

STATE FUNDED GRANTS COMPLIANCE MONITORING

POLICIES & PROCEDURES MANUAL



Grants Management
Version 1, Effective September 8, 2020

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I. COMPLIANCE MONITORING PROGRAM OVERVIEW

The Indiana Department of Veterans' Affairs ("IDVA") awards grants to organizations that serve Indiana veterans. Those grants are funded with state funds, therefore they are subject to state laws, rules, and regulations including but not limited to, compliance monitoring and audit requirements, record retention mandates, and the requirement to utilize adequate accounting systems and internal controls. IDVA ensures that grants are managed appropriately using a risk-based compliance assessment model and by performing programmatic and financial compliance monitoring.

IDVA has personnel assigned to the task of managing and monitoring grant programs administered by IDVA. Those IDVA team members shall offer guidance and assistance to Grantees to help ensure compliance with applicable laws, rules, and regulations related to each grant program.

IDVA's compliance monitoring program will review and analyze multiple facets of the Grantee's operation to determine whether:

- Grant expenditures are compliant with the approved budget;
- Programmatic goals and objectives are being achieved;
- An adequate system of internal controls is being utilized by the Grantee;
- An adequate accounting system is in place and being followed;
- Organizational policies and procedures are in place to ensure compliance with the laws, rules, and regulations governing the grant; and
- Technical assistance and training is needed by the Grantee.

IDVA will utilize a risk assessment to determine whether grantees are high, medium, or low risk. The risk assessment score will be used during the determination of awarding future grants and to determine the frequency of compliance monitoring.

IDVA uses the following methods to monitor grantees and determine a grantee's risk level:

- **Site Visits:** IDVA personnel will conduct periodic site visits to review grantees' overall implementation of the grant-funded program, adherence to laws, rules, and regulations governing the grant program, programmatic achievements of the program's goals and objectives, and to identify issues and provide technical assistance as needed.
- **Review of Independent Audit Reports:** IDVA requires grantees to submit audit reports during the grant application process. The findings set forth in the independent audit report is utilized during the grant scoring process, to determine any necessary special conditions to be included in the grant agreement, and/or any necessary corrective action.
- **Desk Reviews:** IDVA personnel will evaluate a grantee's compliance when it approves programmatic and fiscal reports each reporting period. Technical assistance will be provided concerning any identified issues. Each desk review will examine the organization's internal controls to ensure proper management of the grant and verify that

the grant expenditures are allowable and allocable to the grant, and that expenditures are supported with the appropriate documentation.

To ensure grantees are educated regarding grant requirements, IDVA personnel will provide technical assistance to grantees as needed. IDVA will also provide individual and group training opportunities as needed.

II. ANNUAL COMPLIANCE MONITORING PLAN

The Annual Compliance Monitoring Plan (“Annual Plan”) identifies the grantees eligible for a compliance review for the year. The Annual Plan is developed based on the annual risk assessment, the grantees who have not been monitored in the previous annual monitoring, and the grant period of performance. The Annual Plan is developed on a fiscal year basis beginning in July and ending in June of the following year. The Annual Plan is prepared by IDVA Personnel and approved by the IDVA General Counsel.

III. COMPLIANCE MONITORING OBJECTIVES & PROCESS

Compliance monitoring provides valuable insight into a Grantee's ability to manage a grant from IDVA within the confines of the laws, rules, and regulations governing the grant program. IDVA's objectives concerning compliance monitoring are to:

- Determine compliance with all laws, rules, and regulations governing the grant;
- Verify grant funds are being expended in accordance with the approved budget and in furtherance of the grant's goals and objectives;
- Determine if the Grantee is achieving the goals and objectives of the grant-funded program as set forth in the grant agreement;
- Verify the Grantee has adequate internal controls;
- Verify that expenditures submitted for reimbursement are fully supported by appropriate supporting documentation and ensure that items charged to the grant are allowable, allocable to the grant, reasonable and necessary in accordance with the grant;
- Ensure that the costs are allowable pursuant to the laws, rules, and regulations governing the grant program including any guidance set forth in the grant solicitation; and
- Analyze any match voluntarily supplied by the Grantee to determine whether the required match contributions were satisfied, were from allowable sources, and were appropriately documented.

IDVA wants the compliance monitoring process to be an interactive engagement between IDVA Personnel and the Grantee. That goal is best served by setting forth a transparent compliance monitoring process. The IDVA compliance monitoring process is set forth below.

- **Notification Letter:** The compliance monitoring begins with the issuance of a notification letter. The purpose of this letter is to notify the Grantee in writing that an on-site compliance monitoring visit will be conducted. The letter identifies the date, time, and location of the on-site compliance monitoring visit, the grant(s) selected for review, and the scope of the review. Unless it is not feasible, all on-site compliance monitoring visits will take place at the Grantee's primary place of business. If the grant-funded program is conducted at a different location, the Grantee shall provide IDVA Personnel with a tour of the facility where the grant-funded program operates.
- **Request for Documentation:** A request for documentation will be included with the notification letter. The purpose of the request for documentation is to obtain the grantee's supporting documentation that IDVA would like to review prior to the on-site compliance monitoring visit. Requested supporting documentation might include, but is not limited

to, personnel timesheets and wage statements, receipts for supplies and equipment, invoices, procurement records, and indirect costs methodology.

- **Entrance Conference:** An entrance conference will be scheduled with the Grantee's executive management and key personnel to discuss the purpose, objectives, and scope of the compliance monitoring. IDVA Personnel will explain the compliance monitoring process and inquire if there are any specific areas where the Grantee would like technical assistance
- **On-site Monitoring Visit:** Immediately following the entrance conference, IDVA Personnel present at the grantee's physical location will gather, analyze, and evaluate any additional evidence needed to complete its compliance monitoring.
- **Exit Conference:** An exit conference is held when the IDVA Personnel has concluded the on-site monitoring visit. The exit conference provides an opportunity to resolve any questions the Grantee may have and for IDVA Personnel to ask any outstanding questions.
- **Compliance Monitoring Report:** Within 30 days of the on-site monitoring visit, IDVA Personnel shall prepare a compliance monitoring report. The report shall be addressed to the IDVA Director. This report shall be deemed confidential attorney work product and is for internal IDVA use only. Once approved by the IDVA Director, IDVA Personnel shall issue the Grantee a Compliance Monitoring Final Letter. A copy of the Compliance Monitoring Report shall be included in the Grantee's file maintained by IDVA. The Compliance Monitoring Report shall include:
 - **Findings:** The Findings are the conclusions reached by the IDVA Personnel who conducted the compliance monitoring. Findings are based purely in fact and can be negative or positive.
 - **Questioned Costs:** A questioned cost is an expense that is unallowable, unreasonable, or not allocable. Questioned costs are expenses not supported by adequate supporting documentation or does not comport with the goals and objectives of the grant-funded project.
 - **Disallowed Costs:** A disallowed cost is an expense that was a questioned cost and the Grantee could not provide satisfactory evidence or explanation. Grant funds expended on a disallowed cost must be reimbursed to IDVA. A Grantee will be designated as a high-risk Grantee until the reimbursement is made. While on high risk, IDVA will not reimburse the Grantee for any pending fiscal reports.
 - **Recommendations:** A recommendation must provide a course of action that will correct a finding or issue that has been identified in the Compliance Monitoring Report. Recommendations can include, but are not limited to:

- *Corrective Action Plan* – IDVA can request that a Grantee submit a corrective action plan (“CAP”) setting forth the Grantee’s detailed plan to correct a deficiency or area of non-compliance. IDVA must approve any CAP before it can be implemented by the Grantee. Once IDVA approves the CAP, IDVA will communicate the approval in writing to the Grantee.
 - *Repayment of Grant Funds* – If IDVA determines that a cost is disallowed, the Grantee must repay the grant funds associated with that disallowed cost. Additionally, if IDVA determines that there is a match shortage or any misuse of grant funds, the grant funds must be repaid to IDVA.
 - *Warning Letter* – IDVA can issue the Grantee a warning concerning a minor violation. A warning letter puts the Grantee on notice of the deficiency and the need to correct. An example is untimely reporting.
 - *Special Conditions* - Special Conditions can be included in future grant agreements.
 - *Increased Frequency of Compliance Monitoring Visits* – IDVA can determine the frequency of on-site compliance monitoring visits. Adverse compliance monitoring findings could translate into a recommendation for an increased frequency of compliance monitoring visits.
 - *Termination of Grant* - If the compliance monitoring evidences that Grantee has breached the grant agreement, IDVA may terminate the grant pursuant to the terms set forth in the grant agreement.
- **Compliance Monitoring Final Letter:** After the IDVA Director approved the Compliance Monitoring Report, a summation of the Report is prepared in the form of a Compliance Monitoring Final Letter. The letter sets forth any and all areas of deficiency or non-compliance and sets forth any corrective action that the Grantee needs to take. The letter is transmitted to the Grantee via e-mail (delivery and read receipts). A copy of the letter shall be included in the Grantee’s file maintained by IDVA.

IV. RISK ASSESSMENTS

IDVA uses a variety of risk factors to identify Grantees who are at a heightened risk level. The risk factors include, but are not limited to:

- Adverse Audit Findings – IDVA requires applicants to submit a copy of their most recent audit with a grant application. IDVA will examine that audit to identify any adverse audit findings relevant to IDVA.
- IDVA Compliance Monitoring Findings
- New/Start-up Grantee
- Total dollar amount awarded to Grantee
- New Program

High-Risk Grantees: If IDVA identifies an issue causing a grantee to be designated as a high-risk grantee, IDVA will notify the Grantee in writing and set forth in detail the reason for the imposition of the high-risk designation. In addition, IDVA will provide the Grantee with recommendations to get the high-risk designation removed. IDVA will not process any fiscal reports for a grantee identified as a high risk. Once the high-risk designation has been removed, IDVA will process any outstanding fiscal reports. Grantees who have been designated as high risk by IDVA should anticipate a greater frequency of compliance monitoring visits.