

Step by Step: Grant Management

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Many local governments receive grants which can be a significant portion of their funding sources. Proper grant management is critical to ensure the government is in compliance with grant rules and regulations in order to avoid questioned costs or potential loss of funding. Additionally, it's important the government considers resource commitments, including employee time and expenditures (match, maintenance), for both current and future periods before accepting the grant.

Following are the actions which are advised to be performed before, during and after the award.

Formal Grant Policies and Procedures

Proper grant management starts with a formal grant policy and related guidelines and procedures. This policy should allow the government to evaluate the impact of the grant on the government's future costs, staff time and other resources. It will also allow the government to prioritize allocation of its funds and resources and avoid future budget impact surprises. In addition, the policy should provide a detailed framework for accounting and reporting. Responsibility and accountability should be centralized and duplication of effort should be eliminated.

Financial Impact Statement

When applying for a grant over an established threshold, the government's requesting department should prepare a financial impact statement for review and approval by the appropriate Board. The financial impact statement should detail any expected financial impact on the government's operating budget. This would include the following:

- Proposed special appropriation amount (matching requirement)
- Proposed funding (bonding, grant, contingency, etc.)
- Annual impact on the operating budget (positive or negative), including
 - By expenditure category
 - By revenue category
 - Total financial impact on the operating budget
 - Equivalent mill rate of the total impact

This should include any matching requirements of the grant whether it's required employee time or government funds.

Additional Information for Proposed Project

In addition to the financial impact statement, the requesting department should submit further information and justification on the grant and proposed project. It should describe:

- Background of the grant and project
- Purpose of the project and justification for the expenditure
- Detailed description of the proposal, including major components of the cost
- How and by whom the costs were calculated and reviewed
- Amounts to be saved if the project increases efficiency or productivity
- Possible additional future costs (e.g., future repair costs)
- Additional use of existing facilities, labor, etc.
- Alternates to the project request – including doing nothing – and explain why alternatives were not selected

- Safety and loss control
- Environmental impacts
- Effect on insurance rates and coverage
- Proposed means of financing the project

Award or Denial of Grant

When the granting agency notifies the government of a grant award or denial, the appropriate Board should be notified. If the grant is awarded, the Board should formally accept the grant award.

On Grant Award

Once the grant award is received, the requesting department should provide the finance department with the following:

- Grant application
- Financial impact statement and other detail submitted to the Board
- Grant award letter
- Grant agreement
- Grant budget and any approved amendments
- List of financial reports required to be filed and their due dates

These documents should be provided to the finance department for all grants before making any expenditure on the grant. The requesting department, project manager and finance department should have a full understanding of the costs that are allowable under the grant agreement and grant budget.

Grant Control Log

The finance department should maintain a grant control log that details the following for each grant of the government:

- Grant name
- Project description
- Department responsible
- Percentage of federal, state, or other funding
- Federal and/or state grant ID number
- Grant period
- Award amount
- General ledger account number(s)
- Revenues to date (by funding source)
- Expenditures to date
- Grant balance

If a grant extension, project scope change, or budget amendment is required, the requesting department should determine the impact to the government (financial, staff resources). If additional funds or staff resources will be necessary to complete the project, the requesting department should submit amendment information to the appropriate Board for approval and to the finance department.

General Ledger

Grant budget, revenue and expenditure accounts should be established in the general ledger by the finance department prior to any expenditure of the grant. All grant disbursements should be appropriately identified and coded to the grant and approved by the department head or project manager. Work should not begin on grant projects until the grant has been accepted by the appropriate Board and general ledger accounts have been established by the finance department.

Request for Drawdown/Reimbursement

If drawdown or reimbursement requests are prepared by the requesting department, the request should be forwarded to the finance department for review/completion of any financial information. This allows the

finance department to appropriately record accounts receivable. Drawdown and reimbursement requests should be submitted in a timely manner, in accordance with grant agreements, to reduce the temporary use of government monies to finance the grant activity. The requesting department should monitor the reimbursement requests and receipt and follow up with the granting agency, as necessary, for delayed receipts.

If grant reports are prepared by the requesting department, the report should be forwarded to the finance department for review and/or completion of any financial information. The financial information must be based on activity in the government's general ledger to avoid reporting issues related to Federal and State Single Audits.

When the project is completed, any final reimbursement requests, final reporting or closeout paperwork should be filed with the granting agency. Upon final submission, the finance department's grant control log should be updated.

Subrecipient Monitoring

Another consideration relating to grant management is subrecipient monitoring. Both Federal and State Single Audit requirements require monitoring of subrecipients (both financial and program) to ensure they are adhering to grant requirements.

Key Takeaways: Expand Benefits/Reduce Risk

Once implemented, the guidance of a formal grant management policy will maximize the benefits to the government of grants while minimizing the risk, will increase transparency and provide understanding of the impact on future budgets.

Contact Us

If you need assistance in preparing and implementing a grant management policy, please contact your PKF O'Connor Davies' client engagement partner or either of the following:

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