Welcome

Please help yourself to breakfast.
Agenda

8:00 - 8:45am  Registration and Breakfast
8:45 - 8:55am  Welcome
8:55 - 9:25am  Carol Kraus, State of Illinois
9:25 - 9:55am  Q&A and Discussion
9:55 - 10:00am Closing
Grant Accountability and Transparency Act – Successes and Lessons Learned

Federal Grants Management Breakfast

Carol A Kraus, CPA
Introduction

- Historical Evolution of GATA
- Illinois Grant Practices
- GATA Collaboration
- GATA Subcommittees and Workgroups
- GATA Guiding Principles
- GATA Uniform Policies and Templates
- Centralized Frameworks
- Optimizing Resources
- GATA Challenges
Historical Evolution of GATA

- The grantee community started an initiative to remove redundancies and streamline the grant process for the Illinois human service agencies.
- To make uniform grant rules, The Management Improvement Initiative Committee was formed.
- MIIC recommended the state follow federal grant rules since the majority of grants issued in the state were federally-funded or used as matching, in-kind or maintenance-of-effort as a condition of existing federal grants.
Historical Evolution of GATA (cont.)

- Based on MIIC, legislation was sponsored to create the Illinois Single Audit Commission (ILSAC) and charged it with researching and providing recommendations to extend the recommendations of MIIC statewide.
- The Grant Accountability and Transparency Act (GATA) was created based on ILSAC recommendations and became effective in July 2014.
- GATA strives to eliminate duplicative grant requirements and reduce administrative burdens while increasing accountability and transparency.
- GATA recognizes the need for and requires training and technical assistance be provided to grantees and grant administrators in Illinois.
Illinois Grant Practices – Start Here

**Communication**
- No uniform business processes and procedures for grant application, contracting, reporting, monitoring, and auditing.
- No common grant terminology. Inconsistencies increase administrative costs with no value added.
- Debarred or suspended entities’ status is not shared among State agencies to prevent fraud and abuse.

**Technology**
- No statewide technology system to manage grants.
- Prevalence of redundant, silo databases that are not supported.
- Lack of transparency and comparable data regarding grantee performance and tracking.

**Resources**
- Limited staff and resources available for monitoring.
- Limited financial resources.
- Turnover of grant staff results in gaps in processes.
Grant Accountability and Transparency Act

• GATA formed Subcommittees and Workgroups to review the new Federal Uniform Guidance – 2 CFR 200 in the following phases:
  ▫ Policy Setting and Rule Making
  ▫ Implementation of policies and procedures
  ▫ Continuous improvement based on annual review and implementation of necessary modifications

• Much of the Success of GATA is due to participation of all stakeholders:
  ▫ Grantee Community
  ▫ State Agency Staff
  ▫ Governor’s Office of Management and Budget
  ▫ Legislature
Collaboration – Key to Success

- Each subcommittee was required to have Co-Chairs – one representing state agency and one representing grantee perspectives and One GATU to represent the Legislative intent
- Also included representation from:
  - Small, medium and large grantee organizations
  - Cross sector of different state grant making agencies
  - local government
- Over 200 volunteers – with a 40% grantee participation
- Allows deliberations to include insight on the different perspectives to effective think through grant policies and procedures for rule making and implementation phases
Collaboration – Key to Success

- Subject matter expertise was necessary for each subcommittee.
- Subcommittee members were required to receive training on the specific subcommittee and workgroups before the deliberations started and on a continuous basis as clarifications are sought, new FAQs were issued.
- Needed a Grant Accountability and Transparency Unit staff to ensure that the recommendations maintained:
  - Legislative intent
  - GATA Goals and Objectives
  - GATA guiding principles
- Have a dedicated staff to manage the committee member listing.
GATA Subcommittees’ Roles and Responsibilities

GATA subcommittees and workgroups were a critical component to ensure the successful implementation of GATA

- Subcommittees make recommendations for rules and implementation in areas where the state and federal regulations allow for flexibility:

- Each subcommittee reviewed the state and federal regulations that govern its topic in the Uniform Requirements and in GATA to make informed recommendations to the GATA Steering Committee

- Performance metrics were required to be developed to measure the effectiveness of GATA
GATA Subcommittees’ Roles and Responsibilities (cont.)

- Training programs must be developed to meet the needs of state agency and grantee staff
- Technology needs must be identified based on business process requirements
- This approach helped to inform the agencies and grantee awareness of GATA goals and objectives and assisted in the change control management

*Change control management – managing expectations – is crucial*
GATA GOALS - “Uniform Requirements”

- Assist state agencies and grantees in implementing Federal guidance at 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Requirements)
- Increase accountability and transparency while reducing redundant administrative burdens
- Promote cross-sector cooperative efforts – need state agency and grantee input for rulemaking and implementation recommendations

_Successful State agency oversight and successful grantees will result in a successful Illinois._
GATA GOALS - “Uniform Requirements” (cont.)

• Strive to maintain a uniform process throughout the entire grant life cycle by leveraging the Uniform Requirements
• Optimize resources – coordination of grant-monitoring activities to promote efficient use of scarce resources
• Focus on program outcomes
• Provide training and technical assistance for state agency staff and grantees

**Successful State agency oversight and successful grantees will result in a successful Illinois.**
Guiding Principles – GATA Objectives

➤ Provide information on the implementation phase and the guiding principles of meeting GATA Objectives:
   ✓ Identify the core requirements that are required for the majority of grant programs while recognizing that we need flexibility for unique program requirements – Uniformity is key, Remove redundant grant requirements to reduce administrative burden
   ✓ Create efficient and effective uniform policies and procedures
   ✓ Cost benefit relationship for small grantees, small grants and State grant-making agencies’ grant management requirements
   ✓ Identify interrelationships between workgroups and subcommittees and communicate – avoid duplication of effort and conflicting rules
   ✓ Annual evaluation of rules and policies for any necessary changes
Uniform Policies and Templates

- Pre-Qualification
- Fiscal and Administrative Risk Assessment
- Fiscal and Administrative Specific Conditions
- Programmatic Risk Assessment Framework
- Programmatic Specific Condition Framework
- Notice of Funding Opportunity
- Grant Application
- Budget
- Merit Based Review

- Notice of State Award
- Grant Agreement
- Budget to Actual Reporting
- Financial and Performance Reporting
- Consolidated Year-End Reporting
- Fiscal and Administrative On-Site Review
- Audit Requirements for grantees that do not meet the Single Audit threshold
- Audit Requirements for “For Profit” entities
Centralized Frameworks – Annually, Once and Done

• Registration and automated pre-qualification
  ▫ Self-directed on-line help
• Financial and administrative risk assessment (ICQ)
  ▫ Automated questionnaire to assess an entity’s risk profile
• Indirect cost rate negotiation
  ▫ Subject to funding restrictions or limitations, the same election or rate is used for all grants from state agencies
• Audit report review
  ▫ Consolidated Year-end Financial Reporting
  ▫ Centralized acceptance of audit report review corrective action
  ▫ Centralized committee to address root cause(s) of material findings
Centralized Frameworks with Uniform Templates

• Automated Notice of Funding Opportunity (NOFO)
  ▫ All competitive funding opportunities are announced through the Catalog of State Financial Assistance (CSFA)
  ▫ Template formatted to communicate all required information
    • Includes pre-populated data from the CSFA
  ▫ Template includes a link the awarding agency’s grant application

• Automated Notice of State Award (NOSA)
  ▫ Template is pre-populated from the CSFA and the ICQ risk assessment
  ▫ When the award is executed, the state agency marks the NOSA accordingly to automatically add the award to the CSFA
Centralized Framework to Promote Grantee Compliance

• Grantee Compliance Enforcement System – Illinois Stop Payment List
  ▫ Designed after the federal Do Not Pay system and 2 CFR 200.338
  ▫ Establishes a statewide policy and protocol to manage instances of non-compliance with grant requirements
    • Flags late reporting, outstanding audit reports, incomplete corrective action resolution, unresponsive grant funds recovery
    • Alerts state grant making agencies of entities on Stop Pay Status
  ▫ Requires specific state agency / grantee communication and due-process to resolve instances of non-compliance
  ▫ Provides a pathway to resolve non-compliance and promptly remove Stop Pay Status
Uniform Templates Provide Statewide Consistency

• Developed based on federal models, the following templates allow for flexibility to support program-specific requirements:
  ▫ Notice of Funding Opportunity (NOFO) – Supplemental section is awarding agency and program specific
  ▫ Grant application transmittal is auto populated from the CSFA
  ▫ Uniform budget template utilizes standard grant line items; lines can be added or greyed out as needed by the grant making agency
  ▫ Uniform grant agreement including 3 parts:
    • Part 1 – Standard boilerplate for all grant agreements in the State of Illinois
    • Part 2 – Standard state agency boilerplate for all grants awarded by the agency
    • Part 3 – Grant-specific language dictated by the funder or program parameters
Uniform Grant Reporting with Flexibility

• Templates for periodic grant reporting, including grant closeout
  ▫ Financial reporting based on line items within the uniform budget (PFR)
  ▫ Performance reporting based on performance measures and performance standards of the grant agreement (PPR)
  ▫ Reporting frequency specified in the grant agreement
• Annual consolidated year-end financial reporting (CYEFR) with
  ▫ Requires “in relation to opinion” to audited financial statements
  ▫ State agency reconciliations
Uniform Frameworks and Templates Allow Flexibility

- Program level funder requirements and applicable governance/statutes must be accommodated
- GATA frameworks and templates are designed to allow flexibility
- State agencies utilize the GATA Exception/Exemption process for uniform frameworks and templates
  - Exceptions/exemptions must be based on statutory authority
  - Exceptions/exemptions are at the program level
  - All grantees under a program must follow the same requirements
GATA Frameworks and Templates Promote Compliance

- Illinois established centralized grant functions, uniform frameworks and standard templates to support compliant grant management
- Grantees meet centralized requirements annually
- All state agencies utilize data sharing through GATA systems
- State agencies and grantees must comply with grant requirements
- There’s a learning curve to implement GATA frameworks and templates
- Efficiencies are significant, but grant compliance is most important
Grantee Portal - Core for Centralized Grant Processing

- All centralized grant processing runs through the Grantee Portal
- The Portal is segmented for ease of use
  - Organization Information - Registration
  - Pre-Qualification Status
  - Fiscal and Administrative Internal Control Questionnaire (ICQ)
  - Indirect Cost Rate Elections and Negotiation
  - Notice of State Award (NOSA)
  - Audit Report Reviews
  - Grantee Portal Access / Organization Contacts
- Each entity controls who accesses the organization’s Portal
- Designated individuals receive emails when a change or update is made to their organization’s Portal
Centralization of Audit Report Review Process

- Audit Report review is centralized
- Each Grantee is assigned an Illinois Cognizant Agency
- Programmatic audit findings, corrective action plan is required to be approved and management decision issuance by their respective Illinois Cognizant Agency
- GAGAS findings, cross-cutting findings will be reviewed by a committee of the cognizant agency and grantor agency staff for approval of the corrective action and issuance of the management decision
- Implemented the Cooperative Audit Resolution Oversight Initiative
- The results of the audit report review will be retained and used in future assessments of risk posed by the applicant including additional specific conditions and the overall grantee risk profile for fiscal and administrative on-site reviews
Additional Audit Requirements under GATA

- For grantees and subrecipients that are not subject to the Single Audit are required to:
  - Expending $300,000 or more in state, federal and federal pass-through grants are required to have a financial statement audit in accordance with Generally Accepted Auditing Standards.
  - Expending $500,000 or more in state, federal and federal pass-through grants are required to have a financial statement audit in accordance with Generally Accepted Government Auditing Standards.
Additional Audit Requirements under GATA

• A copy of Auditor’s most recent peer review
• A copy of Written Communications (Management Letters) Issued to the Auditee
• A Consolidated Year End Financial Report (CYEFR) accompanied by an “In Relation To” opinion
• Objectives of the CYEFR are to:
  ▫ Assist the awardee in making reconciliation from the periodic reporting and year end, including any adjustments made by the awardee or their auditors
  ▫ Assist in tying out reported expenditures to the audited financial opinions for both state and federal projects and program awards
  ▫ Assists in reporting multiple projects or awards under one CFDA or CSFA number
Training, Training, Training

• GATA recognizes the importance of training on administrative requirements
• Until 2 CFR 200 relatively little or no training was provided by State and Federal Agencies on the Administrative Requirements
• Mandatory annual training for grantees is required in the Act
• State Agency personnel is also required to attend training
• Training is recorded for future reference, registration is also required
• All attendees are tracked for monitoring by the grant making agencies to ensure grantors and grantees attend training
GATA Optimizes Resources

Eliminate duplicate efforts through centralized compliant frameworks, processes and templates:

- Pre-qualification automation
- Fiscal and administrative risk assessment and specific conditions
- Notice of funding opportunity, grant applications and grant agreements
- Budget and periodic financial and programmatic reporting templates
- Centralized audit report reviews utilizing a Central Repository Vault
- Negotiation of indirect cost rate agreements
- Coordination of fiscal and administrative on-site reviews
- Statewide Grantee Compliance Enforcement System
- Delivery of nationally recognized grant training
GATA Efficiencies – FY17 CSFA Statistics

Catalog of State Financial Assistance (CSFA)

- Approximately 760 different grant programs administered in Illinois
- Approximately 35,000 grants issued by state grant making agencies
- Approximately 5,000 unduplicated grantees
- 83% of grantees have awards from more than one state agency, some have grants with up to 15 different agencies
Optimize Resources, Remove Redundancies & Duplication

An analysis of grantees who received grants from two or more state grant making agencies and their divisions:

- Nearly 8,575 duplications in common requirements including:
  - Registration and prequalification
  - Fiscal and administrative risk assessment and Specific Conditions
  - Indirect cost rate negotiation
  - Audit report review
  - Grantee training
  - Fiscal and administrative on-site reviews
  - Grant Compliance Enforcement System (GCES)
GATA Challenges

- GATA passed at the same time as the new uniform guidance went into effect – a blessing and a curse
- Communication down to the front line grant administrators
- Not all grantees or state grant administration staff had been trained on administrative requirements
- Either no grant administrator titles or titles that does not include the education and skill set necessary to carry out administrative duties
- Indirect Cost Rate negotiation has posed the most challenges
- Contractor versus Subrecipient Determinations
- Fewer Single Audits are being perform on subrecipients with the increased threshold
- Substandard Single Audits
GATA Challenges - GATA Myths

• New requirements are due to state legislation, the Grant Accountability and Transparency Act (GATA)
• New requirements wouldn’t be applicable without GATA
• Federal pass-through funding aren’t subject to federal uniform guidance
• We can avoid audit findings and disallowed costs because we have avoided them in the past
• It was easier for grantees to do business with state agencies before GATA
GATA Challenges – Front Line Staff Communication

• As with the Federal Government, no matter how much communication and training is provided, the number one complaint is that front line grant staff is not knowledgeable of or following GATA and the Uniform Guidance Requirements

• Prior to GATA the majority of the front line staff had not been trained on administrative requirements, only programmatic requirements at both the state and federal level

• Finding the same issues at the Federal level – program staff does not know the uniform guidance

• As with the federal government, many agencies are behind on implementing new requirements into their policies and procedures or implement new policies and procedures that are not consistent with GATA and the Uniform Guidance without going through the exception process
GATA Challenges – Grant Administrators Job Titles

• Lack of adequate Grant Administrator Job Titles
• Current job titles lack the education and skill set necessary to properly administer grants in accordance with the Uniform Guidance
• Much of the lack of knowledge of the administrative requirements is due to programmatic staff taking over administrative duties due to baby boomer retirement and budget cuts
  ▫ Same staff is responsible for grant administration for the entire grant life-cycle
  ▫ This led to lack of segregation of duties in grant management
GATA Challenges – Indirect Cost Rate Negotiation

• Number one challenge in the centralization of grant administration is the Indirect Cost Rate Negotiation
• Small to medium sized grantees and local governments, and the State Awarding agency staff are not well versed in the Cost principles area, although a significant amount of training has been provided by GATA
• Grantees who have negotiated a federal or state rate do not always follow the cost policy statement when applying rates to claims
• Countless hours have been spent assisting grantee’s through the negotiation process without success in negotiating a rate
• Many elect “no rate” or utilize the De Minimis Rate
GATA Challenges - Local Government Indirect Cost Rates

- The threshold of local governments to negotiate a federal indirect cost rate is $35 million in for indirect cost rates and $100 million for a Central Services Cost Allocation Plan in direct federal funding
- Should the thresholds be the same?
- Local governments receiving over $35 million are more than likely have a Central Services Cost Allocation Plan
- This poses a significant issue in Illinois – we have more local government units than any other state in the nation
- If less than the threshold, then the local government is required to maintain their indirect cost rate and cost allocation plan for audit purposes
- Currently only two local governments units are subject to negotiate a federal rate – City of Chicago and Cook County
GATA Challenges - Local Government Indirect Cost Rates

• The federal government relies on the Single Audit for ensuring compliance with the requirements
• However, a pass-through entity is responsible to monitor the indirect cost rate and central services cost allocation plan, if the entity does not receive direct federal funding
• The issue is how few of our local governments are subject to the Single Audit with the increased thresholds
• Therefore GATA implemented a centralized monitoring process
GATA Challenges - Local Government Indirect Cost Rates

As a result of the centralized monitoring:

- The majority of these federally maintained indirect cost rates and central services cost allocation plans are not compliant with the Uniform Guidance – do not remove unallowable costs, unreasonable allocation methodologies and are not mathematically accurate
- The other issue we have found is that local governments are allowed to negotiate on an entity wide basis or by individual department
- This arrangement significantly increases the number of negotiations or monitoring activities required to be performed and significantly diminishes the capacity of the individual department to prepare the indirect cost rates
GATA Challenges – Federally Negotiated Rates

- Some of the Federal Indirect Cost Cognizant Agencies will not negotiate an entity-wide indirect cost rate, they will only negotiate a program specific rate or agency specific rate.
- Some will refuse to negotiate a rate – generally due to fixed rate awards or it is a pilot or demonstration grant.
- We have found one Federal agency that does not negotiate a rate – if requested, they send a rate letter with a uniform rate of 24% (program specific).
- We have received some indirect cost rate letters that do not include a base, only the indirect cost rate %.
- We have received a lot of guidance from US DHHS PSC when a federal agency will not negotiate a rate – to obtain in writing from the federal agency stating they decline to negotiate a rate or an entity wide rate, then we are allowed to negotiate a state rate.
GATA Challenges – De Minimis Rate Issues

Theoretically the concept of the De Minimis Rate is a great idea however in practice we have found the following issues:

• The De Minimis Rate has the most complex base, that grantees have difficulty properly calculating the base

• The exclusions on the MTDC are confusing,
  ▫ participant support costs vary by federal agencies and federal awards
  ▫ Not clear why rent is excluded but depreciation on building is not, receive a lot of complaints this is discriminatory for small to medium sized nonprofits or local governments that do not have the financial resources to purchase a building,
  ▫ Confusion on exclusions versus allowability
GATA Challenges – De Minimis Rate Issues

• Grantees also have difficulty in applying the rate
• Difficulty separating direct and indirect costs which has led to applying the de minimis rate to some indirect costs
• Some grantees have used the direct allocation methodology and then apply the de minimis rate
• These issues have increased the amount of review and monitoring to be performed by the awarding agency and has resulted in adjustments in allowable costs charged to the grants
• Due to the misapplication of the de minimis rate many grantees are or have become apprehensive about electing the de minimis rate
GATA Challenges – Indirect Cost Rate Negotiation

- Many small to medium sized organizations – both nonprofit and local government unit, do not have the capacity to negotiate rates
- We have provided intense training on cost principles from basic considerations through all phases of indirect cost negotiation
- We have changed our approach, and provide one-on-one training with the grantee and the state cognizant agency including walking through the indirect cost rate proposal, many still fail to successfully negotiate a rate
- Less than 2% of Illinois subrecipients have successfully negotiated an indirect cost rate
GATA Challenges – Election of No Rate by Subrecipients

• Subrecipients do not believe they will receive additional funding for indirect costs and therefore believe it is not worth negotiating a rate
• Many are apprehensive that they will make errors in developing and applying the rate that will result in audit findings and questioned costs
• Many are apprehensive about having high indirect cost rates that will not be competitive in an application process and could result in lowering their charitable contributions
Common Issues Regarding ICRP Development

Cost Policy Statement (CPS) is not representative of the organization’s true procedures and allocation methods are incomplete or do not provide sufficient rationale. For example:

- Copy example CPS but do not follow the allocation methodologies
- The organizational structure does not support the allocation methodology
- Allocation methods are incomplete or do not provide sufficient rationale

- ICRP proposal worksheet does not reflect CPS items or tie out to audited financial statements.
  - Such as Failing to allocate the salary of an employee who has multiple duties in multiple categories. For example 3 programs are allocated at 40%, 40%. 30% = 110%
Common Issues Regarding ICRP Development

- Cost groupings for expenses or chart of account contain too many other costs.
  - Operating Expenses contain such items as Fringe Benefits, Office Furniture, travel and depreciation.
  - Each expense listed above should be separated from “Operating Expenses” and allocated separately
- Allocating little or no indirect costs to fundraising or other unallowable activities
- Allocating little or no indirect costs to other activities
Common Issues in Applying the Indirect Cost Rate

Common issues when subrecipients apply the negotiated rate or the De Minimis Rate

• Do not use the same base as used in the negotiation
  ▫ Use Total Direct Cost instead of MTDC
  ▫ Use Total Direct Cost instead of Salaries and Wages

• Do not follow the Cost Policy Statement used in the negotiation
  ▫ Including indirect costs allocated as Direct Administrative Cost and vice versa

• Do not properly calculate the MTDC base
GATA Challenges – Contractor Versus Subrecipient

• Many pass-through entities are calling a grant a contract to avoid complying with the Uniform Guidance
• Since the determination is so subjective it is being improperly applied
• Misinterpretation that all of the characteristics must be met in order to be considered a subrecipient
• Lack of documentation in making this determination
• Many awarding agencies believed that this determination could be made after the award period
• Many believe this is a brand new requirement under the Uniform Guidance
• In the application of this rule we have found grants that are contracts and contracts that are grants
GATA Challenges – The Impact of Raising the Single Audit Threshold to $750,000

- Approximately 80% of 5,516 Subrecipients are not subject to the Single Audit
- This requires an increase in monitoring activities to occur in lieu of relying on the Single Audit
- Many of the subrecipients are not notified of federal funds
- 40-50% coverage results in very few programs being tested – for example in the Illinois Statewide Single Audit Only 11% of the federal programs are tested
- Consideration should be given to removing Medicaid funding in determining coverage
  - If Medicaid was removed from the calculation in Illinois – the Type A threshold would be reduced by $11,250,000, from $41 million to $30 million
GATA Challenges – Audit Report Review

• Confusion on which grants are federal pass-through or state funded
  ▫ Although required to notify in NOFO, NOSA and grant agreement there is a misconception on federally reimbursed grant funding by both subrecipients and grantor agencies
• Many firms are not compliant with Yellow book and Peer Review Requirements:
  ▫ Many are late or have not had peer reviews conducted
  ▫ Many are not in compliance with the GAGAS’ CPE requirements
• We have found instances that accounting firms are not licensed to perform audits
• The auditor has prepared the financial statements
• Some auditors calculated the federal funds and thresholds by the grant period instead of the auditee’s fiscal year end
GATA Challenges – Audit Report Review

A Quality Control Review of Workpapers is conducted:
- For audit organizations that are not properly licensed
- For audits that do not meet the reporting standards
- For Audit organizations are not compliant with Peer Review requirements
- For Audit organization that have failed or passed with significant deficiencies
GATA is Good Government

• Landmark legislation
• Sets the bar for grant accountability
• Sets the bar for grant transparency
• Win-win for government and grantee community
• Improves performance outcomes
• Reduces risk of fraud, waste, and abuse
• Saves the state agencies and grantees hundreds of millions of dollars
• Significantly reduces administrative time and resources
GATA Question?
Thank You!

For further information visit our website at www.grants.illinois.gov
or contact us at OMB.GATA@Illinois.gov