



Required Federal Policies and Procedures

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Questions

What's The Difference?

A **policy** is a guiding principle used to set direction in an organization.

A **procedure** is a series of steps to be followed as a consistent and repetitive approach to accomplish an end result.

What's The Difference? (cont.)

Policies:

- Change infrequently
- State generally who, what, when, or why
- Are broad and general

Procedures:

- Continuously change and improve
- State specifically who, what, when, and how
- Offer a detailed description of activities



Why Policies & Procedures?

- Required!
- Strong Internal Control
- Avoid Audit Findings

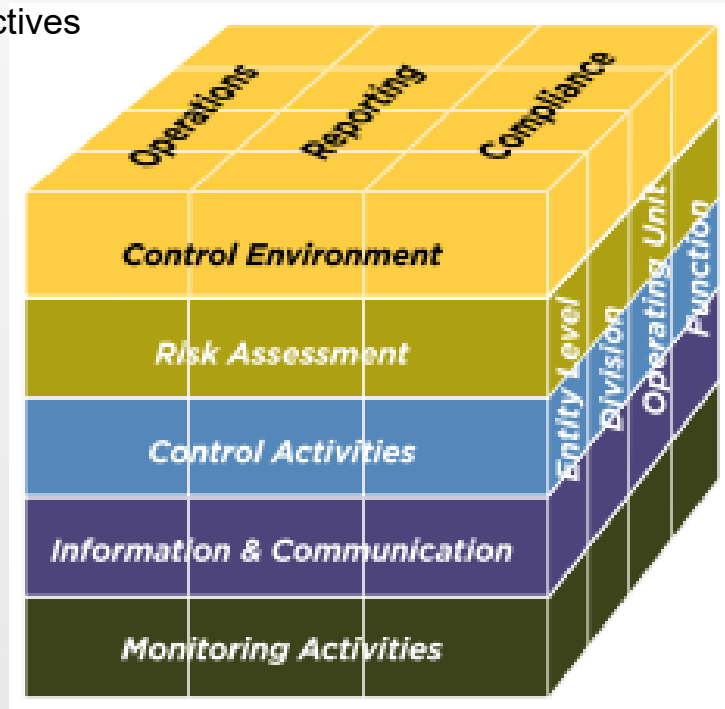


Internal Controls – 200.303

- Internal controls “should” be aligned with:
 - The U.S. Comptroller General’s Standard for Internal Control Integrated Framework (Green Book); and
 - Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

The COSO “Cube”

Categories
of Objectives



Levels of
Organizational
Structure

Components of Internal Controls

Components of Internal Controls





Control Environment Principles

1. A commitment to integrity and ethical values;
2. Independent oversight over the development and performance of internal controls;
3. Clearly defined organizational structure, clear reporting lines, appropriate authorities;
4. A commitment to attract, develop and retain competent individuals Clearly defined organizational structure; and
5. Maintain a level of competence that allows personnel to accomplish their assigned duties (and holding individuals accountable)

Maintaining a good relationship with oversight agencies (like ED and OIG for example!)



Control Environment Examples

- Well-written policies and procedures manuals
 - Addressing employee responsibilities, limits to authority, performance standards, hiring practices, whistleblower policies, conflict of interests, etc.
- Organizational chart (clear lines of authority and responsibility)
- Clear job descriptions
- Adequate training programs and performance evaluations.



Risk Assessment Principles

1. Clear objectives to enable the identification and assessment of risks;
2. Identify risks to achievement of objectives across the entity and analyze risks as a basis for determining how the risks should be managed;
3. Consider the potential for fraud; and
4. Identify and assess changes that could significantly impact the system.



Risk Areas (Examples)

Risks are not stagnate; they increase and change as laws and operational environments change.

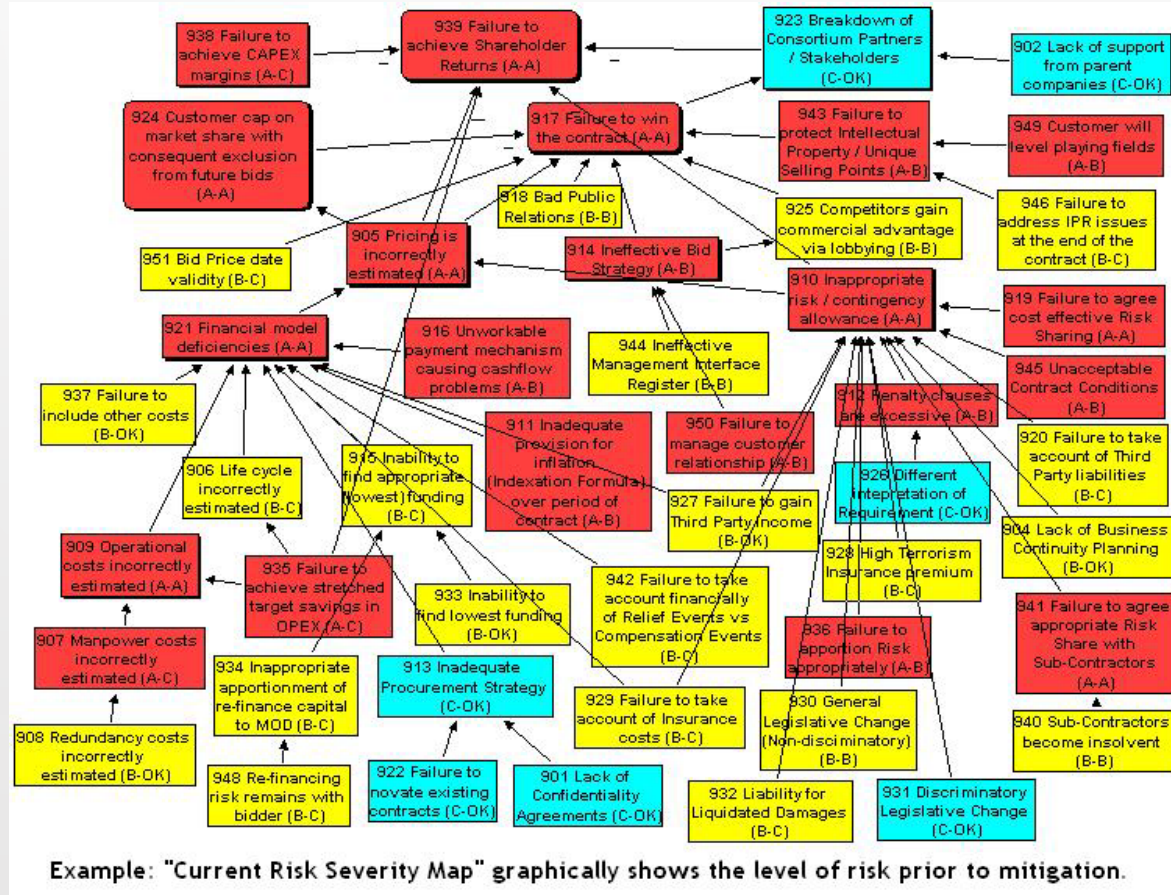
Examples:

- ▶ New personnel
- ▶ Experienced personnel
- ▶ Lack of personnel
- ▶ Reorganizations
- ▶ Cost Reduction Strategies

More Examples:

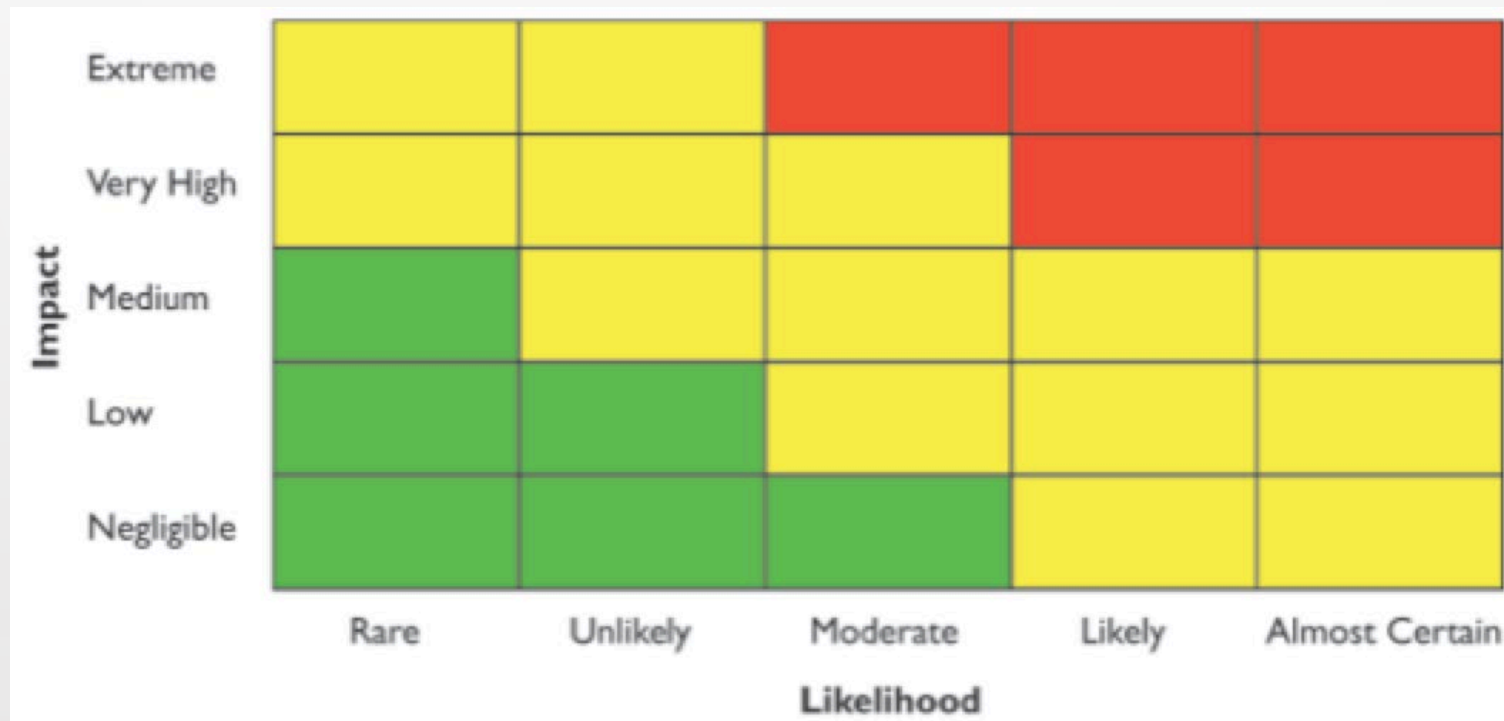
- ▶ Change in Laws and Regulations
- ▶ New Technology
- ▶ New Grants
- ▶ Competition
- ▶ Rapid growth

Risk Mapping





Risk Mapping (cont.)





Control Activities Principles

1. Select and develop control activities that contribute to the mitigation of risk and achievement of objectives to acceptable levels;
2. Select and develop general control activities over technology to support the achievement of objectives; and
3. Deploy control activities through policies that establish what is expected and ***procedures that put policies into action.***

Types of Control Activities

- **Preventive Controls:** Prevents the occurrence of a negative event in a proactive manner
 - Approval for purchase > \$5,000
 - Passwords
 - Petty cash held in lockbox
 - Security and surveillance systems
 - Pre-numbered checks
- **Detective Controls:** Identify undesirable "occurrences" after the fact.
 - Supervisor review & approval
 - Report run showing user activity
 - Reconcile petty cash
 - Physical inventory count
 - Review missing/voided checks



Control Activity Examples

- Segregating Key Responsibilities
- Restricting Access to Systems and Records (Authorizations / Passwords)
- Implementing Clear Written Policies in Key Areas
- Maintaining Physical Control Over Valuable Assets (Security)
- Maintaining Appropriate Documentation (Approvals, Record Retention)
- Accurate and Timely Recording of Information
 - Check for accounting of transactions in numerical sequence



Information and Communications

Goal: Ensure personnel receive relevant, reliable and timely information that enables them to carry out their responsibilities.

or

To **communicate** the **right information** to the **right people** at the **right time!**



Information and Communication Principles

Obtain or generate or use relevant, quality information to support the functioning of the entity;

Internally communicate info, including objectives and responsibilities necessary to support the entity; and

Communicate with external parties regarding matters affecting the functioning of the entity.

Develop procedures for identifying pertinent information and distributing it in a form and timeframe that permits people to perform their duties efficiently.

All personnel must receive a clear message from top down that responsibilities must be taken seriously.



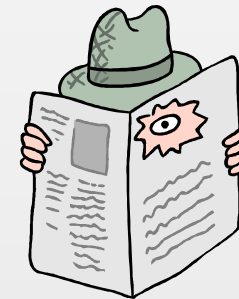
Monitoring Principles

Goal: Assess the quality of internal controls over time and ensure any findings are promptly resolved.

- ▶ Select, develop and perform ongoing and/or separate evaluations to ascertain whether the components of internal controls are present and functioning;
- ▶ Evaluate and communicate internal control deficiencies in a timely manner to parties responsible for taking corrective action.

Monitoring Examples

- ▶ Ongoing program and fiscal monitoring
- ▶ Regular oversight by supervisors
- ▶ Record reconciliation
- ▶ Formal program reviews/audits
- ▶ Annual single audits



Include policies and procedures for correcting any findings in a timely manner

NFE Required Policies

States

- Procurement policies 300.317

All

- Conflicts of Interest Policy - 200.318(c)
 - Accounting Policies – 200.306(h)(2)(i); 200.400; 200.430(i)
 - Time and Effort Policies – 200.430(a)
 - Fringe Benefits Policies – 200.431
 - Employee Health and Welfare Policies 200.437
 - Travel Reimbursement Policy - 200.475(a)
-



NFE	Required Procedures
States	<ul style="list-style-type: none">• Financial Management Procedures 200.302• Equipment procedures 200.313(b)• Procurement 200.317)
All	<ul style="list-style-type: none">• Procedures - Real property sales procedures – 200.311(c)(2)• Time & Effort Procedures – ED Cost Allocation Guide
Other NFEs	<ul style="list-style-type: none">• Written Allowability Procedures - 200.302(b)(7); 200403(c)• Written Cash Management Procedures - 200.302(b)(6) and 200.305• Written Procurement Procedures – 200.318(a), 200.319(d), and 200.320• Procedures for Managing Equipment - 200.313(d)



Suggested Policies and Procedures

- Record Retention
- Audit Resolution
- For the pass-through entity: Subrecipient Monitoring (listed in OMB Compliance Supplement)
- Program Specific Requirements



Deadlines

How Often Should
We Update our
Policies and
Procedures?



The Process of Updating/ Creating Policies and Procedures

Cash Management

Federal Payment 200.305(b)

Written procedures must describe whether non-federal entity uses:

1) Advance Payments

- Limited to minimum amounts needed to meet immediate cash needs
- Subject to cash management requirements
- Interest earned over \$500 must be remitted annually to HHS Payment Management System (updates to this process)

2) Reimbursement

- Pass through must make payment within 30 calendar days after receipt of the billing; Initial payments made with state/local funds

Cash Management 200.305 (a) and (b)

- For non-federal entities, payments must minimize time elapsing between draw down and disbursement (not obligation)
- Cash advances must be maintained in insured accounts
- Accounts must be interest bearing unless:
 1. Aggregate federal awards under \$120,000
 2. Account not expected to earn in excess of \$500 per year
 3. Bank require minimum balance so high, that such account not feasible
- Interest earned must be remitted annually to HHS Payment Management System (updates to this process)
 - Interest amounts up to \$500 may be retained by non-federal entity for administrative purposes.

Allowability

Allowability Procedures (200.403)

- Necessary, reasonable and allocable
- In compliance with the cost principles and federal award
- Consistent with policies and procedures applying uniformly to federal and non-federal activities and costs
- Consistently treated as either direct or indirect costs
- Determined in accordance with GAAP
- Not included or used to meet cost sharing / match requirements
- Adequately documented
- Incurred during approved budget period (NEW)



Other considerations

- When does this process begin
- Who reviews
- What about budget amendments

Procurement



Contract Administration 200.318(b)

- Nonfederal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract

Conflict of Interest 200.318(c)(1)



- Must maintain written standard of conduct, including conflict of interest policy.
- A conflict of interest arises when any of the following has a financial or other interest in the firm selected for award:
 - Employee, officer or agent
 - Any member of that person's immediate family
 - That person's partner
 - An organization which employs, or is about to employ, any of the above or has a financial interest in the firm selected for award
- Organizational Conflict (applies to non-gov entities)

Conflict of Interest 200.318(c)(1) (cont.)

- Must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors / subcontractors.
- However, may set standards for situations in which the financial interest is not substantial, or the gift is an unsolicited item of nominal value.
- Standards of conduct must include disciplinary actions applies for violations.



Informal Procurement 200.320(a)

- Use when value does not exceed \$250,000 (simplified acquisition threshold), or a lower threshold established by a non-federal entity
- Procurement of property or services required under federal award
- Purpose: to expedite completion and minimize administrative burden and cost

Informal Procurement, 200.320(a)(1) Micro-purchases

- Threshold: \$10,000 or lower State rule
- Distribution. “To the maximum extent practicable, the non-federal entity should distribute ... among qualified suppliers.”
- Awards. May be awarded without price or rate quotes if non-federal entity “considers the price to be reasonable **based on research, experience, purchase history or other information and documents its files accordingly.**”

Informal Procurement, 200.320(a)(1) Micro-purchases (cont.)

- Thresholds. Determined and documented by grantee, based on internal controls, risk, and procedures. Authorized by state, local laws. May be higher than threshold in FAR (\$10,000).
 - Nonfederal entity may self-certify threshold up to \$50,000, if:
 - Low-risk auditee for most recent audit (200.520)
 - Annual internal institutional risk assessment to identify, mitigate and manage financial risks; or
 - For public institutions, a higher threshold consistent with state law
 - Over \$50,000, must have approval of cognizant agency indirect costs



Informal Procurement, 200.320(a)(2) Small Purchases

- Used when for purchases greater than micro-purchase threshold, but less than simplified acquisition threshold (\$250,000).
- Price or rate quotations from “adequate number of qualified sources” **as determined appropriate by non-federal entity**
- Thresholds. Established based on internal controls, risk and procedures, and documented. Cannot exceed the threshold in FAR (\$250,000) but may be lowered.

Formal Procurement, 200.320(b)

- Used for purchases that exceed small purchase threshold (\$250,000, or lower, if set by the non-federal entity)
 - Require documented procedures
 - Require public advertising
- Two options:
 1. Sealed bids
 2. Proposals

Sealed Bids

Used when:

1. A complete, adequate, and realistic specification or purchase description is available
2. Two or more responsible bidders are willing and able to compete effectively
3. The procurement lends itself to a firm, fixed-price contract and selection is principally based on cost.



Request for Proposal

Used when item is the item to be purchased or the services to be rendered are difficult to describe.

1. Must have a written method for conducting technical evaluations of proposals and making selections.
2. Contract is awarded to offeror whose proposal is most advantageous considering price and other factors.

Domestic Preferences for Procurements 200.322

- “To the greatest extent practicable” must provide a preference for the purchase of goods and materials produced in the U.S.
- Must include this section in all subawards, contracts and purchase orders





Other considerations

- Suspension & Debarment
- Small, minority, women, owned businesses
- Inter-governmental agreements
- Recovered materials
- Duplicative items

Inventory

Inventory Procedures – 200.313(d)



- Property records
 - Description, serial number or other ID, source of funding, title, acquisition date and cost, percent of federal participation, location, use and condition, and ultimate disposition date including sale price
- Physical inventory at least every two years
- Control system to prevent loss, damage, theft – Must safeguard all assets!
 - All incidents must be investigated
- Adequate maintenance procedures
- If authorized or required to sell property, proper sales procedures to ensure highest possible return.



Other considerations

- Disposal process
- Shared use
- Transfer between programs
- Who does the inventory
- Security measures

Time & Effort



Time and Effort Procedures

- ✓ Certification requirements
- ✓ Define cost objectives
- ✓ Include exceptions
- ✓ Include reconciliation process

“The information should be of sufficient detail to permit an understanding of how the system will operate from the point the time [is] worked to the point the time is recorded in the accounting records and charged to federal awards.” – U.S. Department of Education Cost Allocation Guide (2019)

<https://www.bruman.com/wp-content/uploads/2020/01/Cost-Allocation-Guide-2019.pdf>



Time and Effort Exceptions

- Single Cost Objective Employees: no time distribution records required because no time to distribute.
- Applies to the following cost objectives/programs:
 - Schoolwide program
 - Consolidated administration
 - ESSER and GEER
- See 2020 Compliance Supplement and Addendum



Time and Effort Flexibilities/ Exceptions



Must follow policies
and procedures re:
time and effort
documentation

Travel

Travel 200.475

- Travel costs may be charged on actual, per diem, or mileage basis
 - Receipts?
- Allows costs for “above and beyond regular dependent care”
 - How is this calculated?
- Grantee must retain documentation that participation of individual is necessary for the project
 - What must be maintained?

Other Areas



Documentation

- How long to maintain
- Who has access
- FERPA concerns
- Can employees access from home/take copies home?
- Cybersecurity measures?
- Physical security measures?



Audit Resolution

- Corrective Action Plans
 - Specific actions
 - Deadlines
 - Staff assigned to implement
- Who oversees?



Questions??



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