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When the right move matters



Federal Grant Compliance

GOVERNMENT CONTRACT REGULATORY COMPLIANCE

As defined by the Office of Management and Budget (OMB), a grant is “an award of financial assistance from a federal agency to a recipient to carry out a public purpose of support or stimulation authorized by a law of the United States”. Grants can be awarded to individuals, businesses, and non-profit organizations for various purposes, with some common general uses including research and development, social services, education, health care and medical research. In recent years the Federal Government has utilized grants to spur economic activity in the areas of public health and infrastructure to address the COVID-19 pandemic, protect critical industries domestically, and combat climate change.

Federal Grant Requirements and Accountability for Costs

When a grant is awarded, a formal agreement is established between the grantor and grantee, outlining the purpose, scope, and conditions of the grant, including requirements to comply with all relevant federal, state, and local laws, regulations, and policies that apply. Federal grants are governed by the Code of Federal Regulations (2 CFR Part 200), commonly referred to as the Uniform Guidance, which includes administrative requirements, cost principles, and audit requirements. Often, recipients are required to submit regular progress reports, financial statements, and other documentation to demonstrate compliance with grant requirements, proper use of funds, and progress made towards the grant's objectives. Audits may also be required by the granting entity to verify that the funds are used appropriately and in compliance with the grant agreement and regulations.

Key compliance requirements under the Uniform Guidance for grant awardees are grouped into the following topical sections under Subpart D, Post Federal Award Requirements:

- Standards for Financial and Program Management (2 CFR 200.300 – 200.309)
- Property Standards (2 CFR 200.310 – 200.316)
- Procurement Standards (2 CFR 200.317 – 200.327)
- Performance and Financial Monitoring and Reporting (2 CFR 200.328 – 200.330)
- Subrecipient Monitoring and Management (2 CFR 200.331 – 200.333)
- Record Retention and Access (2 CFR 200.334 – 200.338)
- Remedies for Noncompliance (2 CFR 200.339 – 200.343)
- Closeout (2 CFR 200.344)

Additionally, the costs charged against the grant must be reasonable, necessary, and related to the grant's purpose. This requires grant recipients to implement appropriate financial management and internal control systems to ensure proper use and tracking of grant funds. Costs that are not allowed or are otherwise deemed unreasonable will not be reimbursed. The cost principles at 2 CFR 200 Subpart E, along with specific terms of the grant agreement, govern what costs can be charged to federal awards and are designed to ensure that federal funds are used efficiently and effectively while promoting consistency and transparency in cost accounting for grant recipients. Audit requirements to provide assurance for compliance with grant terms and cost charging are set forth in Subpart F.

The cost principles govern what costs can be charged to federal awards. The key principles of grant cost allowability under 2 CFR 200 are as follows:

- Reasonableness.
- Conformance with limitations
- Consistency
- Allocability
- Allowable costs
- Reasonable methods of allocation
- Documentation
- Prior approval requirements

Wait, What About FAR and CAS?

As a distinction, for For-Profit Entities, the cost principles noted in 48 CFR 31.2 (FAR Part 31.2 - Contracts with Commercial Organizations) must be followed in lieu of the cost principles contained in 2 CFR 200 Subpart E. Additionally, grantees must be aware of related cost regulations that may be relevant to their circumstances, such as the applicability of the Cost Accounting Standards which supersede Subpart E and FAR Part 31.2 when applicable. Another consideration is the guidance regarding indirect cost allocation bases. 2 CFR 200 sets forth a Modified Total Cost Input (MCTI) base for the allocation of general and administrative (G&A) costs. This is different than a Total Cost Input (TCI), Value-Added Input, or Single Element input base which are options that are used under procurements where FAR and CAS are applicable.



Compliance Considerations

It is essential for grant recipients to implement policies and procedures and sustain capabilities to effectively maintain compliance with the Uniform Guidance. Failure to provide oversight and management for subcontractors and subrecipients and adhere to the cost principles may result in disallowance of costs, financial penalties, or even the loss of future funding opportunities. It's important to note that the specific regulations and requirements can vary depending on the funding source and the granting entity. Therefore, grant recipients must carefully review and adhere to the terms and conditions of each grant they receive to ensure proper utilization of the funds and successful completion of the funded project.

To enable compliance with the Uniform Guidance and to prepare for grant audits, organizations should evaluate their policies, procedures, and system of internal controls with a focus on cost accounting systems and processes. Process areas important to complying with the Uniform Guidance cost principles include time charging, project accounting, billing, identification and removal of unallowable cost, and indirect cost rate methodology and structure. Once adequate processes are put in place, they must be continually monitored and revisions made as needed over the life of the grant.

THE CHESS CONSULTING ADVANTAGE

Chess Consulting's government contract specialists understand the complex business and regulatory climate in which grant recipients and government contractors operate. We are committed to finding practical, cost-effective solutions to the problems facing businesses today and, in the years ahead. With an in-depth understanding of the complete grant lifecycle, from award to project setup and initiation, operational management, ongoing monitoring, and audit support and closeout, our professionals bring practical experience with indirect cost rate structures, internal control implementation and evaluation, and financial and business processes to each engagement. Our unique combination of government contracting regulatory expertise, technical financial accounting and reporting knowledge, and forensic accounting and investigative skills, as well as an adept understanding of our clients' business risks and challenges, makes Chess Consulting the premier partner for non-profits, universities, and for-profit companies seeking to work with the federal government under grant arrangements.

Chess Consulting Differentiators

Deep industry knowledge and technical expertise which helps each client deal effectively with the complexities of the processes and issues facing its business.

Profitability focus concentrating on actions and solutions that create a competitive business advantage while fully complying with regulatory requirements.

Practical and creative solutions that effectively address difficult compliance and business issues.

Supportable positions that have been proven to withstand scrutiny from regulatory agencies such as the SEC, DCAA, DOJ, and GAO.

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