and procedures that assure that federal funds, cash match, and in-kind match obligated for the grant project are properly disbursed. Federal funds and the required match may be expended only for goods and services as detailed in the GAL and/or approved budget narrative. Any expenditure, which is not allowed with federal funds, is not allowed with the obligated matching funds.

Goods must be received and the services provided within the approved grant period. Project costs incurred before or after the approved grant period cannot be paid with grant funds.

The budget is broken down into the following broad budget categories: Planning, Equipment, Exercise, Training, and Management and Administration. Not all projects will have approved budget amounts in each budget category. The subrecipient should regularly compare actual expenditures with budget amounts in each budget category.

Supporting documents such as invoices must be kept to verify all entries made in the accounting system, be clearly marked with the grant number, and be approved for payment by the Project Director. All required records must be maintained for a period of at least three years following submission of the closure of the single audit report that covers the grant period. All records from the beginning of the project must be retained. Copies of all reports and paid invoices for goods and services must be submitted to VDEM on or before the end of the grant period.

IV. UNALLOWABLE COSTS

Federal and matching funds may not be spent for the following unallowable costs:

- A. Lobbying, political contributions, and legislative liaison activities. More detailed information regarding lobbying prohibitions and exemptions is available from VDEM upon request.
- B. Expenses of organized fund-raising (this includes salaries of persons while engaged in these activities).
- C. Cost of any corporate formation.
- D. Land acquisition.
- E. The following conference/workshop or travel-related expenses:
 - Entertainment expenses
 - Personal expenses, such as personal hygiene items, laundry charges, magazines, ground transportation for

- personal travel, etc.
- Travel insurance, visas, and passport charges
- Alcoholic beverages/bar charges
- Tips
- Lodging costs when they exceed the established state per diem

F. Further unallowable costs may be found in the chapter relating to specific program funds.

V. BUDGET CATEGORIES AND RECORD MAINTENANCE

A. Planning: This budget category may be used to pay for the following types of planning activities to accomplish the goals in the Commonwealth of Virginia State Homeland Security Strategy. In addition, this budget category includes paid personnel of the subrecipient agency, whose salaries and/or fringe benefits, or a portion thereof, will be paid by the grant and/or matching funds. Consultants/Contractors may be paid under this budget category.

In addition to normal payroll records, accurate time and attendance records must be maintained on all personnel whose salary or volunteer time is charged to the project.

Time and attendance records must include the date, employee's name, position title, total daily hours charged to the project by funding source, employee's signature, and Project Director's signature.

Project officials must ensure that employees working on the project are not receiving dual compensation.

- Establishment or enhancement of mutual aid agreements
- Development or enhancement of emergency operations plans and operating procedures
- Development of terrorism prevention/deterrence plans
- Development or enhancement of response and recovery plans
- Development or enhancement of cyber security plans
- Development or enhancement of cyber risk mitigation plans
- Development of communications and interoperability protocols and solutions
- Coordination of citizen and family preparedness plans and programs, including donations programs and volunteer initiatives
- Conducting local or regional program implementation meetings
- Conducting point vulnerability assessments at critical infrastructure and development of remediation/security plans

- Conducting cyber risk and vulnerability assessments
- Development or enhancement of continuity of operations and continuity of government plans
- Hiring of full or part-time staff or contractors/consultants to assist with any of the above activities (not for the purpose of hiring public safety personnel)
- Conferences to facilitate activities listed above
- Materials required to conduct activities listed above

B. Equipment: The subrecipient is required to document its procurement procedures and maintain this documentation in the grant records.

Receipts or invoices with order and delivery dates are required for all equipment items. Prior to any payments being made, the Project Director must approve payment by signing the invoice. When payment is made, the invoice should be marked with the date paid, check or voucher number, and grant number.

The subrecipient must have an effective system of property management and controls in effect to safeguard against loss, damage, or theft of equipment. Any loss, damage, or theft must be investigated, fully documented, and reported to VDEM.

The subrecipient is required to maintain an **inventory form** for equipment purchased, in whole or in part, with grant or matching funds which contains the following information:

- Description of item
- Serial number and property inventory number
- Date of purchase
- Grant number
- Check or voucher number
- Cost
- Equipment location
- Present use
- Condition
- Disposition data

Disposition includes the sale or trade-in of equipment as well as the disposal of equipment at the end of its useful life. Document the disposition on the Equipment Inventory form. This inventory form is submitted to VDEM with the final narrative report and must be retained for four (4) years after the final disposition of the property.

- C. **Exercise:** Funds may be used to plan for, design, develop, conduct, and evaluate exercises that train homeland security preparedness, prevention, and response personnel, evaluate prevention and response plans, policy, procedures and protocols, and assess the readiness of jurisdictions to prevent and respond to a terrorist attack. Exercise must be threat and performance-based, in accordance with The Office of Grants & Training's Homeland Security Exercise and Evaluation Program (HSEEP) manuals.

Subrecipients that wish to expend funds on models, games, or simulations must consult with "Review of Models, Simulations, and Games for Domestic Preparedness Training and Exercising, Volume I," which provides an overview and analysis of existing models, games and simulations and obtain prior approval from VDEM.

After Action Reports (AAR) must be provided to VDEM electronically within 30 days following completion of each exercise. *This report is available at <http://www.ojp.usdoj.gov/odp.exercise/state.htm>* VDEM Exercise Managers will be assisting local and state Subrecipients throughout development and implementation of exercise programs. States and local units of government should consider their VDEM Exercise Managers as their point of contact for questions and concerns regarding implementation of the HSEEP.

- **Contractors/Consultants** - Full or part-time staff may be hired to support exercise-related activities. Payment of salaries and fringe benefits must be in accordance with the policies of the state or local jurisdiction and have the approval of the State. The services of contractors/consultants may also be procured to support the design, development, conduct and evaluation of CBRNE exercises. The applicant's formal written procurement policy or the Federal Acquisition Regulations (FAR) must be followed.
- **Overtime and backfill costs** – Overtime and backfill costs assoc **Exercise Planning Workshop(s)** - Grant funds may be used to plan and conduct Exercise Planning Workshops to include costs related to planning, meeting space and other meeting costs, facilitation costs, materials and supplies, travel and exercise plan development.
- **Full or Part-Time Staff** or related with the design, development and conduct of CBRNE exercises are allowable expenses. Payment of overtime expenses will be for work performed by the sub-award employees in excess of the established workweek (usually 40 hours) related to the planning and conduct of the exercise project(s). Further, overtime payments are allowed only to the extent the payment for such services is in accordance with the policies of the State or unit(s) of local government and has the approval of the State or the awarding agency, whichever is applicable. In no case is dual compensation allowable. That is, an employee of a unit of government may not receive compensation from their unit or agency of government AND from an award

for a single period of time (e.g., 1:00 pm to 5:00 pm), even though such work may benefit both activities. Fringe benefits on overtime hours are limited to FICA, Workers' Compensation and Unemployment Compensation.

- **Implementation of HSEEP** – Costs related to setting up and maintaining a system to track the completion and submission of AAR's and the implementation of corrective actions from exercises, which may include costs associated with meeting with local units of government to define procedures.
- **Other Items** - These costs include the rental of space/locations for exercise planning and conduct, exercise signs, badges, etc.

E. Training - Funds may be used to enhance the capabilities of state and local emergency preparedness and response personnel through development of a State Homeland Security training program. Allowable training-related costs include: 1) establishment of CBRNE and cyber security training programs within existing training academies, universities or junior colleges; and 2) **overtime and backfill costs** associated with attendance at The Office of Grants & Training sponsored and approved CBRNE and cyber security training courses. Allowable training costs reflected within the LETPP are also allowable with SHSP funds.

The target audience for training courses funded must be emergency preparedness, prevention and response personnel, emergency managers and public/elected officials within the following disciplines: firefighters, law enforcement, emergency management, emergency medical services, hazardous materials, public works, public health, health care, public safety communications, governmental administrative, cyber security and private security providers. Awareness training for citizen preparedness is also allowable. Subrecipients using these funds to develop their own courses should address the critical training areas and gaps identified in the State's Homeland Security Strategy and must adhere to the ODP Emergency Responder Guidelines and ODP prevention and deterrence guidelines.

Subrecipients who wish to use grant funds to support attendance at and/or development of non-G&T sponsored training, must receive approval from G&T prior to using funds for this purpose. Grantees and subrecipients using funds to develop courses or to attend non-ODP courses will be required to report the number of individuals trained, by discipline and course level, in their bi-annual strategy implementation reports.

- **Overtime and backfill funding for emergency preparedness and response personnel attending ODP-sponsored and approved training classes** - Payment of overtime expenses will be for work performed by award (SAA) or sub-award employees in excess of the established workweek (usually 40 hours). Further, overtime payments are allowed only to the extent the payment for such services is in accordance with the policies of the state or unit(s) of local government and has the approval of the State or the

awarding agency, whichever is applicable. In no case is dual compensation allowable. That is, an employee of a unit of government may not receive compensation from their unit or agency of government AND from an award for a single period of time (e.g., 1:00 pm to 5:00 pm), even though such work may benefit both activities. Benefits on overtime hours are limited to FICA, Workers' Compensation and Unemployment Compensation.

- **Training Workshops and Conferences** - Grant funds may be used to plan and conduct training workshops or conferences to include costs related to planning, meeting space and other meeting costs, facilitation costs, materials and supplies, travel and training plan development.
- **Full or Part-Time Staff or Contractors/Consultants** - Full or part-time staff may be hired to support training-related activities. Payment for salaries and fringe benefits must be in accordance with the policies of the state or local unit(s) of government and have approval from the State. The services of contractors/consultants may also be procured by the State in the design, development, conduct, and evaluation of CBRNE training. The applicant's formal written procurement policy or the Federal Acquisition Regulations (FAR) must be followed.
- **Other Items** - These costs include the rental of space/locations for planning and conducting training, badges, etc.

Professional Services/Consultants: This includes services provided to the project by outside vendors who are under contract with the subrecipient. In the Planning, Exercise, and Training categories professional services/consultants can be utilized, all reporting must be in the appropriate categories with documentation in the Narrative reports of progress.

Use the Professional Services/Consultant Certification to obtain approval from VDEM before Professional Services/Consultant expenditures are made. Subrecipients should secure professional services through competitive negotiation whenever possible.

All expenses for professional services/consultants must be supported by a valid, signed contract between the grantee and the contractor, and by detailed invoices from the contractor approved for payment by the Project Director. These invoices are the basis for payment and must show time and activity records that should include, at minimum, the dates, times, and types of services provided.

The subrecipient must not award any contract to any individual or organization debarred or proposed for debarment from participation in federal assistance programs. If, under the grant, the grantee enters into a financial

arrangement or contract for \$100,000 or more with any party who has critical influence on or substantive control over the goals and objectives of the grant, the grantee must have this party sign the *OJP Form 4061/1, Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion*. A copy of this form may be requested from VDEM. The subrecipient shall maintain this form with the records of the grant.

VII. OTHER ADMINISTRATIVE REQUIREMENTS

Project directors are encouraged to make the results and accomplishments of projects available to the public. All materials publicizing or resulting from award activities, including videos must contain an acknowledgment of the awarding agency support. An example of acknowledged support (verbal or printed) is: "This project was supported by a grant from the U.S. Department of Homeland Security, Office of Grants & Training. Refer to the *Standard Conditions* on the GAL for further information.

Responsibility for the direction/result of the project activity should not be attributed to the awarding agency. Any publication related to grant activities should include the following statement: "The opinions, findings, and conclusions or recommendations expressed in this publication/program/exhibition are those of the author(s) and do not necessarily reflect the views of the U.S. Department Homeland Security, Office of Grants & Training.

All publication and distribution agreements with a publisher must include provisions giving the VDEM and the federal government a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use and to authorize others to use the publication for federal government purposes. Publications produced with state or federal funds generally cannot be copyrighted and are regarded as being in the public domain.

CHAPTER 4 GRANT CLOSE- OUT PROCEDURES

I. FINAL REPORTS AND RECORDS

Final Financial Report: All subrecipients must submit a final financial report of actual total expenditures, federal and matching funds, for the grant period. The final report cannot include unpaid obligations and is due within 30 days of the end of the grant expenditure period. Services must be performed and goods must be received during the grant expenditure period.

If you received any federal funds from VDEM that were not obligated, expended or matched at the required proportion at the end of the grant award period, you must return these funds to VDEM with the final financial report. A check or warrant payable to the Virginia Department of Emergency Management, indicating the grant number, is the only acceptable form of payment.

II. RETENTION OF RECORDS

All grant records must be retained for four (3) years. The three-year retention period starts from the date of submission of the closure of the single audit report that covers the grant period. If any litigation, claim, negotiation, audit, or other action involving the records has been started before the expiration of the three-year period, the records must be retained until completion of the action and resolution of all issues which arise from it or until the end of the regular three-year period, whichever is later.

Records must be maintained separately from any previous or future grant awards that provided funding or will continue funding for the project. Grant records include all financial records, supporting documents, statistical records, and all other records pertinent to the grant. These include books of original entry, source documents supporting accounting transactions, the general ledger, subsidiary ledgers, personnel and payroll records, consultant/volunteer time and activity reports, canceled checks, related documents and records. Source documents include copies of the grant award, with the final approved application, required financial and narrative reports, and forms.

CHAPTER 5

AUDIT REQUIREMENTS AND VDEM MONITORING GUIDELINES

I. FEDERAL AUDIT REQUIREMENTS:

All recipients and sub-recipients of federal funds are subject to the accounting and audit requirements as found in OMB Circulars A-87, A-102, A-110, A-122, and A-133. Auditing firms customarily have copies of these documents. Please contact VDEM for copies of standard federal audit requirements.

Subrecipients that expend \$500,000 or more in a year in federal awards must have a Circular A-133 single audit (or program-specific audit) performed for that year. The single audit must be performed in accordance with *Government Auditing Standards* and cover the entire operations of the audit, specifically the grantee's financial statements and Schedule of Expenditures of Federal Awards, both of which must be for the same fiscal year.

Audit costs for audits not required or not performed in accordance with OMB Circular A-133 are unallowable. If the grantee did not expend \$500,000 or more in Federal funds in its fiscal year, but contracted with a certified public accountant to perform an audit; these costs may not be charged to the grant. In addition to arranging and providing for the organizational, financial, and compliance audits required by the OMB circular, individual recipients and sub-recipients are encouraged to provide for additional audit coverage, as deemed appropriate. The additional audit coverage that may be provided should be determined based on the circumstances surrounding the particular organization, function, program, or activity to be audited, management needs, and available audit capability.

An organization that does not expend an aggregate amount of \$500,000 or more in federal funds in any given fiscal year shall maintain adequate financial and programmatic records to justify expenditures made in accordance with specific grant requirements, but need not conduct a single audit of such monies.

If the subrecipient's financial records are a component of a larger agency audit, the grantee has the responsibility to obtain the audit report from the reporting entity and send such audit report to all federal, state, and local subrecipients that have provided federal assistance to the grantee. Example: if the County Sheriff were the subrecipient, the county's audit report would be required.

VDEM reserves the right to require an audit and to examine and/or audit any financial records of any subrecipient during the project period and within a three-year period (3) following the conclusion of the final financial audit that covered the grant award period. In cases of continued inability or unwillingness on the part of the subrecipient to conduct or supply a proper audit, VDEM reserves the right to impose any sanctions, as described in

OMB Circular A-133, upon the grantee until such time as a proper audit is received by VDEM.

Recipients requesting more information regarding audit requirements should contact their independent auditing firm, Federal Audit Offices or the Virginia Department of Emergency Management.

II. GUIDELINES FOR VDEM MONITORING OF GRANTEES

A. Introduction:

Both federal and state fiscal rules and regulations require that VDEM establish and carry out activities that track, document and measure the use of subrecipient funds for the following purposes:

1. Monitoring for compliance with federal and state rules and laws;
2. Quantitative and qualitative data collection;
3. Monitoring/evaluation of progress in meeting goals and objectives;
4. Evaluation of outcome measures and project effectiveness;
5. Strategic planning and collaborative activities at the state and local level; and
6. Reporting to state and federal funding sources, the governor, state legislature, stakeholders and customers.

These activities track, document and measure the use of the funds, constituting VDEM monitoring and evaluation systems. These systems, which may vary somewhat among different funding sources, are supplemented by technical assistance and training to educate grantees and other customers about the intents and purposes of the funds. Additionally, funds applications, state and federal rules and regulations, fiscal and programmatic grant management practices, referrals to other sources of information, and training opportunities can be included. Technical assistance and training help identify and fill gaps in areas where information may be lacking, and address or anticipate problems which may arise in the course of implementing a program or process. In many programs, staff may provide or cause to be provided additional specialized training and technical assistance in content areas pertinent solely to that program.

B. VDEM Monitoring Philosophy:

In practice, the term *monitoring* is used to describe both the broad overall system of reviewing and tracking the use of federal and state funds, **and** the more specific day-to-day review processes to assure that a particular subrecipient is in compliance with federal or state rules and regulations, and is meeting the goals and objectives of the grant or contract. These day-to-day review processes include the following, all of which may be supplemented by technical assistance and training.

1. Desk Reviews: Reviews of financial and narrative reports, audit reports, correspondence and other documentation provided by the grantee

agency.

2. Telephone contacts: Direct communication with the recipient by telephone to ask or answer questions and check on the progress of the project.
3. On-site monitoring: A visit to the project site to review one or more aspects of the subrecipient project.

VDEM places a high value on consistent, fair, open and reasonable reporting and accountability by subrecipients.

B. Office-Base Monitoring:

Office-based monitoring entails a review of the local or state grant and state strategy grant files to ensure that all documentation is complete and up-to-date, and that any apparent problems are addressed. The majority of monitoring will occur via file review and phone/email contact with the individual agency. The grant file should include the original application, required program and financial status reports, and any previous monitoring documentation, if applicable.

1. *Review of file*

Grant Monitoring

Using the Office-Based Monitoring Checklist to record information, the Grant Monitor should be familiarized with the agency grant file and/or grants database, which contains the following information:

- Copy of the original application and accompanying documentation submitted by the grantee
- Copy of the award document and special conditions signed by the grantee
- Up-to-date Financial Reports
- Copies of the Request for Drawdowns
- Copies of requested changes & approvals

If multiple grants are being monitored with a single grantee, a separate checklist should be used to record information for each grant award.

The Grant Monitor should determine whether any progress reports, financial status reports, purchase orders, and paid invoices submitted are current and cover the entire grant program awarded to a subrecipient. If progress reports, financial reports, and/or written documentation are found to be inadequate, the monitor will advise the subrecipient during the monitoring telephone call. The VDEM Program Manager will then be notified.

For each drawdown, the grant monitor will determine if funds were expended within 120 days from the drawdown date. If invoices are dated past the 120 day deadline, the grant monitor will remind the subgrantee of their obligation to return any interest accrued on grant funds in excess of \$100 per year to the federal government (total interest accrued on all their federal grants). The grant monitor will ask the subgrantee to certify that the funds were held in an interest bearing account and will ask the subgrantee to calculate the amount of interest accrued. If the subgrantee determines the amount is greater than \$100, the grant monitor will instruct the subgrantee to immediately send the funds to the Department of Health and Human Services and will request a copy of the check.

The Grant Monitor should also review the special conditions in the award and determine if there are any that should be retired. After all file documentation has been reviewed, the monitor should thoroughly assess the grantee's equipment purchases and the type, model, etc... of equipment.

2. On-Site Monitoring Visits:

A certain number of subrecipients will be selected for on-site monitoring each year based on policy. The number of site visits will vary from funding program to program, and is sensitive to the amount of resources available to conduct on-site monitoring. Site visit reviews may be conducted for a variety of reasons:

- Periodic routine reviews of grantee projects;
 - Reviews of specific issues or items of interest;
 - Reviews prioritized due to the grantee level of funding, types of funding, and number of VDEM grant awards received;
 - Response to perceived problems or issues;
 - Response to audit exceptions;
 - Contact with new staff or new programs;
 - Response to requests for assistance; and/or
 - Information gathering, and/or technical assistance.
1. Scope of Review Processes: Monitoring processes occur along a continuum from limited scope monitoring to comprehensive monitoring.
 2. Limited scope monitoring is designed to evaluate and address specific concerns and issues or review specific portions of a project. It may be a site visit, desk monitoring, or phone contacts. Areas to be reviewed are identified to the subrecipient prior to the site visit (except in extreme situations) and only those documents, procedures, etc., that are directly germane to the identified issues

are normally inspected at that time. While this type of monitoring may be in response to a problem, it may also be conducted for many other reasons.

3. Comprehensive monitoring can be described as a program review. It is designed to sample elements of many or most aspects of the project. A comprehensive site visit can be used to help evaluate the success, efficiency and the compliance of a subrecipient. A comprehensive visit requires thorough preparation, follow up, and documentation. VDEM selects a certain number of subrecipients for comprehensive monitoring each year. While this type of monitoring may be in response to a problem, it may also be conducted for many other reasons.

D. Criteria for Selection of Grantees for Monitoring:

When monitoring is done in response to a perceived problem or concern, it is generally for one of the following reasons:

1. Indicators of Common Problems:

- Untimely submission of quarterly reports
- Wrong grant number on forms or correspondence
- Questions that indicate *Administrative Guide* not being used
- Expenditures in unauthorized budget categories
- No submission of reimbursement requests
- No expenditures
- Spending rate too fast/too slow
- Discrepancies between narratives and financial reports
- Approved budget figures are wrong in first quarterly report
- No match spending or not reporting match on financial reports
- Program start up delayed
- No objectives completed
- Signing Authorities incorrect; or not changed officially

2. Indicators of More Difficult Problems:

- Persistent minor problems
- Pattern of spending in the wrong budget category
- Non-compliance with match spending requirements by the 2nd Quarter
- Continued on-going misunderstandings
- Unresponsiveness to requests for information

3. Indicators of Potentially Serious Problems:

- Allegations of misuse of funds
- Allegations of misconduct or violations of grant conditions
- Audit exceptions requiring follow-up

- Continuing failure to comply with previous requests

E. Pre-Visit Review of Records

As with office-based reviews, pre-visit monitoring begins with a review of the grant file and grants data base to ensure that all documentation is examined and the persons monitoring and agency have a through understanding of what it is they are looking for, equipment types, etc... Notations of any apparent problems should be made in preparation for the visit.

F. Contact Grantee

The Grant Monitor will then contact the grantee in writing indication their agency has been selected for a filed site visit. The Grant Monitor will call 4-5 days prior to a visit to establish an exact time to meet and provide basic information about what the visit and requesting information and documentation as appropriate.

Additionally, during the telephone conversation the Grant Monitor should gather information about equipment procurement. The subrecipient may be asked to provide a summary of equipment fund expenditures, obligations, and pending obligations (unobligated funds).

G. Top Ten Audit Findings

Experience has shown that the top ten audit findings are as follows:

1. ***Untimely submission of reports*** - Narrative and financial reports are not submitted when due.
2. ***Lack of documentation*** - The subrecipient does not have adequate invoices or other documentation to back up the expenditure of funds.
3. ***Inadequate monitoring of Contractors*** - The subrecipient is failing to monitor its contractors to ensure that they are expending their funds in compliance with all federal laws and regulations.
4. ***Inadequate time and effort records*** - The subrecipient has failed to keep adequate time and effort records documenting the time that its employees, volunteers, and consultants have worked on the activities related to the project.
5. ***Inaccurate reports*** - The financial status reports submitted do not agree with the financial records of the organization. The subrecipient's request for payments does not correlate with its need for funds.

6. **Commingling of funds** - The subrecipient's accounting system is unable to accurately identify the receipt and expenditure of funds with the proper award.
7. **Excess cash on hand** - The subrecipient is not managing its drawdown of funds to coincide with expenditures to avoid having excess federal funds on hand.
8. **Unallowable costs** - The subrecipient has expended federal funds on cost items that are unallowable under Circular A-87, *Cost Principles for States and Local Units of Government*, Circular A-122, *Cost Principles for Nonprofit Organizations*, or Circular A-110 *Institutions of Higher Education*, whichever is applicable.
9. **Inappropriate changes** - The subrecipient has made budget changes and/or changes in the scope of the project without requesting prior approval from its program office.
10. **Conflicts of interest** - The subrecipient has conflicts of interest or the appearance of conflicts of interest in its procurement procedures or other management of the federal funds.

G. Post-visit Correspondence and Field Report

Within ten business days of the On-Site Monitoring visit, the Grant Monitor should send an email thanking the subrecipient for the visit and indicating follow-up activity the Grant Monitor is taking to resolve any problems or issues raised during the visit. Additionally within ten business days, the Grant Monitor must draft a Monitoring Visit Field Report, reporting the activities that occurred during the visit. A copy of the Office-Bases Monitoring Checklist should be attached and circulated through the appropriate channels within VDEM. All written documents will be reviews by the Grant Specialist Supervisor or designee. The Supervisor or designee will then be responsible for maintaining all written reports and/or records. If the subrecipient has received more that one grant award, a single report should be used to describe the monitoring activities of all the grant awards, but the narrative should clearly explain the financial and programmatic issues if any, addressed for each grant. The report should reflect the resolution of issue before the visit and any discussions of outstanding financial and programmatic issues that occurred during the administrative review portion of the visit. The report should also include a discussion of equipment, training, exercise accomplishments and related issues. If the subrecipient notes any problems or issues regarding implementation of any area of the program, the Grant Specialist Supervisor or Grant Monitor should note those problems and issues and what steps are being taken to resolve them.

CHAPTER 6 PROCUREMENT

I. PROCUREMENT

- A. Procurement Processes for Equipment:** Subrecipients who have equipment as part of the approved budget of the grant must meet these requirements and standards.
1. **Equipment Inventory Reports:** All equipment categories must be listed on the BSIR. A listing of the equipment to be purchased, and the process of procuring it should be with established procurement procedures. All purchased equipment must be tracked and reported on the Equipment Inventory Report. All equipment must be retained and used for the intended purpose as requested in the grantee application. A specific description of the vendor selection process may be requested by VDEM.

Changes to the equipment needs that were described in the BSIR must be updates during the designated reporting period.

2. **Standards for Equipment Procurement and Maintenance:**
 - a. Careful review should take place before acquiring equipment to ensure it is still needed and that the need cannot be met with property already in the possession of the subrecipient.
 - b. A control system must exist to ensure adequate safeguards to prevent loss, damage, or theft of the equipment.
 - c. Any loss, damage, or theft shall be investigated by the subrecipient and reported to VDEM, as appropriate.
 - d. Adequate maintenance procedures must exist to keep the equipment in good condition.
 - e. If the subrecipient is authorized or required to sell the equipment, proper sales procedures must be established to ensure the highest possible return.

B. Methods of Procurement of Goods and Services:

Subrecipients must follow the procurement processes of the state or subrecipient as long as the processes meet or exceed federal requirements. Existing bids or awards from federal, state, or subrecipients purchasing agents may be used.

Documentation of procurement processes by the grantee is required and must be maintained in the records of the grantee.

II. CONTRACTS FOR PROFESSIONAL AND CONSULTANT SERVICES

The grantee cannot enter into a financial arrangement with any party who is debarred from participation in federal assistance programs.

All expenses for professional services/consultants must be supported by a valid, signed contract between the grantee and the contractor, and detailed invoices approved for payment by the Project Director from the contractor.

A. Classification of Consultants and Rates of Compensation:

1. **Subject to maximum daily rate of \$450:** the maximum daily rate for the consultants listed below will not exceed \$450 per 8 hour day, excluding travel and subsistence costs. These rates may apply to preparation, evaluation, and travel time in addition to actual performance. A request for compensation over \$450 per day for any consultant requires additional justification and prior approval by VDEM and DHS-G&T.
 - a. Consultants associated with Educational Institutions: the rate of compensation should not exceed the individual's daily salary rate and is subject to the \$450 limitation.
 - b. Government Employees representing their agency: hourly compensation for consultants who are also employed by state or local governments (if their services cannot be obtained free of charge) and are representing their agency, may not exceed their daily governmental salary.
 - c. Employees of commercial or nonprofit organizations working without employer involvement: In those cases where an individual from either a commercial or nonprofit organization has authority to consult without employer involvement, the rate of compensation should not exceed the individual's daily salary rate and is subject to the \$450 limitation.

Employees of Commercial or Nonprofit Organizations Working with Employer Involvement is subject to the competitive bidding procedures.

Government Employees *not* Representing their government agency are subject to the competitive bidding procedures and must not be receiving dual compensation.

Independent Consultants: compensation for independent consultants must be reasonable.