



SERENIC[®]
SOFTWARE

Tied Up in the Strings Attached to Federal Awards?

Learn How to Streamline Compliance
with A-133 & Super Circular Audit Rules

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Federal awards always come with strings attached. Previously, organizations receiving federal awards exceeding \$500,000 included a mandate that the recipient undergoes an A-133 audit. Going forward, that threshold has been raised to \$750,000 for audits of fiscal years beginning on or after December 26, 2014 and requires that a single or program-specific audit be conducted.

The audit requirement has one primary purpose: to provide evidence that the recipient has complied with award requirements and the federal dollars have been utilized as intended. For organizations that wait until the end of the year to create or accumulate records in support of their compliance efforts, preparing for the audit can be a nightmare. For organizations that take a proactive approach, apply a strong combination of formalized policy and procedure guidelines, rely on a solid software toolset for help in streamlining business processes, and keep detailed documentation, preparation is simple. These organizations can minimize effort gathering evidence for the auditor and spend their time focusing on their mission.

Dealing with the federal government is complicated enough. Award recipients needn't be in a position where the cost of compliance exceeds the value of the reward. With the right software, staying compliant doesn't have to mean increasingly complicated business processes.

Audit Requirements

The right technology can help award recipients comply with complex award requirements in a reasonable, timely manner so that focus can remain on running their organization on a daily basis. When the necessary detailed information is captured at the source and organized in a meaningful way, it is easy to associate individual transactions with the intended award purpose and the Federal award requirements.

Let's take a look at the ways in which a system like Serenic® Navigator can streamline the organization's task of documenting compliance in the following areas:

- Activities allowed or unallowed
- Allowable costs/cost principles
- Cash management
- Eligibility
- Equipment and real property
- Matching
- Level of effort
- Earmarking
- Reporting

Activities Allowed

Federal award recipients must pay careful attention to application details and award requirements. It is the organization's duty to use funds only for allowable activities and to properly track and accumulate transactions related to these activities. Organizations must be able to show compliance after-the-fact, and it must also be able to show evidence of internal guidelines that foster an environment of compliance both during application and after-the-fact.

In addition to coding transactions appropriately, your nonprofit solution should provide ample areas to record applicable notes and file attachment features to allow you to create a complete and accurate picture of terms and conditions, award requirements, filing deadlines, and fully documented expenditures.

Potential complication: The auditor will seek to identify the types of program activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of contract or grant agreements.

Streamlined: Serenic Navigator lets you centralize and store source documents and correspondence as attachments at both the transaction (invoice, journals, etc.) and the master record (i.e., funding source, grant, customer, etc) level. Staff members can set up notes for records and pages that include links to internal guidelines, laws and regulations, or even photos, how-to videos, and other "unstructured" information. In addition, you can keep track of conversations with awarding officers including date, time, staff member and other pertinent details. By using these features, you can provide evidence of both your organizational awareness thru well documented policies and procedures outlining allowable costs, as well as compliance with award requirements.

Allowable Costs

When it comes to managing costs, federal award recipients have the burden of proving they are in compliance. In addition to showing they have adhered to Federal, State and local laws, these organizations need to provide evidence that they are consistently following related policies, regulations, and procedures that are mandated by the Federal awarding agency. They must also show that costs incurred are necessary and reasonable for the performance and administration of the specific Federal award. Finally, they must show that they have properly documented costs and reflected them net of any credits and in accordance with Generally Accepted Accounting Principles (GAAP).

Potential complication: The auditor will seek evidence that Management has created a controlled environment ensuring that only appropriate costs are allocated to Federal awards. Evidence might include reasonable budgets for Federal and non-Federal activities so that no incentive exists to miscode expenditures and proof that penalties are enforced for any misappropriation or misuse of funds.

Streamlined: Using Serenic's procurement suite and expense reporting functionality, organizations can ensure that allowable costs are applied both at the time an expense is entered or after-the-fact. Further, tools exist to help automate the generation of after-the-fact indirect cost journal entries based on allowable direct costs. At any time, the organization can review award actual expenditures compared with estimates (budgets) using the award statistics feature for evidence of compliance with the negotiated award intent. Additional award spending restrictions can be put in place to ensure that costs are not incurred for disallowed spending purposes.

Cash Management

Federal awards may be funded in advance or in the form of reimbursements for expenses that have already been incurred. In either case, it is up to the receiving organization to document their compliance within mandated disbursement time tables.

Potential Complication: When funds are received, the auditor must determine whether the recipient/sub recipient's request for reimbursements was filed in an appropriate time window, and if funds were received as an advance, ensure they were appropriately expended throughout the grant period. In the case of reimbursements, the auditor must determine that program costs have been paid before the request for reimbursement.

Streamlined: Serenic® Software makes it easy to keep track of funds received and disbursed. Advanced revenue recognition features ensure proper recording of advances and recognition of the revenue over the award period, while invoicing features simplify the process of requesting expense reimbursements as expenditures are incurred. Once in the system, receipts and disbursements can be associated and tracked from submission to payment to reimbursement using drill-downs to the source. With attached source documents, an auditor can easily determine elapsed time and verify that reimbursed expenses have been properly treated by the recipient organization.

Eligibility

Organizations must show they are using federal funds in the correct amounts and only in support of individuals, groups of individuals, or sub-recipients who are eligible to participate in the program.

Potential complication: The auditor must determine that only eligible individuals or groups of individuals participated in the program and that any amounts provided were calculated in accordance with program requirements. Since subawards of grant funds are subject to the same requirements as the original award, the prime recipient is also responsible for ensuring that any sub-recipient is also compliant.

Streamlined: Serenic® AwardVision® includes Terms and Conditions which give organizations the ability to track eligibility rules for sub-recipients, award conditions, funding guidelines, and allowable expenses. Milestones can be used to record sub-recipients as being screened in the Excluded Parties List System. In addition, AwardVision's validation rules for accounts and vendors ensure funds from an award are expended for allowable costs.

Equipment and Real Property

Federal awards generally require recipients to use purchased equipment and real property in the program for which it was acquired. For equipment purchases, recipient organizations must also keep detailed and properly reconciled equipment records and properly safeguard and maintain any purchased equipment. The organization must also have adequate records of any program equipment sales or retirements. An organization can use real property as long as needed for its intended purpose, but must notify the federal awarding agency if it decides to dispose of the property.

At disposition, a portion of the sales proceeds may be payable to the awarding agency based on its percentage of participation in the purchase. It is imperative that organizations properly document asset purchases and keep detail records over their useful life and beyond. Conducting routine physical inventory counts to ensure proper control over purchased assets is a necessary internal control guideline for assets purchased with federal funds.

Potential complication: The auditor will be looking to determine whether the organization maintains proper records and adequately safeguards and maintains equipment. In addition, he/she will be seeking evidence to determine whether any dispositions of equipment or real property acquired under Federal awards is in accordance with Federal requirements. Finally, he/she will look for verification that the awarding agency has been compensated for its share of any property sold or converted to non-Federal use.

Streamlined: Use Serenic Navigator's fully integrated fixed asset solution to keep track of the serial number, asset tag number, asset class and subclass, asset location, and the responsible party for each asset. At the same time, monitor maintenance activity and service dates as well as any related warranties. Create user-defined notes to specify any other terms specific to federally funded equipment and real property purchases or attach detailed documentation as needed. When it is time to sell or dispose of an asset, you can automatically create sale entries and record appropriate gains and losses. Keep track of last inventoried date to demonstrate control over assets.

Matching

When federal awards include a matching component, the recipient must be able to show that matching funds have been received and are from an allowable source.

Potential complication: The auditor must determine whether the minimum amount or percentage of contributions or matching funds was provided. They must also consider the value of any in-kind contributions that were received for matching purposes.

Streamlined: Use Serenic Navigator's AwardVision to create rules to monitor matching requirements while ensuring matching costs are appropriately tallied on a recurring basis. By defining the matching requirements based on dollars and/or gifts-in-kind, organizations will have a formalized methodology in place to easily provide evidence of their guideline compliance for matching over the life of the award.

Level of Effort

Federal awards might include requirements that certain effort indicators are tracked and measured. They might require programs to consistently operate for a certain number of hours or serve a specified number of people and include only certain types of expenditures.

Potential complication: The auditor will seek evidence that the specified service or expenditure levels were maintained.

Streamlined: Serenic Navigator's fully integrated financial and award management tools can provide detailed information about the effort expended for a given cause including labor hours worked as certified by electronic

timesheets submitted (available with or without payroll). Statistical outcomes such as the number of constituents served, as well as any other custom statistical measures specified as part of the performance, can also be recorded into the system and reported along with financial results.

Earmarking

Federal awards might require recipients to use funds in accordance with pre-established limits in the form of percentage or amount minimums or maximums. Organizations must be able to show that they are expending funds in accordance with these prescribed limits.

Potential complication: The auditor will try to determine whether minimum or maximum limits for specified purposes or types of participants were met.

Streamlined: Serenic Navigator includes an unlimited number of customizable rules to keep an organization in compliance with any and all award restrictions from funding to designated disbursement minimums and maximums. Using business controls, an organization can also impose restrictions at the time of an award that specify allowable programs and authorized expense accounts.

Reporting

Federal award recipients are required to use standard financial reporting forms or other OMB authorized forms including: financial, performance, and special reporting.

Potential complication: Recipient organizations might be required to submit other reporting which could be used by the Federal agency for such purposes as allocating program funding.

Streamlined: Serenic Navigator's flexible reporting and customizable account schedules support a wide array of financial statement reporting and deadline requirements. Using the Microsoft Excel based add-in Jet Reports, organizations can design custom reports to comply with any unique formatting requirements in a timely manner. Once designed, the reports are linked to Serenic Navigator providing access to real-time data in the prescribed format with drill-down to the original transactions and source documents. In addition, rather than having to modify internally developed transaction identifiers such as expenditure accounts, organizations can create award-specific labels and maintain a view from the funders perspective.

Conclusion

While Serenic Navigator can't eliminate all of the red tape, reporting requirements, and government oversight related to the receipt of federal funds, when used properly, it can streamline the process by helping centralize information, safeguard assets, ensure appropriate approvals and adequate documentation for expenditures, and automate reporting even in the funder's required format. By helping to automate compliance with many of the award-related rules, the software can provide evidence that your organization has adequate controls in place. When the auditors arrive to analyze the federal funds your organization has expended, you will be able save time and money without having everyone on your team tied up in knots.

About Serenic Software

Serenic Software develops and delivers mission-critical ERP software solutions for public service organizations including: K-12 school districts/boards, public sector, nonprofits (NPOs), and international non-governmental organizations (NGOs). Serenic is a Gold ERP and ISV vendor and a development partner for Microsoft. Serenic public service solutions are trusted by over 1,000 organizations around the globe. You can learn more about Serenic Software at www.serenic.com.

Serenic Software

USA | Canada | UK

TF: 877.737.3642

TEL: 303.980.6007

marketing@serenic.com

www.serenic.com

