

Technical Assistance Guide Category Eight: Financial Operations and Oversight



Presented by:

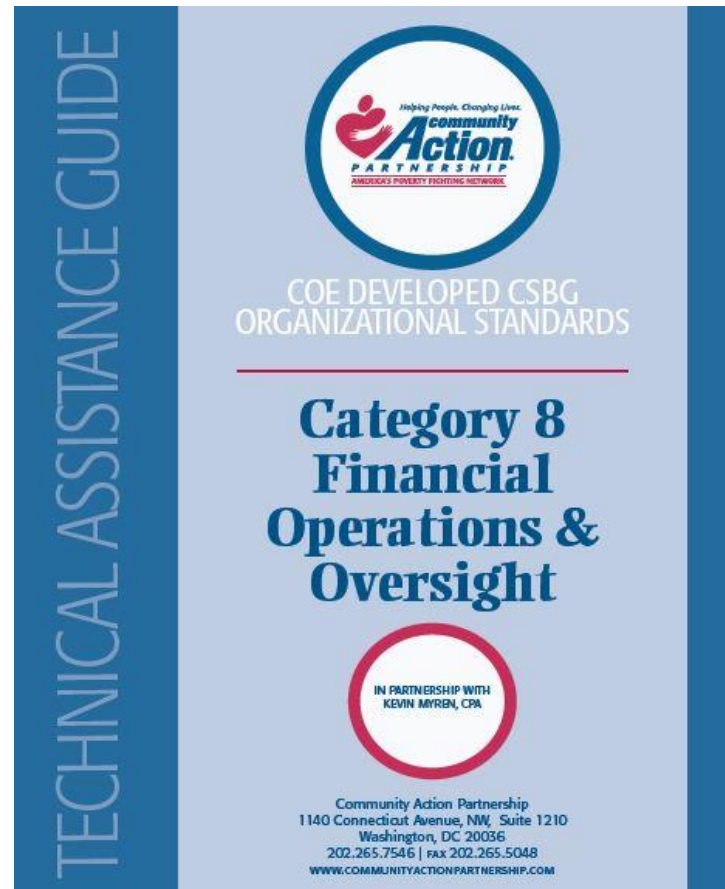
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Agenda

- Overview of the TA Guide
- Guidance on conducting the review process
- Discussion of Standards 8.1-8.13
- Questions



Overview of TA Guide Structure

Purpose is to:

- Assist with definition, intent, and documentation of the Standards
 - Section A covers definition and intent
 - Section B covers interpretation and documentation
- Provide resources to go “beyond compliance”
 - Section C provides diagnostic questions
 - Section D provides resources

Category Eight: Financial Operations and Oversight

Considerations for the review process

- Make sure the review process for Category Eight is connected to reviews for other standards
- Look for opportunities to connect the review process into ongoing agency activities
- Consider including a team of staff
- Ensure all staff know how to assess compliance
- Use uniform documentation processes
- Set up a process for managing recommendations
- Ensure uniform processes for archiving reviews

Category Eight: Financial Operations and Oversight

Options for going “beyond compliance”:

- Short discussion of strengths and opportunities for improvement
- Review of resource materials (e.g. guides, examples of other community assessments)
- Interviews/focus group with key staff
- Interviews/focus group with outside partners and experts

Four Types of Standards

Audit	Governmental Requirements	Board Oversight	Policies and Procedures
<ul style="list-style-type: none">• 8.1• 8.2• 8.3• 8.4• 8.5	<ul style="list-style-type: none">• 8.6• 8.8	<ul style="list-style-type: none">• 8.7• 8.9	<ul style="list-style-type: none">• 8.10• 8.11• 8.12• 8.13

Standards Related to the Audit

Standards 8.1-8.5

Standard 8.1

The Organization's annual audit (or audited financial statements) is completed by a Certified Public Accountant on time in accordance with Title 2 of the Code of Federal Regulations, Uniform Administration Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements.

8.1 Guidance on Assessment

- Only licensed CPAs can issue an audit
- Review of transactions is not an audit
- CAAs need a Single Audit (A-133), not just a financial statements audit
- Check for state variance with federal threshold of \$750,000
- Check for variance in state and federal reporting formats
- Auditees must send a summary report to the Federal Audit Clearinghouse
- Audit submission deadline is nine months after the end of the fiscal year

8.1 Guidance on Documentation

- Physical or electronic copy of the audit report and related information

And

- An electronic “receipt” from the Federal Clearinghouse showing the date the audit report was submitted was within the nine month deadline
- A letter or other correspondence from a state agency acknowledging receipt of the audit and related information within the nine month deadline (or earlier if required by the state)

Standard 8.2

All findings from the prior year's annual audit have been assessed by the organization and addressed where the governing board has deemed it appropriate.

8.2 Guidance on Assessment

- Did the audit contain any findings and/or questioned costs?
- Were the corrective action plans submitted to the appropriate audit oversight entity?
- If a corrective action plan was required, was it adequate to solve the identified issue(s)?
- Was the finding actually a legitimate finding?

8.2 Guidance on Documentation

Documentation confirming the agency's response to any audit findings

- A physical or electronic copy of the corrective action plans that have been prepared in response to any audit findings

Documentation that the agency has reviewed its corrective action plan with the board

- Highlighted copies of the official minutes of the meetings of the Board indicating the response by management to the audit findings and indicating the Board's acceptance of its corrective action plan(s).

Standard 8.3

The organization's auditor presents the audit to the governing board.

8.3 Guidance on Assessment

- Presentation to the audit committee does not count as presentation to the board
- The auditor must conduct the presentation

8.3 Guidance on Documentation

Documentation evidencing the discussion with auditors actually took place

- Agenda of the governing board with the required item
- Minutes from the governing board meeting with highlights of the discussion

Documentation of the content of the discussion

- Printed or electronic copy of a PowerPoint or similar type presentation presented to the Board
- Copies of handouts or other printed media presented to the Board

Standard 8.4

The governing board formally receives and accepts the audit.

8.4 Guidance on Assessment

- All Board members must receive the audit
- The Board must use a formal motion or similar process to accept the audit

8.4 Guidance on Documentation

Board receipt of the audit

- Emails with confirmation of receipt
- Board acknowledgment of receipt in the minutes

Board acceptance of the audit

- Board minutes

Standard 8.5

The organization has solicited bids for its audit within the past 5 years.

8.5 Guidance on Assessment

- CAAs do not have to change auditors every five years
- Informal solicitation of bids does not satisfy the standard
- Soliciting a bid from the current auditor does not satisfy the standard

8.5 Guidance on Documentation

- A copy of the organization's procurement policy
- A copy of the request for proposals prepared by the agency and submitted to potential providers of audit services
- Responses from the replying CPA firms to the request for proposals
- Scoring grid or evaluation sheet by entity's personnel responsible for review of the proposals

Standards Related to Government Requirements

Standards 8.6 and 8.8

Standard 8.6

The IRS Form 990 is completed annually and made available to the governing board for review.

8.6 Guidance on Assessment

- Forms filed by the extended deadline still qualify as timely
- Review by Board sub-committee does not meet the standard

8.6 Guidance on Documentation

Documentation that confirms an agency has prepared Form 990

- A physical or electronic copy of the form 990; and,
- A physical or electronic copy of the related state form, if any

Documentation that confirms the agency has made the form available for Board review

- Board agenda
- Board meeting packet
- Board meeting minutes
- Email to the Board members with required forms attached

Standard 8.8

All required filings and payments related to payroll withholdings are completed on time.

8.8 Guidance on Assessment

- The agency must comply with all state and federal filings and payments
- Partial or late filings, even if ultimately completed, do not meet the standard

8.8 Guidance on Documentation

- Payroll tax returns
- Copies of checks or other documentation showing that amounts due were actually paid
- Retirement plan documentations
- Submittal forms to the retirement plan
- Flexible health spending or other similar plan documents
- Required flexible health spending or other similar plan document submittal forms

Standards Related to Board Oversight

Standards 8.7 and 8.9

Standard 8.7

The governing board receives financial reports at each regular meeting that include the following:

1. Organization-wide report on revenue and expenditures that compares budget to actual, categorized by program; and
2. Balance sheet/statement of financial position.

8.7 Guidance on Assessment

- The Board must receive both the budget versus actuals for revenues and expenditures and balance sheet or statement of financial position
- The Board does not have to receive reports at special meetings (e.g. strategic planning retreats)
- “Make-up” reports at subsequent Board meetings does not meet the standard if one or both reports are not presented at a previous meeting

8.7 Guidance on Documentation

- Board agenda
- Board meeting packet with required reports included
- Board meeting minutes
- Email to the Board members with the required reports attached
- Physical log with Board signatures attesting to the fact they had received the forms

Standard 8.9

The governing board annually approves an organization-wide budget.

8.9 Guidance on Assessment

- A Board review of the budget without formal approval does not meet the standard
- Review of individual program budgets does not meet the standard

8.9 Guidance on Documentation

- A copy of the approved budget
- A copy of the budget presentation from the Board meeting (perhaps handouts or powerpoint)
- A Board agenda
- Minutes of the Board meeting with the actual approval action indicated from the Board

Standards Related to Policies and Procedures

Standards 8.10-8.13

Standard 8.10

The fiscal policies have been reviewed by staff within the past 2 years, updated as necessary, with changes approved by the governing board.

8.10 Guidance on Assessment

Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards required written procedures:

- Retention requirements for records (200.333)
- Procedures related to payments (200.305)
- Procedures for determining the allowability of costs (200.302)
- Conflict of interest (200.112)
- Maintaining property records (200.313)
- Procurement of goods and services (200.318)
- Travel reimbursement policy (200.474)
- Fringe benefits (200.431)

8.10 Guidance on Assessment

- In process reviews of policies should count towards meeting the standard
- A partial review of fiscal policies does not meet the standard
- A review of policies without Board approval of changes does not meet the standard
- A review of changes to fiscal policies by a Board committee does not meet the standard

8.10 Guidance on Documentation

Documentation of fiscal policies

- Copy of fiscal policy manual

Documentation the staff reviewed the policies

- Minutes from the staff committee charged with reviewing the policies
- Policies document with suggested changes and 'red lines' throughout
- Policy manual with review dated indicated on the document cover

Documentation the Board has approved updates

- Board agenda
- Board minutes
- Board packet with policies attached

Standard 8.11

A written procurement policy is in place and has been reviewed by the governing board within the past 5 years.

8.11 Guidance on Assessment

The *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* requires “The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.” The *Uniform Requirements* contains further minimum requirements of such a policy. These include:

- “Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions and specifications of their contracts or purchase orders.”
- “The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.”
- “The non-Federal entity’s procedures must avoid acquisition of unnecessary or duplicative items.”
- So should we tie in the narrative and in the intro to the governance standard on conflict of interest?

8.11 Guidance on Assessment

Specific minimum requirements of documentation and solicitation are required based on the dollar amount of the acquisition. These tiers are:

- Micro-purchase, purchase size under \$3,000, require equitable distribution of purchases amongst qualified providers
- Small purchase acquisition, or transactions over \$3,000 but less than \$150,000, mandate receipt of an appropriate number of rate or price quotations
- Items over the \$150,000 can be acquired through:
 - Sealed bids
 - Competitive proposals
 - Or, noncompetitive proposals

8.11 Guidance on Assessment

- In process reviews should count towards meeting the standard
- The procurement policy should meet both federal and state requirements
- A review of changes by a Board committee does not meet this standard
- Incorporation of a procurement policy into a fiscal policies manual does meet the standard

8.11 Guidance on Documentation

Documentation of procurement policy

- Copy of procurement policy

Documentation the Board has reviewed changes to the procurement policy

- Board agenda
- Board minutes
- Board packet with procurement policy attached

Standard 8.12

The organization documents how it allocates shared costs through an indirect cost rate or through a written cost allocation plan.

8.12 Guidance on Assessment

Organizations have three options for handling these indirect costs:

- **Cost Allocation.** Indirect costs are charged to 'pools' and the pools are allocated to the various grants based on some allocation basis. For example, the costs of running the finance department are charged to a pool and then allocated to each program or grant based on the number of transactions processed that period for each program or grant.
- **De minimus Indirect.** This is a new method of indirect cost rate that may become an option for an entity, if it has never had a federally approved indirect cost rate. This methodology charges all indirect costs to a cost center and charges each grant a flat 10% of Modified Total Direct Cost as an indirect charge. The difference between the 10% de minimus charge and the actual indirect charges flows to the non-profit.
- **Indirect Cost Rate.** Before the beginning of the fiscal year, the entity negotiates with the approved Federal agency to establish a federally approved indirect cost rate. The entity charges all indirect costs to a cost center and charges each grant this approved rate for indirect costs. Again, the net plus or negative between the indirect charges and the actual costs is a revenue or expense to the agency.

8.12 Guidance on Assessment

- In process negotiations with the federal cognizant agency responsible for indirect rate approval should meet the standard
- CAA's must have the final letter of approval for their indirect cost rate from the cognizant agency to comply with the standard
- If the agency uses a cost allocation plan, whether the plan must be approved

8.12 Guidance on Documentation

- If a negotiated federal cost rate is selected, the entity should have an approval letter from cognizant agency responsible to negotiate the rate with the entity.
- If cost allocation is used, the entity should have an updated cost allocation policy document laying out the methodology used for accounting for indirect costs.
- If the entity is using the de minimus indirect cost rate, this should be indicated on the grant forms received from the funding agencies.

Standard 8.13

The organization has a written policy in place for record retention and destruction.

8.13 Guidance on Assessment

The IRS Form 990 asks “Did the organization have a written document retention and destruction policy?” (Question 14, Section B, Part VI).

Federal grants require that supporting information on the grant, including the financial detail, be maintained for three years from the submission date of the final report of grant.

8.13 Guidance on Assessment

- In process reviews of policies should count towards meeting the standard
- The policy needs to cover both paper and electronic forms of records to meet the standard
- The policy must specify the method of record destruction

8.13 Guidance on Documentation

The documentation required to show that an agency is in compliance with standard 8.13 is a written policy on record retention and destruction.

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