



Grants Training

City of Round Rock, Texas

July 24, 2018

Your Presenters

Lupe Garcia, CPA

- Partner
- 11 years of experience
- Experience auditing and performing other attest engagements for various governmental entities, including counties, cities, school districts, other special-purpose governments administering large amounts of federal and state grant awards
- Extensive knowledge with the Office of Management and Budget (OMB) Uniform Grant Guidance

Laura Lynch, CPA

- Senior Manager
- 12 years of experience



Agenda

- Key Players in the Single Audit Process
- Auditor Responsibilities
- Auditee Responsibilities
- Compliance Requirements
- Internal Control
- Reporting
- Preparing for a Single Audit Under the Uniform Guidance
- Lessons Learned from Recent OIG Reports
- How to Monitor Subrecipients



Round Rock's SEFA

**CITY OF ROUND ROCK, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2017**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant or Identifying Number	Pass- Through to Non-State Entities	Expenditures Direct	Total
Institute of Museum and Library Services					
Passed-Through from Texas State Library and Archives Commission					
Grants to States	45.310		\$ -	\$ 13,873	\$ 13,873
Total Institute of Museum and Library Services			-	13,873	13,873
U.S. Department of Housing & Urban Development					
Community Development Block Grants/Entitlement Grants Cluster					
Community Development Block Grants/ Entitlement Grants	14.218	B13MC480514	13,838	17,158	30,996
Community Development Block Grants/ Entitlement Grants	14.218	B14MC480514	2,869	114,989	117,858
Community Development Block Grants/ Entitlement Grants	14.218	B15MC480514	20,874	146,216	167,090
Community Development Block Grants/ Entitlement Grants	14.218	B16MC480514	97,327	77,695	175,022
Total Community Development Block Grants/ Entitlement Grants Cluster			134,908	356,058	490,966
Total U.S. Department of Housing & Urban Development			134,908	356,058	490,966
U.S. Department of Justice					
Edward Byrne Memorial Justice Assistance Grant Program					
Equitable Sharing Program	16.922	TX2460500	-	8,840	8,840
Passed-Through from the Federal Bureau of Investigation – San Antonio VCTF					
Equitable Sharing Program	16.922	MOU-June 19, 2017	-	132,221	132,221
Total U.S. Department of Justice			-	150,034	150,034
U.S. Department of Transportation					
Federal Transit Formula Grants					
Federal Transit Formula Grants	20.507	TX-90-Y001-00	-	297,192	297,192
Federal Transit Formula Grants	20.507	TX-2017-035-00	-	25,279	25,279
Passed-Through from Capitol Metropolitan Transportation Authority					
Job Access and Reverse Commute Program	20.516	TX-37-X065-01	-	69,106	69,106
Highway Planning and Construction Cluster					
Quiet Zone Project	20.205	CSJ# 0914-05-164/ 0914-05-165	-	9,878	9,878
RM 620 Right of Way Acquisitions Project	20.205	CSJ 0883-01-056	-	988,519	988,519
Sidewalk GAPs Project	20.205	CSJ 0914-05-186	-	324,062	324,062
Southwest Downtown Infrastructure Improvements Project	20.205	CSJ 0914-05-185	-	235,328	235,328
Passed-Through from the Texas Department of Transportation					
Recreational Trails Program	20.219	CSJ# 0914-05-161	-	109,667	109,667
Total Highway Planning and Construction Cluster			-	1,667,454	1,667,454
Total U.S. Department of Transportation			-	2,059,031	2,059,031
U.S. Department of Treasury					
Equitable Sharing Program					
Equitable Sharing Program	21.016	TX2460500	-	53,099	53,099
Total U.S. Department of Treasury			-	53,099	53,099
Total Expenditures of Federal Awards			\$ 134,908	\$ 2,632,095	\$ 2,767,003



Single Audit Act of 1984, amended in 1996

- Enacted to streamline and improve the effectiveness of audits of federal awards and to reduce the audit burden on states, local governments, and not-for-profit entities
- Detailed implementation requirements for single audits contained in regulation



Importance of the Single Audit

- Fulfill your fiduciary responsibility
- Obtain assurance related to the financial integrity of funded programs
- Identify possible non-compliance and other issues early to avoid interruption of current funding
- Lower the risk of future non-compliance
- Build goodwill among taxpayers, donors and other key stakeholders
- Strengthen your ability to secure additional funding in the future



Single Audit Process

Federal Awards
Granted

Grantee Expend
Funds

Single Audit
Performed

Federal Review of
Single Audit Results



Key Players

- U.S. Congress
- Individual Federal Grant Making Agencies
- State and Local Governments (SLG)
- Not-for-Profits (NFP)
- CPA Firms
- State Auditor Organizations
- Federal Agency Offices of Inspector General (OIGs)
- Council of the Inspectors General for Integrity and Efficiency (CIGIE)
- Office of Management and Budget (OMB)
- Government Accountability Office (GAO)
- Council on Financial Assistance Reform (COFAR)
- Federal Audit Clearinghouse (FAC)
- Taxpayers



SLG and NFP Recipients

- Expend federal awards or participate in federal programs
 - Some entities receive federal funds directly from federal government
 - Some entities receive federal funds indirectly from a pass-through entity
- Must comply with federal requirements and establish internal control to ensure compliance
- Subject to a single audit if expend \$750K or more in federal funds
- Responsible for hiring the auditor
- Must submit audits to Federal Audit Clearinghouse (FAC)
 - Audit reporting packages publicly available on FAC Web site
- Must respond to all single audit findings and submit corrective action plans to federal agencies



Taxpayers

- Taxpayers may not be aware of single audits
- However, ultimately single audits are compliance audits of whether taxpayer dollars are being spent in accordance with federal requirements



Single Audits

- The single audit process is complex
- There are many key players participating in the process from various stakeholder groups
- It takes all parties working together, with a strong focus on the importance of single audits, for the process to work successfully



Uniform Guidance

- Issued by the OMB on December 26, 2013
- Delivers a government that is efficient, effective, and transparent
- Provides a framework for grants management
- Reduces administrative burden for non-Federal entities receiving Federal awards (8 circulars combined into 1)
- Admin requirements and cost principles became effective 12/26/2014
- Audit requirements became effective for fiscal years beginning on or after 12/26/2014



When is a Single Audit Required? §200.501

When a non-federal entity expends federal awards (either direct or indirect awards) of \$750,000 or more in their fiscal year

- What is a non-federal entity?
 - States
 - Local governments
 - Indian tribes
 - Institutions of higher education (IHE)
 - Not-for-profit organization



Auditor Requirements §200.514

Determine if financial statements fairly presented

Report on Schedule of Expenditures of Federal Awards (SEFA)

Understand and test internal control over compliance

Determine whether auditee complied

Follow-up on prior audit findings

Report findings

Complete and sign Data Collection Form



Auditee Requirements §200.508

Arrange for Single
Audit in
Accordance With
§200.509

Prepare Financial
Statements

Prepare SEFA

Provide the
Auditor with
Access

Follow-Up and
Take Corrective
Action on
Findings

Prepare Summary
Schedule of Prior
Audit Findings

Prepare Corrective
Action Plan



Financial Management System §200.302

Auditee financial management system must provide for the following:

- Identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received. Information should include, as applicable:
- Catalog of Federal Domestic Assistance (CFDA) title and number
- Federal award identification number and year
- Federal awarding agency
- Pass-through entity (PTE), if applicable
- Accurate, current, and complete disclosure of the financial results of each federal award or program



Financial Management System §200.302

Must Include:

- Records that identify the source and application of funds for federally-funded activities
- Effective control over, and accountability for all funds, property, and other assets.
- Comparison of expenditures with budget amounts for each federal award
- Written procedures to implement the requirements cash management
- Written procedures for determining the allowability of costs in accordance with Cost Principles and terms and conditions of the federal awards



Financial Statements §200.510

- Must prepare financial statements for the fiscal year audited that reflect current:
 - Financial position
 - Results of operation or changes in net assets
 - Where appropriate, cash flows
- Must be for same organizational unit and fiscal year that is chosen to meet the requirements of the Uniform Guidance
- May include departments, agencies, and other organizational units that have separate audits under the Uniform Guidance
- While preparing financial statements in accordance with generally accepted accounting principles (GAAP) not required, auditees cannot be considered a low-risk auditee by the auditor if they voluntarily follow a non-GAAP basis

Schedule of Expenditures of Federal Awards (SEFA) §200.510

- Must also prepare a SEFA for the period covered by the auditee's financial statements
 - Must include the total federal awards expended as determined in accordance with §200.502 “Basis for Determining Federal Awards Expended”
- Important Notes about SEFA
 - Reconciles to accounting and other records used in preparing the financial statements or the financial statements themselves
 - Auditor uses to base the performance of risk assessments and selection of major programs
 - Completeness and accuracy critical to avoid missed programs!

What Qualifies as Federal Award? §200.38

- Federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from PTEs
 - It does not include procurement contracts, under grants or contracts, used to buy goods or services.
 - Analysis completed by the auditee to determine if a vendor relationship exists.

When Does Federal Expenditure Occur?

§200.502

Based on when the activity related to the award occurs:

- Expenditure/expense transactions related to grants/contracts
- Other examples:
 - disbursement of funds passed through to subrecipients;
 - use of loan proceeds under loan and loan guarantee programs;
 - receipt of property;
 - receipt or use of program income;
 - disbursement of amounts entitling the non-federal entity to an interest subsidy
 - distribution or consumption of food commodities



Definition of Federal Program §200.42

- All Federal awards which are assigned a single number in the Catalog of Federal Domestic Assistance (CFDA)
- When no CFDA number is assigned, all federal awards to non-federal entities from the same agency made for the same purpose must be combined and considered one program

CFDA

- Catalog of Federal Domestic Assistance
- XX.XXX
- 14.XXX – U.S. Department of Housing and Urban Development
- 16.XXX – U.S. Department of Justice
- 20.XXX – U.S. Department of Transportation



Clusters §200.17

- A grouping of closely related programs that share common compliance requirements
- Clusters are treated as one program for major program determination and testing
- Clusters include:
 - Research and Development (R&D)
 - Student Financial Assistance (SFA)
 - Other clusters (defined in OMB *Compliance Supplement*)

Providing Auditors With Access §200.508

Uniform Guidance states that auditees must provide access to:

- Personnel
- Accounts
- Books
- Records
- Supporting documentation
- Other information as needed

Auditee Internal Control and Compliance Requirements §200.303

Establish and maintain internal control over federal programs

Comply with federal statutes, regulations, federal awards

Evaluate and monitor compliance

Take prompt action when noncompliance identified

Safeguard protected personally identifiable information (PII)

Compliance Requirements

- Activities Allowed or Unallowed (A)
- Allowable Costs / Cost Principles (B)
- Cash Management (C)
- Eligibility (E)
- Equipment and Real Property Management (F)
- Matching, Level of Effort, Earmarking (G)
- Period of Performance (H)
- Procurement and Suspension and Debarment (I)
- Program Income (J)
- Reporting (L)
- Subrecipient Monitoring (M)
- Special Tests (N)



Allowable Costs and Cost Principles

- Need to Understand Subpart E - Cost Principles
 - Describes the cost accounting requirements associated with federal awards
 - Includes requirements for indirect costs
 - Includes requirements for compensation – personal services
- OMB *Compliance Supplement* includes a table of selected items of cost allowability for differing types of organizations
 - Do not rely on exclusively; instead refer to Uniform Guidance
- Key area of focus for auditees:
 - Compensation – Personal Services
 - Indirect Costs
 - Preapproval Items (see §200.407 for list)



Compensation – Personal Services

- Time and distribution records must be maintained for all employees whose salary is:
 - Paid in whole or in part with federal funds
 - Used to meet a match/cost share requirement
- Not based on budget estimates alone – needs to be ACTUAL
- Full disclosure
 - All time worked for the organization and what percentage is federal



Compensation – Personal Services – Documentation §200.430

- Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed
- Numerous record requirements including:
 - Must be supported by a system of internal controls which provides reasonable assurance that amounts are accurate, allowable and properly allocated
 - Must be incorporated into official records
 - Must reasonably reflect total activity for which the employee is compensated by the non-federal entity, not exceeding 100% of compensated activities



Compensation – Personal Services – Documentation §200.430

- Numerous record requirements including:
 - Exempt and nonexempt employees must prepare records indicating the total number of hours worked each day
 - Salaries and wages of employees used in meeting cost sharing or matching requirements on federal awards must be supported in the same manner

Cost Principles – Indirect Costs

- Federal agencies and PTEs will have to accept a non-federal entity's negotiated indirect cost rate
- Unless a statute or regulation allows for an exception
- Non-federal entities will have a one-time option to extend rate for up to four years
- For non-federal entities who have never received a negotiated rate, de minimis rate of 10% of modified total direct costs may be used indefinitely



Cash Management

- For grants and cooperative agreements, all non-federal entities must establish written procedures to implement the requirements of 2 CFR section 200.305
- The “minimized elapsed time for funds transfer” is based on the payment system/method a non-federal entity uses
- More emphasis on cost-reimbursement contracts under the Federal Acquisition Regulation (FAR)

Cash Management

Grant funds

- Must be expended first
- Cannot be drawn down or reimbursement reports submitted no earlier than the check or wire was mailed or processed, respectively



Procurement

- Auditees need to understand UG procurement requirements
- States follow the same policies and procedures they use for procurements from non-federal funds (i.e., state procurement statutes)
- Other non-federal entities follow the five procurement methods outlined in the Guidance
 - Micro-purchases, small purchases, sealed bids, competitive proposals, and sole source

Procurement – Conflict of Interest

- Non-federal entities must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees in the selection, award and administration of contracts
- No employee, officer, or agent may participate in the selection, award, or administration of a contract if they have a real or apparent conflict of interest



Complying with Federal Procurement Standards

- Provide full and open competition
- Conduct all necessary affirmative steps to ensure the use of minority businesses, women's business enterprises, and labor surplus area firms when possible
- Exclude contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals from competing for such procurement



Procurement by Micro-Purchase Procedures

Micro-purchases = \$2,999 and less

- To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers.
- Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.



Procurement by Small Purchase Procedures

Small purchases = \$3,000 to \$49,999

- The auditee must obtain price or rate quotations from an adequate number of qualified sources.
- What is an adequate number of sources will depend upon the facts and circumstances of the procurement, but generally more than one is the minimum.
- FEMA requires a minimum of three quotes.



State Law - Texas Municipal Procurement

\$50,000 - \$249,999

- Comply with procedures for competitive sealed bidding or competitive sealed proposals
- State law provides a number of specific exceptions
- For contracts for certain professional services, a city is actually prohibited by law from awarding the contract by competitive bidding



Simplified Acquisition Threshold

Purchases \$250,000 and greater

- Independent Estimate
- Cost/Price Analysis
- Procurement by sealed bids (formal advertising)
- Procurement by competitive proposals



Noncompetitive Proposals

Grant may reimburse costs incurred under a contract procured through a noncompetitive proposal only when one or more of the following apply:

- The item is only available from a single source;
- Federal agency or PTE expressly authorizes a noncompetitive proposal in response to a written request from the Applicant; or
- After solicitation of a number of sources, competition is determined inadequate



Sole Source and Cooperatives

- Sole Source vendors are very rare
 - The item is available only from a single source;
 - The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
 - The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity
 - After solicitation of a number of sources, competition is determined inadequate.
- Auditees must ensure that purchasing cooperatives are following Uniform Guidance



Complying with Federal Procurement Standards

- Use caution with purchasing co-operatives
- Maintain records sufficient to detail the history of the procurement. These records will include, but are not limited to:
 - Rationale for the method of procurement
 - Selection of contract type
 - Contractor selection or rejection
 - The basis for the contract price

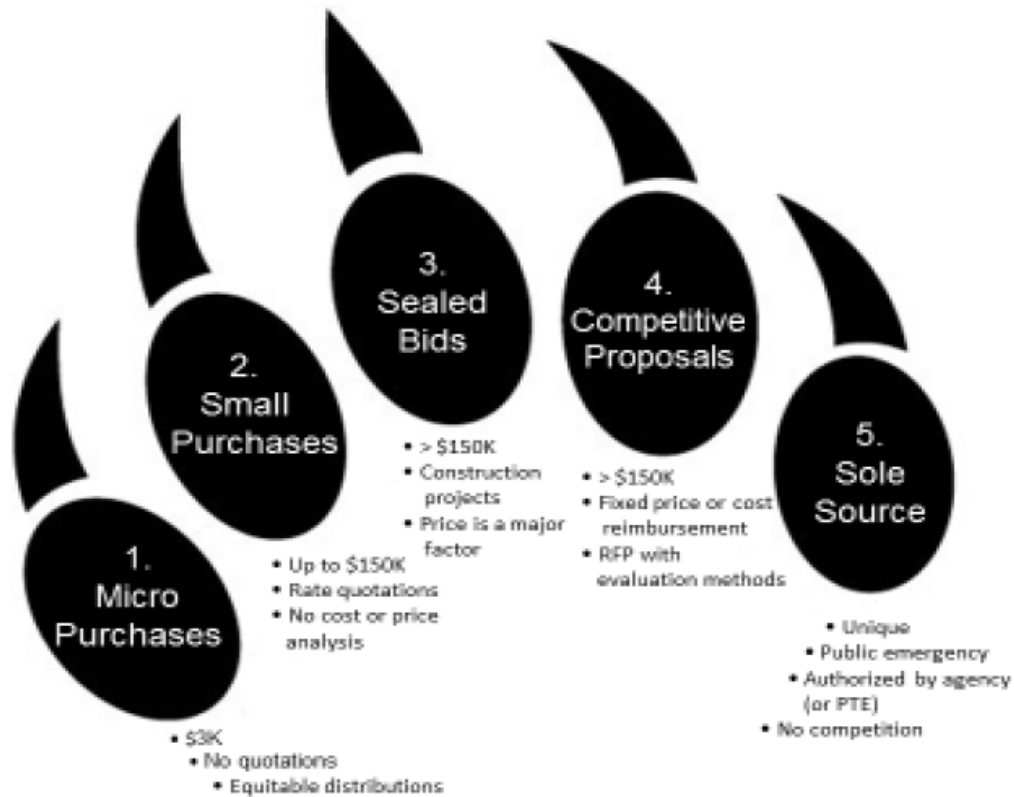


Procurement Recap

- Between \$0 to \$2,999 (Micro-purchase)
 - No quotes, proposal etc. Per OMB, this is per purchase order
 - Caution: Remember that Texas governmental entities are required to track expenditures \$50,000 and over by commodity to ensure a competitive procurement is used
- \$3,000-\$49,999 (small purchases)
 - Quotations are required (more restrictive than State rules)
- \$50,000 - \$249,999 (State Law)
 - Follow State Law: Competitive Procurement Method must be followed
- \$250,000 and above (Simplified Threshold)
 - Cost/Price Analysis
 - Competitive Sealed Bids
- Sole Source Vendor (non-competitive proposals from one source)
- Purchasing Department is your gate keeper; should challenge sole source letters from vendors
- Suspension and Debarment (2 CFR 200.213) – no thresholds but compliance supplement



Procurement "Claw" (Section 200.320)



Note: \$150K has been raised to \$250K



Provisions for Non-Federal Entity Contracts Under Federal Awards

- Remedies and termination clauses
- Non-discrimination (EEO)
- Compliance with labor laws (Davis Bacon Act; Contract Work Hours and Safety Standards Act)
- Prohibitions of “kickbacks” (Copeland Anti-Kickback Act)
- Rights to Inventions Made Under a Contract or Agreement
- Clean Air Act
- Suspension and Debarment
- Anti-Lobbying



Top 10 Procurement Mistakes Leading to Audits and Potential Loss of Funding

1. Noncompetitive procurement without documenting urgent need situation

2. Continuing work under a sole-source contract after the urgent need has ended

3. Piggybacking on another government's contract (piggybacking is rarely allowed)

4. Awarding a "time and materials" contract without a ceiling price and failing to document why no other contract type was suitable

5. Awarding a "cost-plus-a-%-of-cost" or "%-of-construction-cost" contract



Top 10 Procurement Mistakes Leading to Audits and Potential Loss of Funding

6. Not including required contract clauses

7. Including a geographic preference in solicitation

8. Not making and documenting effort to solicit SBE/MBE/WBE

9. Conducting a procurement exceeding \$150,000 without a detailed cost or price analysis

10. Failing to document procurement steps if questions arise years later



Grant Drawdowns and Required Certifications (2 CFR 200.415)

Required Certification:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.”

(U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812)



Follow the Money



**Federal Government-
Specific Federal Agency**



**Primary Recipient –
Nonfederal agency**



**Subrecipient Non-
Federal Entity**



Follow the Money



Follow the Money



Subrecipient Non-Federal Entity



Subrecipient Non-Federal Entity



Subrecipient Monitoring: Pass-Through Entity Requirements §200.514

Determine if subrecipient or contractor

Clearly identify subawards to subrecipients

Provide certain subaward information at time of subaward

Evaluate each subrecipient's risk of noncompliance

Consider imposing specific subaward conditions

Monitor activities of subrecipients

Verify subrecipient audited

Consider results of subrecipient audits

Consider taking enforcement action for noncompliant subrecipients

Subaward Requirements

- Federal Award Identification
- All requirements imposed by the PTE
- Additional requirements that the PTE imposes on the subrecipient, including identification of any required financial or performance reports
- An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, either a rate negotiated between the PTE and the subrecipient or a de minimis indirect cost rate as defined in §200.514
- A requirement that the subrecipient permit the PTE and auditors to have access to the subrecipient's records and financial statements, as necessary
- Appropriate terms and conditions concerning the closeout of the subaward



Subrecipient Monitoring

- PTE monitoring of the subrecipient must include:
 - Reviewing financial and performance reports required by the PTE
 - Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient
 - Includes deficiencies detected through audits, on-site reviews, and other means.
 - Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by §200.521 Management decision.
 - Depending on risk assessment results, may require additional monitoring procedures.



Subrecipient/Contractor Determination

- Determination criteria located in Administrative Requirements in Section 200.330
- Know the definitions of these terms:
 - Pass-through Entity (PTE)
 - Subaward
 - Subrecipient
 - Contractor
- The PTE must make the determination
- Judgment is critical



Internal Control §200.303

The non-Federal entity must:

- Establish and maintain effective internal control over the Federal award to provide reasonable assurance of compliance
- Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards
- Evaluate and monitor the non-Federal entity's compliance
- Take prompt action when instances of noncompliance are identified
- Take reasonable measures to safeguard protected personally identifiable information and other sensitive information



What Does Auditor Do?

- Uniform Guidance requires auditor to plan the audit to obtain “low” control risk
 - That is, controls “operate effectively”
 - Reliable controls
- How do auditors get to “low” control risk?
 - Document understanding
 - Test control design and implementation
 - Test control effectiveness
- Sampling often used
 - Items tested carry much significance
- Ineffective control = finding



Single Audit – Timing Requirements

- Timing of the single audit
 - Audit performed annually
- Must be submitted to the FAC within the earlier of 30 days after receipt of the auditors reports or 9 months after year end of the auditee
 - If the due date falls on a Saturday, Sunday, or federal holiday, the reporting package is due the next business day

Single Audit – End Result

- Contents of the Single Audit Submission
 - Auditor's report on the financial statements of the entity
 - Auditor's in-relation-to reporting on the SEFA
 - Entity's financial statements
 - Entity's SEFA
 - Auditor's report(s) on internal control over financial reporting and on compliance and other matters to meet *Government Auditing Standards* requirements
 - Relates to audit of financial statements

Single Audit – End Result

- Contents of Single Audit Submission
 - Auditor’s report on compliance and internal control over compliance – major programs
 - Auditor’s schedule of findings and questioned costs (SFQC)
 - Includes summary of auditor results and findings
 - Entity’s summary schedule of prior audit findings
 - Entity’s corrective action plan
- All items above and on previous slide are referred to as “reporting package”
- Reporting package and the DCF are submitted electronically to the FAC by the auditee
 - DCF to be discussed later in presentation



UG Findings §200.516

- The auditor must report the following as audit findings in the SFQC:
 - Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse
 - Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program
 - Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program
 - Known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program

UG Findings §200.516

- The auditor must report the following as audit findings in the SFQC:
 - Known questioned costs that are greater than \$25,000 for a federal program which is not audited as a major program
 - Known or likely fraud affecting a federal award, unless otherwise reported in the SFQC
 - Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding

UG Finding Elements § 200.516



Schedule of Prior Audit Findings

- Prepared by auditee
- Must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs.
- Must include the reference numbers the auditor assigns to audit findings
- Must include the fiscal year in which the finding initially occurred.
- Must include findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

Corrective Action Plan (CAP)

- At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings, a CAP to address each audit finding included in the current year auditor's reports.
- CAP must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.
- If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

Recent OIG Reports

- Failure to provide full and open competition
 - 2 Code of Federal Regulation (CFR) 200.319(a)
- Failure to take all affirmative steps to assure the use of disadvantaged businesses when possible
 - 2 CFR 200.321
- Failure to include all required contract provisions
 - 2 CFR 200.326
- Failure to verify whether contractors were suspended, debarred, or otherwise excluded or ineligible
 - 2 CFR 200.213



Texas County Needs Additional Assistance and Monitoring to Manage FEMA Grant

- County does not have adequate policies, procedures, and business practices to account for FEMA grant funds properly.
- Timesheets did not:
 - Include and adequate description of disaster-related work performed
 - Identify hours worked to a specific disaster or project
 - Include required employee or supervisor approvals
- Specific contract provisions were missing
 - Remedies and termination clauses
 - Non-discrimination
 - Compliance with labor laws
 - Prohibitions of “kickbacks”



FEMA Should Disallow \$1.5 million in Grant Funds Awarded to Texas County

- The County did not comply with procurement standards for Federal grants in awarding contracts for disaster work.
- The County used a Council of Governments (COG) to procure debris removal and monitoring.
- The COG unreasonably prevented smaller companies from competing for the federally funded work.
 - Disadvantaged Business Enterprise (DBE)
 - Historically Underutilized Business (HUB)
 - Minority and Women Business Enterprise (MWBE)
- Using a cooperative contract does not relieve the grantee of the responsibility to comply with Federal procurement requirements.



Resources

- AICPA Accounting and Auditing Guide (AAG) – Government Auditing Standards and Single Audits
- Uniform Grant Guidance
 - http://www.whitehouse.gov/omb/grants_docs
- COFAR
 - <https://cfo.gov/cofar>
- e-CFR
 - <http://www.ecfr.gov>



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