

Learning Exchange Training Series

How to Prepare for Desk Reviews, Site Visits, and Other Monitoring Activities - for Grantees in the Pacific Territories - Summary Report

On October 4, 2021, the Office of Justice Programs Territories Financial Support Center (OJP TFSC) conducted a Live Discussion Webinar for grantees from Guam, American Samoa, and the Northern Mariana Islands. The purpose of the webinar was to highlight the key areas of financial monitoring, most common audit findings, and practical tips to remain in compliance with all requirements.

Key takeaways from this webinar included:

- ▶ **The main purpose of financial monitoring is to ensure that funds are used for authorized purposes** and that the grantee complies with the appropriate program guidelines, federal regulations, and the terms and conditions of their award document.
- ▶ **OJP TFSC and OCFO are available to provide training and technical assistance** to help grantees prepare for desk reviews and site visits.

Financial Monitoring Presentation (OCFO)

Below are key takeaways from the financial monitoring presentation and discussion:

- ▶ The primary objectives of financial monitoring is to:
 - Ensure grantee's accounting system, policies and procedures, and financial records are adequate to administer federal funds.
 - Ensure grantees have the necessary internal controls in place to safeguard against fraud, waste, and abuse.
 - Assess compliance with program and federal guidelines.
 - Provide technical assistance.
 - Make recommendations for improvement.
- ▶ There are two types of financial monitoring reviews – desk reviews and on-site reviews.

DESK REVIEWS

- ▶ Desk reviews are typically limited scope but may involve audit techniques to examine and assess grantees' accounting systems, internal controls, and related policies and procedures as they relate to federal grant.
- ▶ Once OCFO staff receive their monitoring assignments, they will contact the DOJ program manager and invite them to conduct a joint programmatic and financial monitoring review. A joint review is always beneficial because it eases the burden on having grantees provide the same documents to several program managers and financial monitors several times throughout the year.

ON-SITE REVIEWS

- ▶ For on-site reviews, OCFO and the Program manager will explore possible dates for the site visit which include the participation of financial and grants management staff. Once the dates are confirmed, the grantees will receive an official confirmation letter requesting a number of documents in advance to help prepare for the site visit.

- ▶ While waiting for the requested documents, OCFO will conduct a preliminary review of the existing information in the internal federal systems, which may include the following: timelines of the submission of federal financial reports and progress reports; most recent indirect cost rate agreements; application budget worksheet; budget narratives; and most recently approved budget.
- ▶ OCFO will also review information in other federal systems, including timely submission of single audit reports, SAM registration, and submission of subaward reports
- ▶ Upon receipt of the requested documents, OCFO will review accounting records to ensure tracking of each grant by budget categories and tracking of administrative costs; OCFO will also review policies and procedures to see if they are adequate in administering the grant.
- ▶ OCFO will also examine your accounting records to reconcile if the cumulative expenditures for a specified period are reconciled with those reported on the FFR. If there is a variance, grantees may be asked to explain the difference.
- ▶ The Onsite Review consist of following process: an entrance conference; assessment of internal controls, determination of adequacy of financial monitoring system, test and analysis of expenditures, and exit conference
- ▶ During the **entrance conference**, OCFO will discuss the purpose of the review and results of preliminary review.
- ▶ Next, OCFO will check to see if grantees **maintain an effective internal controls**, which include separation of duties
- ▶ OCFO will then check to see if grantees are **maintaining an adequate financial management system** and financial records that accurately account for all federal funds.
- ▶ OCFO will select a **sample of expenditure transactions** and ask grantees to provide documentation to support expenditures; OCFO will also check whether the expenditures are allowable under the program guidelines and within budget.
- ▶ Finally, OCFO will conduct an **exit conference** to discuss results of the review and provide technical assistance as necessary.
- ▶ Grantees who receive a corrective action plan (CAP) must generate response to the CAP letter within the specified time frame, usually within 30 calendar days from the letter.
- ▶ At the end of every fiscal year, OCFO formulates a list of the Top 10 Monitoring Findings based on data from the monitoring activities with grantees. See **Box A** for the list for Fiscal Year 2020.
- ▶ There are two major resources grantees should be familiar with: Code of Federal Regulations 200 (CFR-200) and the Department of Justice Grants Financial Guide (2017)

Box A: Top 10 Monitoring Findings (Fiscal Year 2020)

1. Procedures not documented or need improvement
2. FFATA reporting requirements not met
3. Internal control weakness – procedure not followed
4. FFRs do not reconcile to grantee’s accounting records
5. Award Special Condition Violated—
Unauthorized Expenditures/Drawdowns
6. Inadequate subrecipient files/documentation
7. Authorized signing official or contact information not current
8. Indirect costs charged improperly—rate expired
9. Excess cash-on-hand identified
10. (Tie) Audit report package not received at FAC; Unsupported Costs – Personnel/Fringe Benefits

Questions from Grantees

These questions are a compilation of all the questions addressed during each of the Live Discussion Webinars with territorial grantees:

▶ **Question: Does the OCFO team also conduct audits?**

Answer: No, OCFO does not conduct audits. Instead, they engage in the limited scope of financial reviews to address issues of concern to a specific grant program. OCFO provides technical assistance and help grantees prepare for audits and make sure things are in order.

▶ **Question: Do you have any recommendations for ongoing preparation for a desk review?**

Answer: Grantees should have adequate policies and procedures and adequate internal controls in place. They also need to make sure that they reconcile their accounts on a periodic basis, at least quarterly, and have adequate support for all their expenditures. Lastly, grantees should maintain complete, accurate, and quality documents at all time.

▶ **Can you provide copies of the checklists you use prior to and during reviews?**

Answer: Unfortunately, we are unable to share the actual checklist that we use for conducting desk reviews since those are internal documents. Please reach out to OJP TFSC and review their technical assistance materials to help you with your preparation. The Guide Sheet and Job Aid Checklist provided at the end of this webinar can serve as a helpful resources.

▶ **Question: If we have been selected for a desk review what is the typical timeline from the selection to when the review is completed?**

▶ Answer: There is no definite timeline. The actual timeframe depends on agency documentation, policies and procedures, and the time it takes to address all the required questionnaires.

▶ **Will we be penalized if the firm conducting our audit does not complete the annual audit on time? If COVID19 an issue?**

Answer: OCFO understands that the pandemic is affecting everything that is happening around us. The Federal Audit Clearinghouse has provided extensions for agencies to submit their single audit report by. Anyone can go to the Federal Audit Clearinghouse website to get information on the extension dates. Grantees should feel to reach out to OCFO to inform them of any reason for a delay, especially it was caused by the pandemic.

Case Scenario Learning Activity (OJP TFSC)

- ▶ OJP TFSC facilitated a learning activity which included a set of three case scenarios focused on financial monitoring. Attendees were presented with a case scenario that involved a finding. They were then given the opportunity to provide a response after each scenario through a polling question, chat box and break-out discussion.
- ▶ See Appendix A to review all three case scenarios and the correct answers.

Resources and Next Steps

- ▶ Share this Summary Report with a colleague who was not able to attend.
- ▶ Review additional resources, which will include a recording of the Live Discussion Webinar, presentation slides, Guide Sheet, Job Aid Checklist, and short videos on Financial Monitoring. These resources will be posted on the OJP TFSC website: <https://www.ojp.gov/events/preparing-success-how-prepare-desk-reviews-site-visits-and-other-monitoring-activities-0>

- ▶ To register to upcoming events, visit: <https://www.ojp.gov/training-and-technical-assistance/tfsc/learning-exchange-training-series>

Contact Information

OJP TFSC provides training, technical assistance, and resources to enhance financial management capacity for grantees in U.S. territories to improve financial management of federal awards. Please contact the OJP TFSC Virtual Support Center for additional information, questions, requests for resources, or requests for training and technical assistance.

- ▶ Email: OJPTFSC@usdoj.gov
- ▶ Request a consultation call: www.ojp.gov/tfsc/schedule
- ▶ Website: www.ojp.gov/training-and-technical-assistance/tfsc

Live Discussion Webinar on Financial Monitoring, Requirements, and Compliance Case Scenarios

Case Scenario – Federal Financial Report (FFR) Account Balances

Monitors request general ledger balances for the periods reported in the latest FFR. Upon closer inspection, they noticed cumulative balances in the accounting records do not equal the amounts reported in the FFR as of the last quarter submitted. The reconciliation issue results in a finding and monitors will now require more detailed explanation of the variance. In addition, accounting records and/or FFR should be adjusted as necessary.

Question: What could have been done to prevent this finding?

Answer: Prior to the desk review or site visit, the FFR should have been periodically *reconciled against account balances*, at least on a quarterly basis. Any variances should be explained and disclosed. Although having errors in reports and balances is not uncommon, reconciliations help ensure accurate data is being recorded and reported, detect and correct mistakes, and uncover foul play.

Case Scenario – Timesheets

As a result of the mismatch, monitors have now requested all general ledger account details and entries as of the most recent quarter. After reviewing all accounts, they concluded the error came from compensation expenses, specifically from employee hours spent in program seminars. After further analysis, they request the corresponding timesheets and find various timesheets that have not been properly approved and signed by a supervisor.

Question: What could have been done to prevent this finding?

Answer: Timesheets should have been *verified for completeness*. The grantees should review and verify the accuracy and completeness of timesheets every pay period.

Case Scenario – Policies and Procedures

The missing signatures prompted monitors to request the current written policies on timekeeping. The policies and procedures were incomplete. Timesheets had not been signed as no alternate process was established for when a supervisor is on leave and unavailable to review an employee's timesheet. This procedure deficiency resulted in another finding.

Question: What could have been done to prevent this finding?

Answer: Policies and procedures must be established, readily available, and reviewed periodically for adequacy and effectiveness. They must be comprehensive enough to address all areas of grant activities (e.g., travel if applicable). Monitors will always request and evaluate policies and procedures. In this case, the fact that supervisors were on leave is not an acceptable reason for the missing signatures. This indicates the timesheets were never verified and approved, which could lead to fraud and fund mismanagement. The policies and procedures should specify an alternate approver when supervisors are unavailable.