



A White Paper

**Managing FEMA Award
Subrecipients:
*Helping States Avoid Audit
Findings***

Grant Governance Platform **G²P**

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Introduction

According to FEMA officials, during the 5-year period ending September 30, 2015, FEMA paid grantees (states and some Indian tribal governments) \$522 million to manage and administer disasters (direct and indirect costs).

The following is from a 2016 report issued by the Office of Inspector General for the Department of Homeland Security:

In FY 2016, 29 of our 46 grant audit reports contained recommendations addressing the lack of adequate oversight on the part of grant recipients to manage disaster relief grants and funds. This is the sixth consecutive year that we are reporting that many of our findings indicate that states, which are required to provide oversight of grant funds and subgrant activities, are not doing an adequate job of educating subgrantees and enforcing Federal regulations through effective and vigilant monitoring.¹

Based on this report, we believe that pass through entities (PTE) receiving FEMA related grants will receive greater scrutiny over the next few years as to how subrecipients are monitored, and how risk is mitigated. The report says, "In FY 2016, 29 of our grant audit reports contained a total of 54 recommendations pertaining to the lack of adequate oversight on the part of grant recipients."

Grant professionals are required to maintain strict compliance with regulations set-forth by the Office of Management and Budget (OMB) 2 CFR Part 200, while at the same time provide support for the program managers who oversee resource allocation and ensure objectives are met.

We continue to see an increase in single audit findings, agency audits, and penalties for inadequate compliance management. The pace of corrective action either through process change, or adoption of software platforms appears still to be occurring slowly. We believe, in the case of FEMA grants, this process will be accelerated by more active monitoring of PTEs and subrecipients.

Risk Assessment

¹ "Summary and Key Findings of Fiscal Year 2016 FEMA Disaster Grant and Program Audits," Department of Homeland Security, Office of Inspector General, OIG-18-06, Oct. 27, 2017.

FEMA

"FEMA continues to remain ineffective at holding grant recipients accountable for adequately monitoring or providing technical assistance to subgrantees."

Read the full OIG Report Here:

<https://www.grantgovernance.com/compliancematters>

Pre-award and ongoing risk assessments help ensure that taxpayer dollars are used to the greatest benefit by organizations that can meet their fiduciary responsibilities for managing the grant monies and providing the best outcomes.

The pre-award phase is a great time to deter fraud, waste, and abuse. The more rigor the PTE puts into investigating the potential for these pre-award, the greater likelihood it will detect and avoid potential risk. A pre-award risk assessment is an examination of an entity's fiscal and operational capabilities to determine if it is fit for a federal award.

Section 200.331 of the Uniform Guidance states that PTEs must:

- Evaluate subrecipient's risk of noncompliance;
- Monitor each subrecipient's activities; and
- Verify that subrecipients are audited, as required.

So, what is being done currently to mitigate risk? The most common step is conducting a risk assessment during the pre-award process. This includes reviewing publicly available status websites such as the System for Award Management (SAM) database to determine if a recipient is debarred or suspended from payments. Additional activities include audits, reviews, and assessments of contractors and financial assistance recipients. The incorporation of Federal regulations within the terms and conditions of Federal award agreements is an increasing practice. Quite possibly, the most important process step to mitigating risk is by calling for - and enforcing the requirements pertaining to monitoring.

But risk assessment must be an on-going process. Grants can be a long-term commitment. A subrecipient's situation can change during that time, and PTEs have an obligation to be aware of changes in status for their subrecipients.

Elements of a Risk Assessment

It is important to identify key risk areas. PTEs should consider risk areas that influence the ability to manage federal funds. This might include factors such as:

- New to managing grant funds, high staff turnover, specialization and experience of staff, major operational or organizational changes;
- Prior audit (late or missing audits) and monitoring history, past and current internal and/or external audit findings (including recurring findings), programmatic and/or financial findings, etc.;

"In addition to FEMA, the states as the grantee are responsible for the day-to-day management of Public Assistance and Hazard Mitigation Grant Program grants and can have a major impact on preventing misuse of funds. Although FEMA reimburses the states to administer and oversee their disaster funds, we continued to identify problems with grantee oversight and day-to-day monitoring of Public Assistance and Hazard Mitigation Grant Program grants and funds. Improved grantee oversight is necessary to increase compliance with Federal regulations and decrease ineligible costs." *OIG, DHS, 2016 Report*

- Financial systems assessment (sub-grantee should have an established financial system that allows for proper accounting and cash management §200.302);
- Programmatic assessment (including high-dollar grant award, new programmatic requirements and existing programmatic waivers.).

The risk assessment process is not about denying awards. It is about *looking for potential problems that could impact the performance of implementing grants*. Taking mitigation actions prior to, and as part of, the award can help bolster the award to make it more successful.

Concerns identified in the assessment may result in one or more special conditions attached to award. These might include:

- Enhanced monitoring
- Increased reporting
- Technical assistance
- High-risk status
- Reduced or denied award

Corrective actions and risk-based monitoring can maximize return and prevent “front page” fallout.

What triggers risk assessments to occur?

- ✓ Receipt of new awards;
- ✓ New programs;
- ✓ Standard element of governance or internal control processes;
- ✓ Implementation of new regulations or guidance; and
- ✓ Other matters at the discretion of the PTE.

Thoughts On Decreasing Risk Through Automation and Monitoring

- Opportunities to improve processes and become more compliant are being lost.
- Leveraging technology is both an effective means of assessing risk through standardized questionnaires and tracking progress/status. Consider the use of automation and web-based resources.
- Maintain a data repository system to inform future technical assistance and/or monitoring efforts. Use it to record corrective action plans with deliverables and timelines.
- Develop and implement a process for subrecipient follow-up, and use automation tools to send reminders, monitor and report on compliance in real-time, and process reports, thus freeing up the Grant Manager's time to be more proactive in providing technical support to subrecipients.
- Grant professionals can regain lost ground and have an opportunity to exceed established benchmarks for program outputs by leveraging current available technology platforms and process improvements.

Compliance and Process Improvement

Federal rules and guidance are in place to minimize opportunities for waste, fraud, and abuse in awarding grants. In addition to government oversight requirements, grants professionals also follow program-specific auditing and reporting guidelines, to measure the effectiveness of programs.

Audit reports can provide program managers with *quantifiable measures of success* and can provide insights into how to improve performance.

To maximize the benefits in reports from recipients and subrecipients:

- Include as much specificity as possible in grantee reporting, documenting the level of detail that is required.
- Require supporting documentation.
- Progress reports submitted to the granting agencies should include measures that would indicate whether the program is achieving its intended objectives not just broad outputs such as the number of people served.
- Verbal assertions from subgrantees of program success are insufficient.

To maximize the benefits from audits and other reviews:

- Desk reviews are focused on examinations of the relevant documentation and financial systems surrounding a grant program.
- Site visits are monitoring that occurs at a recipient's office or program location. They are intended to review the capacity, performance, and compliance of a recipient. Site visits can also benefit greatly from a platform that allows auditors to enter data on a mobile device such as a laptop or tablet, and audit results can be securely stored along with other program reports.
- Among other factors, site visits should ensure delivery staff are trained and qualified in the performance of the grant.

Desk reviews and site visits benefit greatly from a centralized platform where reports can be reviewed quickly, and results can be stored.

Improve Administration and Compliance

Managing the minutiae of tracking monitoring tasks, compliance requirements, and grant agreement terms can be tedious but it's critical to your program success. Most grants professionals manage this part of the job the best they can, with cobbled together spreadsheets, lots of email, maybe some calendars, notes and a lot of effort.

There is a better way emerging that is allowing organizations to adopt and use the tools they need without the cost and risks of large software implementations. The software industry is experiencing the most significant transformation in its history. The confluence of changes

The benefits now available in grant governance platforms add up to make it much easier, more affordable, and ultimately less risky to implement the tools your organization needs to succeed.

including cloud computing, Software as a Service (SaaS), user acceptance of “apps”, and pay-as-you-go payment models have become a real turning point. Providers of software platforms - from accounting systems to time tracking tools, and even grant management systems, are becoming increasingly focused on fixing your biggest headaches quickly - at an affordable price, and without the weighty risks of enterprise software adoption and vendor lock-in.

Improve Program Outcomes

All the reporting, audit, and collaboration requires systems to catalogue and aggregate the data. To collaborate effectively, everyone on your team needs to have access to the same set of documents and data. That includes your internal staff, but also counterparts at your funding source, and all your subrecipients.

With a centralized platform to catalog reports and audit results along with quantifiable performance data, the actions needed to make improvements become easier to identify.

- Sub-grantees can select compliance tasks and upload documents and provide comments to fulfill reporting requirements.
- Users can track cost share.
- When responses are entered into the system, Grant Managers can be notified via system alerts.
- Workflows are initiated to review and approve reports

Users can drill into dashboards reports to see details at any level – Department, Bureau, Agency, Program, Grantee and Sub-Grantee

- Allows for a single view of compliance status across the entire organization
- Quickly view status by Department, Agency, Program, grantee, or sub.
- Drill down capability to specific grants & sub-recipients

These capabilities can save Grant Managers significant time dealing with simple issues like tracking submissions and sending reminders, allowing staff to concentrate on more important and high risk activities.

Grant Governance Platform – G2P

Alyx Technologies, makers of G2P, has been a part of the dynamic transformation of the software industry. Building on over 37 years of experience helping private and public sector clients use software to improve their operations, we are now bringing all of the advantages described above to the Grants community. We have created both a solution and pricing model that removes the typical stumbling blocks that prohibit many organizations from benefiting from a great set of tools.

We have created unique “Per Award” pricing model that we think accomplishes a number of great things for our users.

- Our pricing structure makes the system extremely affordable and accessible for both small and large organizations.
- We have one single line item price for each award that includes access to the system, configuration and setup, training and ongoing support. *No limit on the number of users.*

When we bill you, our invoice references your unique grant number. It's easy to track your exact cost for managing compliance for each grant. This makes our service a direct cost, eliminating the need to track and interpret indirect rates for our service.

About Alyx Technologies

Alyx Technologies developed Grants Governance Platform, G2P, which addresses the requirements of OMB Guidance 2 CFR §200 and provides users with a configurable and easy-to-use Programmatic Risk Assessment and Award Governance module. Standard user dashboards provide a unified compliance view of grants across the entire portfolio. For more information, please visit: www.grantgovernance.com.

Alyx Technologies is a SaaS solutions and services company. We draw upon 35 years of industry and software development expertise to deliver solutions to help our clients rapidly gain efficiency, minimize risk and ensure compliance. Our highly targeted SaaS solutions are designed to be easy; easy to deploy, adopt, buy and protect. And of course, it's your data, so it is always portable and in your control.

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