



Title: Track and Reconcile Expenditures for Financial Reporting

Revision History: January 31, 2019

Effective Date: March 5, 2019

Purpose:

The purpose of this document is to outline a policy and procedure for tracking and reconciling expenditures for reporting on the SF-425 Federal Financial Report (FFR).

Authority:

The Director of the Department of Criminal Justice Services has the authority in the Code of Virginia to implement policies needed for the operation of the agency.

The 2006 Code of Virginia § 2.2-803 - Financial Accounting and Control, establishes unified financial accounting and control systems throughout the departments and agencies of Virginia.

Title 31 U.S.C (the Cash Management Improvement Act of 1990) imposes on the states a responsibility to develop and negotiate agreements governing the flow of cash from the U.S. Treasury to the Commonwealth. Careful analysis and monitoring of this program is critical due to the interest penalty that accrues for the time that a state agency holds federal cash.

2017 DOJ Financial Guide, Section 3.15 Reporting Requirements.

Title 28 Code of Federal Regulations (CFR) Part 66, Section 66.20 Standards for financial management systems, (b)(1) Financial Reporting, Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub-grant.

Background:

The Commonwealth Accounting Policies and Procedures (CAPP) Manual is written and published by the Department of Accounts (DOA) to provide authoritative guidance on the application of accounting policies, procedures and systems pursuant to Section 2.2-803 of the Code of Virginia.

The CAPP Manual provides a standardized approach to fiscal and accounting matters within the authority of the State Comptroller. Cardinal is the current accounting system. The section covering Federal Grants Management, Internal Controls and Financial Reporting is located in *Volume No. 1—Policies and Procedures; Section No. 20600, Topic Federal Grants Management.*

Definitions:

CAPP- the Commonwealth Accounting Policies and Procedures guidance on the application of accounting policies, procedures and systems.



SF-425 Federal Financial Report is the form used to report to show the actual funds that have been spent (expenditures) and any bills that will be paid (unliquidated obligations incurred) at the recipient/sub-recipient level, both for the reporting period and cumulatively, for each award.

GMIS-The Grants Management Online Information System (GMIS Online) provides an Internet interface for all sub-grantees to apply for grants, fill out request forms, and submit reports online that go directly to the Grants Administration staff and Grant Monitors.

Policy:

DOA provides grant-reporting capabilities to DCJS through Cardinal.

DCJS is responsible for proper and accurate recording of federal grant activity through the use of Cardinal and GMIS.

DCJS prepares federal grants reports in accordance with federal regulations

This policy and the procedures below are governed by the *2017 DOJ Financial Guide*, Section 3.15 Reporting Requirements; *Title 28 Code of Federal Regulations (CFR) Part 66, Section 66.20 Standards for financial management systems, (b)(1) Financial Reporting*; and the Federal Grants Management, Internal Controls and Financial Reporting section in the *Virginia CAPP Manual* located in Volume No. 1-Policies and Procedures; Section No. 20600, Topic Federal Grants Management.

https://ojp.gov/financialguide/doj/pdfs/DOJ_FinancialGuide.pdf

<https://www.govinfo.gov/content/pkg/CFR-2010-title28-vol2/pdf/CFR-2010-title28-vol2-part66.pdf>

www.doa.virginia.gov/Admin_Services/CAPP/CAPP_Topics/20605.pdf

The *DCJS Federal Reconciliation Process for Accounts Payable and Receivables* (Attachment 1) outlines the reconciliation procedure used by the Finance Section. DCJS prepares reconciliations on a monthly basis per the CAPP Manual Topic 20905 Cardinal Reconciliation Requirements. The reconciliation requirements call for a reconciliation between any internal systems utilized by the agency and the financial system of record – Cardinal. This process details the reconciliation between GMIS and Cardinal.

Procedures for Processing Requests for Funds:

The DCJS *Drawdown Process Flowchart* (Attachment 2) describes the drawdown process for federal and nonfederal grants. Invoice payment requests or voucher requests occur in the DCJS Grants Management Information System database (GMIS) and are initiated by sub-recipients. If the payment is coming from a source that does not need a drawdown (i.e. General, Special or Trust Funds) then the payment can be processed and approved by the Grants Administration Section, by entering a voucher for payment and submitting it to the Finance Section to verify that there is cash, appropriation and allotment to pay and then following the reconciliation process.



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If the payment is coming from federal funds and requires a drawdown, a Grants financial manager will print the request(s) from GMIS and review them for allowable expenses; availability of funding; timing of the request; and agency cash on hand before preparing a voucher.

The financial manager will then prepare a voucher in GMIS entering the transaction code, agency code, fund code(s), fiscal year, program code, object/account code, amount, grant number, dates, and project code(s) designating which funding source the payment will come from. A GMIS Federal Drawdown Schedule will be generated at this time and given to the Finance Section once a week.

The voucher/invoice is printed and the financial manager then references the supplier/vendor list in Cardinal that is generated by eVa verifying that the vendor is approved to do business in Virginia. The supplier ID also designates how and where the funds will be sent.

A batch number containing one or more vouchers is created in GMIS and the batch header containing the agency number, batch number, batch date, batch type, batch count and approval signature line is generated. The batch is given to the grants technician so that it can be entered into Cardinal using the payment terms 00.

The grants technician enters the vendor payment batches. Cardinal generates a voucher number for each invoice/request and the voucher contains all of the information listed above. It is printed and a header page (attached) is generated by the grants technician. After all of the payment requests are processed in Cardinal the batch will be returned to the financial manager.

The Finance Section will create a download of all vouchers entered into Cardinal for reconciliation against the federal drawdown schedule. The grants unit will reconcile the download against GMIS. The Finance Section will verify the information provided by the Grants unit, check accounts for fund availability, and prepare a drawdown each Wednesday to cover the expenditures.

Once the funds have been received via EDI from the federal government, an email is sent to The Grants and Finance sections from the Virginia Treasury (SunTust). The Finance Section will then prepare a Deposit Certificate (DC) to record the funds and notify the grants unit that payment has been received and payment can be approved in Cardinal. The financial manager/grants manager will approve each payment (invoice/voucher) in Cardinal by verifying the invoice number, amount, account, fund, program, department, project and voucher ID and then a print screen is generated, the header sheet created by the grants technician is signed and the print screen attached. This process will be repeated for each payment until the entire batch is approved. Then the batch header is signed and filed.

A voucher registry is printed from GMIS and given to the Finance Section for a final reconciliation. The Finance Section uses the attached *DCJS Federal Reconciliation Process* to reconcile accounts payables and receivables.



Submitting Federal Financial Reports:

The sub-grantees will submit financial reports (the 12th business day after the end of each QTR), using the DCJS Grants Management Information System (Detailed instructions on how to submit financial reports for sub-grantees are given at the time of award). Then the Grants Administration staff will run Cardinal Reports: the Cardinal Trial Balance Report, the General Chart of Accounts (COA) General Ledger Transaction Report. In-house grant financial reports are run by the Finance Manager.

The Finance Section will provide in house grant reports, interest calculations for the federal grants that have grant awards in interest bearing accounts and a Cardinal download for administrative cost and/or expenditures for in-house grants to the Grants Administration Section. A quarterly Financial Report Details-Cumulative for Funding Year(s) is run in GMIS by the financial manager. This report details the sub-grant number by federal fund, location, award amount, reported expenses, match, returned funds to DCJS disbursed amount by DCJS to sub-grantee, match and the balance.

The financial manager will record the actual funds that have been spent (expenditures) in 10.(e.). Expenditures reported by sub-grantees in GMIS (unliquidated obligations incurred) at the recipient/sub-recipient level may be reported in 10.(f.), for the reporting period for each federal grant award on the SF-425 Federal Financial Report (FFR). The FFR will contain the summary information on expenditures, unliquidated obligations incurred, the money from the recipient organization (match), program income, and indirect costs for each quarter of the project. Instructions on how to fill out the FSR-425 are attached.

The FFR will be submitted by the financial manager in the DOJ Grants Management System (GMS) online no later than 30 days after the last day of each quarter. If the FFR is not submitted by the due date, the GMS will automatically consider it to be delinquent and draw down of funds through the Grants Payment Request System (GPRS) will not be permitted. An automatic email notification will be sent if this occurs. FFRs will be accurately prepared, reviewed and approved by management, and timely submitted. Copies of the FFRs and supporting documentation is maintained for future auditing purposes.

Important Reminders:

- Report actual funds spent, NOT the draw down amounts from the Federal Government.
- Report all allowable costs incurred, both at the recipient (in-house, administrative, match and indirect costs), and sub-recipient level.
- Report the cumulative matching expenditures.
- Report program income as the cumulative amount, NOT the quarterly amount.
- Report correct indirect cost rate and/or base supplied by the cognizant Federal agency.
- Report correct indirect cost rate type (provisional, final, or fixed).



Financial Monitoring:

After a sub-award is made to a sub-grantee the approved budget is loaded into GMIS. Quarterly, the sub-grantees submit their expenditures into GMIS. The expenditures will be periodically compared by the Grants Administration staff to the latest approved budget by category: personnel, consultants/contracts, travel, equipment, supplies/other and indirect costs. DCJS grant monitors are responsible for reviewing progress reports to ensure the programs are actually performing as outlined in the grant applications that were approved.

There are checks in GMIS to alert when expenditures are outside of the budget. No expenditures are permitted outside of the approved scope of the project. DCJS staff also monitor programs on-site as well as, desk reviews to determine that the programs are expending according to the purposes outlined.

During or after a desk review or site visit, the Grants Administration staff may request and review a randomly selected sample of documentation for grant funded expenditures that supports information provided on the Quarterly Financial Reports, including general ledger detail, and proper documentation for each expenditure in the form of a purchase invoices, vendor receipts, payroll register, time cards, dates of training, descriptions of training, match support, and time and attendance records. If necessary the Grants Administration staff may send a representative for an on-site visit or accompany the Grant Monitor depending on need and risk.

The Grant Monitor and/or Grants Administration staff will review supporting documentation for each item selected and review for allowable costs and proper support. When a match is provided in a budget, sub-grantees records must clearly show the source, the amount, and the period during which the match was allocated. In-kind contributions should be determined at their fair market value. The basis for determining the value of personal services, materials and equipment must be documented and to the extent feasible, supported by the same methods used by the sub-grantee for its own paid employees. Specific criteria for value determination is provided to sub-grantees at the time of award. The sub-grantee will be informed at the time of sub-award that failure to provide supporting documentation for in-kind match may result the sub-grantee providing the corresponding cash match.

Volunteer Services used as in-kind match will also be reviewed. Volunteer services may be professional or technical services, consultants, skilled, or unskilled labor assisting on the project. Records must be maintained documenting all service delivery, with verifying signatures of both the volunteer and the person who supervises them. The value shall not exceed the independent sector determination for volunteer hours without written supporting documentation.

The Grants Administration staff will conduct in-depth financial reviews of programs identified during the fiscal desk reviews as needing further review (see Monitoring Policy). If it is determined that corrective action is required of the sub-grantee, the Grants Administration staff will work with the Grant Monitor to communicate concerns to the sub-grantee and monitor compliance with corrective action plans.



Grant Review and Sub-grantee Closeout Procedures

The Grants Financial Manager and/or the Grant Monitor will periodically review grant expenditures against approved budgets and will ensure that administrative costs are not in excess of allowable percentage levels and that administrative, indirect costs and match are being charged according to grant program regulations.

The Grants Financial Manager and/or the Grant Monitor will periodically analyze expenditures to determine spending patterns and/or variances of grant programs, in-house grants, administrative costs, indirect costs and match. The analysis should be reviewed by the Grants Fiscal Monitor, or Grants Compliance Supervisor. Recommendations for budget amendments will be forwarded to the grant's Grant Program Coordinators or Grants Manager on or before January 30, April 30, July 30, and October 30.

In preparation for closing out sub-grants; the Grant Fiscal Monitor reviews the *Fiscal Year Grants List* quarterly to see what grants ended in that quarter.

The Grant Fiscal Monitor will run the *Quarterly Financial Report Details Cumulative Funding Report* in Old GMIS 60 days after award close date. This allows time for the sub-grantees to spend obligated funds during the liquidation period and report funds spent. This also give a 30-day window for grants that are closing federally to be closeout. The report lists run in Old GMIS are based on the federal funding year, not fiscal year. For example JAG, onetime grants and V-stop may cross multiple fiscal years.

Quarterly Financial Reports > View Quarterly Report Figures Cumulatively

Funds Reconciliation

The Grant Fiscal Monitor prepares a tracking spreadsheet (*GMISissuesFY*) to balance funds reported as expended by sub-grantee vs funds disbursed to sub-grantee. The fiscal monitor compares the **Expended** figure vs **Disbursed** figure; they should be equal, taking into account any funds in **Returned** column.

If there is a difference (+ or -), the fiscal monitor will send an appropriate e-mail to the sub-grantee using merge mail. The fiscal monitor will list the grant number, grantee, original issue, funds receivable, funds payable, initial action taken, second action and result on the tracking spreadsheet, and create a file using the Grant Reconciliation Form and supporting documents (Attached).

Check for 1) SOGA and 2) if sub-grantee met Special Conditions (if applicable) to ensure there is not an issue hampering reporting.

For the local match (if required) the fiscal monitor compares the **Expended** figure vs **Disbursed** figure. Consider actual expended funds as that figure may be less than budgeted, thus reducing required match proportionately.

If there is a difference (+ or -), the fiscal monitor will send an appropriate e-mail to the sub-grantee using merge mail. The fiscal monitor will list the grant number, grantee, original issue,



funds receivable, funds payable, initial action taken, second action and result on the tracking spreadsheet, and track status of fund reconciliation issues on *GMISissues* spreadsheet.

Budget Reconciliation - to de-obligate unexpended budget balance in GMIS:

Check **Balance** column for differences in awarded (budget) figure and actual grantee expended figure. The balance will show \$0 if the grant is balanced. If there is a difference, use the final reported YTD Financial Report (FR) to reconcile in GMIS.

The budget will show \$0 if there is no (Statement of Grant Award) SOGA or the Special Conditions are not met. The budget will not be entered into GMIS until it is approved.

The financial monitor will enter the final reported YTD FR in online GMIS:

<http://intranet.dcjs.virginia.gov/index.cfm>

Employee Connection > GMIS Online > enter grant# > Administration > Budget Reconciliation

- Enter revised figures
- Choose File: GMIS Budget Amendment.PDF

Returned Funds –to record in GMIS unexpended grant funds returned to DCJS by sub-grantee:

The Finance Section will give the grant fiscal monitor the *Receive Distribution Continuation Sheet* and a copy of the check from the sub-grantee. The Finance Section may receive and Inter-agency Transfer (IAT) or Budget Execution (BEX) from state agencies.

Enter information, such as the check number, funding stream, deposit ID number, and date returned into the Old GMIS Database:

Quarterly Financial Reports > Add Return of Funds

After data is entered, return information will show up on the bottom of Vouchers page in GMIS Online.

Enter information in online GMIS:

<http://intranet.dcjs.virginia.gov/index.cfm>

Employee Connection > GMIS Online > enter grant# > Administration > Budget Reconciliation

- Reconcile budget using the final reported YTD FR in GMIS
- Choose File: GMIS Budget Amendment.PDF

Enter information on the *Returned Funds spreadsheet*. Send copy to the Finance Section and the Grants Manager quarterly.

*For accounting purposes, funds owed are considered past due 30 days after the first notice is sent.

Return of funds information: *_check made payable to "Treasurer of Virginia"*

DCJS

Attention: Finance Section

1100 Bank St, 12th floor



Richmond, VA 23219

Interpretation

The DCJS Grants Administration Manager, will provide the understanding, explanation and/or analysis on these procedures and answer any questions regarding the application of this policy.

Shannon Dion

Shannon Dion

March 6, 2019

Date