

Section 24 – Grants

Overview

Grants are an attractive source of funding for local governments to fund programs and services when other sources of revenue are declining or otherwise unavailable. Grants that are received from other governmental entities and/or private foundations often have specific compliance rules along with specialized reporting requirements. It is the responsibility of both the Grants Manager and Finance personnel to ensure that all requirements are met. If the specific requirements are not met, negative consequences could occur. It is recommended that grant recipients not only have a grant policy in place, but also procedures for grant administration, internal controls for grants, and establish a grants administration oversight committee.

Grants Policy

Since grants often commit a government to financially maintain a program or asset after the grant period, a grants policy should have been adopted and implemented prior to applying for a grant. The Government Finance Officers Association (GFOA) has issued a best practice, “Establishing an Effective Grants Policy”, which outlines what the policy should contain. The policy should contain the following components: grants identification and application, strategic alignment, funding analysis, evaluation prior to renewal or grant continuation, and administrative and operational support.

Post Grant Award

According to the GFOA’s best practice on Grants Administration, local governments should develop processes that establish awareness that grants come with specific and significant requirements and that this awareness should be maintained throughout the life of the grant. On many occasions both the Grant Manager and Finance Manager work together to ensure the efficiency of grant administration. In smaller governments, these are often combined.

Many procedures of grant management and finance management overlap, such as developing procedures for cash management, record keeping, audit requirements, reporting requirements, and communication with granting agency and in-house personnel.

One important aspect of grant administration is the development of proper internal controls. The GFOA has a recommended best practice on Internal Controls for Grants which ensure that the grant resources are being utilized effectively and efficiently, assets purchased or developed with the grant resources are being safeguarded properly and the grant resources are being utilized in compliance with appropriate laws and regulations. A resource to aid in the development of those internal controls is the

Committee of Sponsoring Organizations (COSO), and the Internal Control-Integrated Framework which includes: Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

To aid in complying with all the complex requirements some grant programs set forth, the GFOA has recommended to establish a Grants Administration Oversight Committee. The issued best practice outlines who should be a member of the committee and its duties. This recommendation is made so that a local government does not experience the negative consequences of not complying with all of the conditions and requirements of a grant from acceptance to expiration.

Audit Compliance

The U.S. Office of Management and Budget (OMB) has published Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The GFOA has issued a best practice recommendation on OMB Uniform Guidance that state and local governments need to take appropriate steps to ensure that they comply with the Uniform Guidance.

The Yellow Book is another source of auditing standards published by the United States Government Accountability Office (GAO). Some grant programs, due to the amount of the grant award, will require a single audit to be performed. As of 2020, the audit threshold amount is \$750,000. However, some grants may have specific language that require an audit regardless of any dollar threshold.

The Florida Single Audit Act, s. 215.97, F.S., establishes state audit and accountability requirements for state financial assistance provided to nonstate entities. The Legislature found that while federal financial assistance passing through the state to nonstate entities was subject to mandatory federal audit requirements, significant amounts of state financial assistance was being provided to nonstate entities that was not subject to audit requirements that paralleled federal audit requirements. Accordingly, the intent of the Act is that state audit and accountability requirements, to the extent possible, parallel the federal audit requirements. The audit threshold amount is also \$750,000.

References

GFOA Best Practice – Internal Control Grants – <https://www.gfoa.org/materials/internal-control-for-grants>

GAO Auditing Standards – <https://www.gao.gov/assets/700/693136.pdf>

GFOA Best Practice – Grants Administration – <https://www.gfoa.org/materials/grants-administration>

GFOA Best Practice – OMB Uniform Guidance – <https://www.gfoa.org/materials/omb-uniform-guidance>

GFOA Best Practice – Establishing Effective Grants Policy
– <https://www.gfoa.org/materials/establishing-an-effective-grants-policy>

GFOA Best Practice – Establishing a Grants Administration Oversight Committee – <https://www.gfoa.org/materials/establishing-a-grants-administration-oversight-committee>

Committee on Sponsoring Organizations – <https://www.coso.org/Pages/default.aspx>

Florida Department of Financial Services Single Audit- <https://apps.fldfs.com/fsaa/>

Florida Administrative Code – <https://www.flrules.org/>

U.S. OMB Uniform Guidance – https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

Florida Single Audit Website – <https://apps.fldfs.com/fsaa/>