

What Is a Financial Management System Self-Assessment?

A financial management self-assessment is an evaluation of the current financial management system's ability to ensure:

- ▶ Programs are aligned with the organization's goal and that activities achieve the planned results.
- ▶ Resources are utilized in a manner consistent with DOJ's mission and comply with applicable laws and regulations.
- ▶ Accounting practices and systems accurately account for funds awarded.

Grant Financial Management Requirement

Although conducting financial management system self-assessments is not required, per se, to comply with grant terms, organizations are required to comply with [2 CFR 200.302](#). These self-assessments are an essential tool in providing vital information on whether the standards set forth in [2 CFR 200.302](#) are being complied with. Therefore, periodic self-assessments are highly recommended.

Important Information To Know

Financial Management System—Accounting

Grantees must maintain an adequate accounting system that can be used to generate reports. It should:

- ▶ Provide reports that are accurate, current, complete, and compliant with the required reporting standards of the grant.
- ▶ Include reasonable procedures, which ensure subrecipient reports on cash balances and disbursements are received in a timely manner, so DOJ can be informed.
- ▶ Account for award funds separately and not commingle funds.

- ▶ Maintain documentation of all receipts, expenditures, and obligations.
- ▶ Provide for the planning, control, measurement, and evaluation of direct and indirect costs.

The accounting system must address these six areas of financial management:

- 1 Internal control**—Controls and accounts for all grant and subrecipient cash, property, and other assets.
- 2 Allowable cost**—Costs must be reasonable, allowable, and allocable.
- 3 Cash management**—Provides for minimal time between funds transfer by DOJ to recipient and final disbursement by recipient for program expenses.
- 4 Budget control**—Compares actual expenditures to budgeted amounts.
- 5 Source documentation**—Required accounting records such as canceled checks, paid bills, and effort tracking records.
- 6 Subrecipient monitoring support**—Monitors cash draw-downs for timeliness and ensures compliance with terms and conditions.

Financial Management System—Other Key Considerations

Grantees should also consider these key factors:

- ▶ Maintain clear, detailed, and auditable records; DOJ can and will ask to review them
- ▶ Include documentation on:
 - ◆ Federal funds awarded and drawn down
 - ◆ Procurement contracts
 - ◆ Program income and matching funds, if applicable
 - ◆ Subawards with information on amount, objective, terms, and updated status

- ▶ Include **written policies and procedures** for:
 - ◆ Documenting the receipt and disbursement of federal awards
 - ◆ Determining the allowability of costs under the terms and conditions of the award
 - ◆ Procurement transactions
 - ◆ Conceding subawards

How This Applies to Your Grant

When preparing your financial self-assessment, remember that it must be directed at evaluating the effectiveness of the financial management system in:

- ▶ Complying with the accounting system's ability to create reports.
- ▶ Covering the six financial management areas, listed above, depending on how they may apply to your grant.
- ▶ Keeping proper documentation and written policies and procedures.

Topics, in the assessment, can be specifically targeted by categorizing them under include:

- ▶ Accounting
- ▶ Audits
- ▶ Conference costs
- ▶ Costs and documentation
- ▶ Fraud
- ▶ Funds usage
- ▶ Grants adjustments
- ▶ High-risk designation
- ▶ Indirect costs
- ▶ Matching
- ▶ Monitoring
- ▶ Policies and procedures
- ▶ Procurement
- ▶ Program income
- ▶ Program performance
- ▶ Property and equipment

- ▶ Reporting
- ▶ Salaries and benefits
- ▶ Subawards
- ▶ Supplanting
- ▶ Conducting the Financial Management Self-Assessment

When conducting a financial management self-assessment, it is helpful to follow the steps listed below:

1. Form an assessment team from the organization's top financial leadership, which can include the CFO, controller, agency administrators, and finance managers.
2. Create or modify the existing assessment tool with standards that are rated:
 - ◆ Non-compliant: Need to begin working on the issue
 - ◆ Partially compliant: Needs a lot of improvement
 - ◆ Mainly compliant: Needs some improvement
 - ◆ Compliant: Fully done or in place
 - ◆ For model questionnaires or assistance in creating/modifying custom assessments, contact your TFSC financial specialist.
3. Distribute the self-assessment to all financial members of the organization. Ask the members to fill out the questionnaire honestly and to the best of their knowledge. The self-assessment must be filled out individually to properly gauge the effectiveness of the financial management system and the team member's knowledge of it.
4. Carefully review and analyze the results.
5. Create an action plan to improve rating for areas rated under "Don't Know" or "Inadequately Achieved."
6. Write a detailed report on the findings. For those areas requiring an action plan for improvement, outline the specific steps involved. List any other efforts to be taken in improving areas that received a "Partially Achieved" rating and include a date for the next assessment.
7. Share the report with the organization's leadership.

Resources

United States Department of Justice. (2017). *DOJ Financial Guide*. https://www.ojp.gov/sites/g/files/xyckuh241/files/media/document/DOJ_FinancialGuide_1.pdf

[2 CFR 200.302](#)

OJP TFSC offers resources on a variety of grants financial management topics, which can be found on our website at <https://www.ojp.gov/tfsc/resources>

About the OJP Territories Financial Support Center

The Office of Justice Programs Territories Financial Support Center (OJP TFSC) offers free resources, training, and technical assistance for grantees in the U.S. territories. OJP TFSC services focus on building financial management capacity and can be accessed by emailing OJPTFSC@usdoj.gov via our Virtual Support Center.



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