**WorkforceGPS**

**SMART 3.0 Series: Recording Budget Modification and Grant Modifications**

**Tuesday, October 8, 2019**

*Transcript by*

*Noble Transcription Services*

*Menifee, CA*

GRACE MCCALL: Hello everyone and welcome to today's webinar, "Budget Modification and Grant Modifications SMART 3.0 Training." My name is Grace McCall and I'm here if you need anything technically speaking, hopefully you won't need to hear too much from me, but if you do have any technical questions, please let us know in the chat window on the bottom left hand side of your screen.

You can use that chat window to introduce yourself now, so please go ahead and type into that chat your name, your organization, and how many are joining you today. If you're attending in a group, you may also use that chat box, ask our presenters any questions you may have during the webinar. You'll also notice we have a copy of today's presentation and additional files uploaded into the file share window on the bottom right hand side of your screen. You can download those at any time throughout today's webinar.

Also, a copy of today's presentation as well as a transcript recording and executive summary will be made available on WorkforceGPS in about a few days additionally, to continue producing quality content, we will be sending out a survey concerning today's events. Please take a few minutes to fill that out once the webinar concludes. We will also be sending out a follow up survey in a month's time. Again, if you haven't already done so or if you're just joining us, please introduce yourself in that welcome chat. We'll have that chat up throughout today's webinar where we can type in your questions or comments at any time.

And welcome to "Budget Managements and Grant Modifications SMART 3.0 Training." So without further ado, I'd like to turn things over to our speaker for today. Trevor Capon, federal project officer, United States Department of Labor region one, Boston, Massachusetts. Trevor, take it away.

MR. CAPON: OK. Hello everyone. Welcome to today's session. If you've attended the sessions in person or some of the previous online sessions, you've probably seen this slide before, but going to go over it again. So what do we mean by the term SMART? It stands for the following Strategies of Sound Grant Management.

It comprises monitoring, accountability, risk mitigation, and transparency. These four themes are weaved throughout Uniform Guidance and you've probably also seen the grants management toolbox. If you haven't, you'll see this icon throughout the SMART modules with direct links to the tools being discussed. SMART Training 3.0 is one of several tools of the grant management toolbox created to help FPOs and grantees manage grants.

Also available are the 2018 core monitoring guide, the ETA grantee handbook, the soon to be published technical assistance guide or TAGs and the grant and financial management funding – so the TAG, which is the grant and financial management and funding, the One-Stop delivery system and WorkforceGPS resources such as the sample MOU and infrastructure toolkit and other resources for your specific grant. Today's SMART training and other additional trainings will be made available on the grant application and management community located on WorkforceGPS. Be sure to access all available tools when you're managing your grant.

So the module overview, this is what we're going to discuss today. The – for budget management, we want you to better understand how the budget and program goals should align with organizational operations.

In doing so, realize program and fiscal staff must work collaboratively to implement or enhance budget controls and be able to analyze the data combining both fiscal and program; to better see the linkage between budget and performance through analysis; to understand the budget realignment requirements; and then for grant modifications, identify the source of the requirements, prior approvals.

Learn about the different types of mods, learn about the technical information required, in a modification request; learn about the request process; and then we'll also review common mistakes for both budget management and grant modifications. These common mistakes can lead to monitoring findings and/or cost disallowance. So there are very instructive tools.

So our key concepts for budget management, again, you should understand the budget's purpose, the requirement for budget controls and analysis are contained in the Uniform Guidance, and requirements exist for budget analysis and periodic reviews of all financial activity against the plans.

The same analysis should be coupled with analysis of program goals and achievements and shared among program managers and your agency executives. You should know and understand the components of the budget and how it is used to monitor program and financial activity. The budget is your blueprint for financial activity and a plan of how grant resources are expected to be used.

You should understand how the budget is constructed and how the data may be updated. And also I'll share with you a number of tools available for use in performing your budget analysis. These tools may be customized or adjusted as needed to meet your own specific needs and all financial activities should be compared to performance activity to achieve effectiveness. If the grant is to be successful, it is critical that financial activity and performance activity are compared and adjustments made before issues arise.

So the budget's purpose – the purpose of having a budget document. First, it provides a quantifiable plan for expenditures that links the planned actions and activities supporting the outcomes of your federal award. While it's important to note that a budget is a planning document and subject to change, the completed an approved budget contained in your grant agreement provides a baseline of cost activity and should be modified as circumstances warrant.

Taking care in the development of the initial budget is critical to implementing grant activity and you should have backup documentation that supports the dollar amounts. This is also true of the budget documents you put in your subawards. Secondly, a budget facilitates the communication comparing the budget amounts with actual expenditures. And then having that analysis available to both fiscal and program staff and managers provides your organization with consistent and accurate information on grant implementation and progress in meeting outcome goals.

If there is little or no standard analysis available, there is a chance that your program may not achieve program goals. These analyses also provide staff with a chance to foresee and correct problems before they are insurmountable. A budget also allows your organization to allocate the grant resources appropriately to ensure that costs of services called for in your statement of work are appropriately and adequately funded.

The budget can then serve as a benchmark when comparing actual financial results to the overall plan. This information should always be shared with all management and executives. Lastly, the budget may serve as a basis for evaluating performance. Were the costs in line with projections? If not, were the costs over or underestimated? Failures to correctly estimate costs if not corrected, will have a detrimental effect on overall grant performance.

What are budget controls? They are part of your internal control system that all recipients must have in place to safeguard federal funds and ensure that the funds are used appropriately and effectively. Budget controls as part of the overall control environment are designed to provide awardees with methods that will ensure costs are incurred in line with budget projections. This is most often done through a planned versus actual analysis.

So you'll hear me say – talk about planned versus actual quite a bit in this section. In addition, the budget controls are required to ensure that prior approval of the federal awarding agency is obtained before incurring a cost as required. Budget controls help to identify and reallocate unused funds.

And finally, budget controls and analysis will help recipients to identify and prevent potential performance issues such as cost overruns for services for line items. And all of these controls have a single purpose to ensure that federal funds are spent both appropriately and effectively. In light of increased emphasis on performance and results, these controls provide oversight of spending patterns and results.

Budget controls and analysis needs to be applied to every budget category and any other critical financial activity. Special attention needs to be paid to cost that are restricted in some manner. The financial standards applicable to all federal awards contain the requirements for what we call a plan versus actual analysis.

The standards state that the financial system must provide for comparison of expenditure with budget amounts for each federal award. ETA policy has been to urge recipients to perform such analysis no less than quarterly to coincide with a quarterly financial reporting requirements. This is financial standard, applies equally to formula and discretionary recipients. Pass through entities have the responsibility to ensure these provisions are followed by their sub awardees.

The budget and program plan revisions have been adapted primarily from the requirements of A110 and specifically that require – recipients must report deviations from approved budgets and program plans if the conditions warrant. While many of these requirements will apply primarily to ETA discretionary grants, formula recipients also are required to have these provisions in place as pass-through entities.

Prior approval authority has been granted to governors for formula grants, but the provisions remain in effect for all awardees. There are a number of instances where the prior approval of the awarding federal agency must be received prior to actions being taken that are more applicable to this discretionary recipients. But we'll go over the prior approval requirements for both discretionary and formula recipients and more detail in later slides.

So some of the controls that should be in place include your counting records, need to track back to the line item object class categories. This may be done either through linking spreadsheets or through a separate budget code within your chart of accounts.

It doesn't matter what method is used, but as a recipient it is your responsibility to be able to determine whether or not cost you charge to the federal award are identifiable by budget category. Budget controls are also a method to determine what's determined that spending within approved object class categories is within the allowable limit. This is most often done again through the plan versus actual analysis and other trend analysis over time.

In addition, budget controls provide a method to ensure that subrecipient expenditures are within their allowable budget by line item. Subrecipients also should have budget controls in place and expenditures should be compared with the budget at regular intervals, monthly or quarterly. Subrecipient budgets may be more extensive than the federal budget form and may include additional cost categories that match the expected outcomes. The analysis should mirror whatever format is used.

The pass through entity is responsible for ensuring that all subawards comply with spending controls. The pass-through entity must ensure that costs are in line with budgets. Budgets are adjusted as needed with approval, and all subrecipient costs will not exceed the award. Grant activity that could trigger the need to reallocate funds through a modification includes delayed implementation or hiring of staff and the actual program or equipment costs are below originally projected costs. Such funds should be redirected to other line items where they will benefit the program and enhance the overall efficiency of the project.

Note, keep in mind that a budget modification may trigger the need for prior approval to the change of your statement or scope of work. And we'll go into that in more detail in the modification section of this presentation. Also, please note that financial and program staff are responsible for maintaining clear communications to ensure that program commitments do not exceed funding capabilities. The best way to make certain this happens is to establish a schedule for budget analysis that is shared organization-wide.

So here we have a discussion and how would you answer these questions? When does the budget control process begin? With the preparation of the initial budget, is the answer. Discretionary grantees submit – do this and submit on the SF-424A and other recipients and subrecipients prepare in accordance with their budget instructions, and also using past results as the basis for preparing the current budget.

What types of budget analysis should be performed during the period of performance? Plan versus actual comparisons for each budget period, as we discussed. Comparisons of results with the percentage of time elapsed in the award. Also comparison of performance results with the program goals. And who should the plan versus actual analysis be shared with? And the answer is your board, potentially, management team, fiscal and program staff, really all pertinent staff that are working on the grant.

Oops, sorry, I've got a little more to go here.

And then number four, how often should the analysis be performed? As we discussed at least quarterly in conjunction with the quarterly reporting cycle and more frequently for short term projects or when significant variances begin to occur. And what actions are taken when planned versus actual variances occur?

So you identify the causes of the variances and possible corrective actions and also tracking subsequent budget analysis, whether the corrective actions taken have been effective in fixing the budget variances. If negative variances continue, you need to determine whether you need to request a budget modification, and analyzing data on a regular basis will help grantee staff be proactive in the event a budget mod is needed.

So some other factors to consider in applying controls. Awards under WIOA Title one have limits placed on certain cost categories including administrative costs, in school use, and any other costs limited under the terms and conditions of the federal award. Also, you have limitations placed on indirect costs.

These costs are limited to or proved based on your negotiated indirect cost rate agreement or in the case if you've never had, or I should just say if you meet the requirements to use the 10 percent de minimis rate and that is applicable.

And also in addition, since a large portion of indirect costs are classified as administrative costs, there may be a limit on the amount of indirect cost that can be charged to the award to stay within the administrative cost limitation. There are ways to look at your indirect cost pool more specifically and determine what is actually administrative and what is program. I'd recommend talking to your federal project officer if you run into that issue so that you can capture all of your allowable indirect costs.

Another cost limited area would be if you have match on – or match requirement on your award. So failure to meet the match requirement could result in cost this allowance or you having to write a check to the federal government. So that's certainly an area that's very important to track. Then again, the budget variances. So whenever a significant variance begins to arise between actual budget expenditures and any budget category or in total, the analysis needs to determine the cause of the variances.

And then depending on the cause of the variance, you should – you need to – you may need to address specific program problems or re-examine your initial budget. And then finally, as we noted earlier when if there are continued issues, maybe the answer is a budget realignment and usually you will have to receive prior approval from the grant officer when the cumulative amount of those transfers would exceed 10 percent of the total award.

Again, note that this information is also in the grant management TAG and also which is chapter 4.6 grant modifications. And we'll go into that in more detail on the grant modification section of the presentation. So we've been talking a lot about the budget and all federal awards use the SF-424A as the standard budget document. ETA primary primarily requires the SF-424A for discretionary grants.

In this section of the training, we will review the SF-424A from the perspective of a discretionary recipient. However, formula recipients are subject to the same requirements as pass through entities, though they are not required to use the 424A for subawards, the concepts are the same and budget analysis and comparisons are required for the subaward level.

This budget document the SF-424A is completed and submitted to the federal funding agency, either with the plan or proposal and is then made part of your formal grant agreement. The completion of the SF-424A helps to ensure budget controls are in place and should link the object class planned expenditures to your agency expenditure record.

So here's an example of the main kind of section of the 424A. As you can see, you have your object class categories including personnel, fringe, travel, equipment, some supplies, contractual construction, other and then your total vendor of direct and then your indirect and then your total, which is your total award, which is the sum of your direct and indirect costs. Then the next very important piece of your budget is your budget narrative.

So as a direct recipient you are required to develop and submit a budget narrative along with the SF-424A budget form. The narrative is evidence provided in a clearly written document that the proposal brings together the appropriate resources in terms of people, budget, time, and other resources to meet the project objectives.

Should address whether the budget is justified with respect to the adequacy and reasonableness of the resources requested, and if the time commitment of the proposed director and other key project staff are sufficient to assure proper direction management and completion of the project.

Some areas that may be evaluated by ETA for consistency are the salaries and the proposal in relation to those of your organization. They should be similar. If the new staff are being hired, that there's additional space and equipment and supplies should be considered as necessary. If the budget calls for an equipment purchase, it should be in line with the goals and objectives of the grant; if additional space is rented and an increase in insurance should be supported.

If an indirect cost rate applies to the proposal that the division between direct and indirect costs should not being conflict in the aggregate budget, total should refer directly to the approved formula. If matching costs are required, the contributions to the matching funds should be taken out of the budget unless otherwise specified in the application instructions.

So that's a common issue is grantees put their match on the 424A and it shouldn't be included in that budget form unless otherwise instructed. Then we're also looking to make sure that the budget line items are consistent with the work plan objectives and that they're actionable steps. So again, the budget narrative provides documented support for the dollar amounts in the – of the object class categories in the 424A and it will be useful for you and for us in analyzing your results. And these concepts apply to your subawardees, as well.

So listed on this slide are some basic components of a budget analysis process. So compare actual results with the budget plan for all budget categories. This is the basic system consisting of a series of spreadsheet designed to capture expenditure data by the appropriate categories, a process to analyze the results, and a mechanism to share those results and take appropriate action if warranted.

So again, conduct this analysis at least quarterly for each reporting period. But even more so or more often when your analysis raises red flags, identify any significant variances between planned and actual results, analyze the causes of those variances, and then take appropriate corrective action. And then conduct trend analysis over time. And the use of trend analysis over the life of your grant is a very helpful way to stay in compliance. It enables you to compare the results from one period to the next as a way to gauge your progress and then also track the impact of your corrective actions as previously discussed.

And with the creation of the Uniform Guidance as opposed to the old regulations, there's a lot of emphasis on combining the analysis of financial and program performance indicators. So financial data alone and program performance alone can be one dimensional. When you combine the analysis of all data points, your analysis becomes richer and more dynamic.

So compare results from one period to the next and track the impact of those corrective actions. And that's in terms again of looking at performance in conjunction with your actual financial data. And again, the – as we've discussed, the easiest method to accomplish this is to implement a system for comparison of actual – of comparison of actual costs to planned expenditures.

Now we're going to look at some budget comparison tools. So here is kind of a straight line projection using the budget, the object class categories right out of your 424A, so looking at budgeted amounts, verse actual results with the time elapsed. And you can find this tool in the core monitoring guide, it's the tool E budget comparison tool and you can adopt it and kind of tweak it for your own use.

Then we have an example of a simple budget analysis worksheet. This is that same type of tool using the object class categories from the 424A and then the calculation is made that shows kind of your expenditure rate for each of the object class categories. Again, this can be found in the core guide and used – tweak and used for your own use. Then here we have a total expenditure analysis. So in the last tool we were looking at, the various object class categories. Now we're looking at the total expenditure over time.

Tracking overall expenditures. So when analyzing the total overall expenditures, you should ask, is the grant on track? What additional data might you need to make an informed conclusion? Is there a mechanism available to cross-reference cost to performance? Is the spending rate too fast or too slow? What types of costs contribute to the rate? Are the costs of operating the project proportionate to the outcomes achieved?

If not, what remediation needs to occur? This might be an adjustment to either cost or performance goals. And where does all the data come from? All data should come from your accounting records and any internal management reports that are compiled for analysis. For your subawards, the data should trace from the subrecipient accounting records to the reports your organization has had submitted to you.

So using the same type of analysis, we can then apply to some of those other cost limitations that we – that I touched on earlier. So for administrative costs, you can basically use the same template and track your administrative costs over time. Again, very important analysis when your grant has a cap to make sure that you don't go out of compliance and potentially have disallowed costs.

And again, for the administrative expenditures, just like your overall expenditures, the data should come from your actual accounting records. Any supplemental records you're using to track administrative costs and any internal management reports.

Then again, this same tool can be used to track match if that is applicable to your program or project. I should also mention that even if you do not have a match requirement, most all grants do have a role. There is a requirement that you report leveraged cost and it would be important to track leverage to make sure that you're on track, as well. And you could use this same tool.

And the data for your match expenditures, again, just like administrative costs and overall expenditures should tie back to your accounting records. Any supplemental records you're using, any internal management reports. And again, as I mentioned, match requirements are not applicable to everyone. So take a look at your FOA and/or in your grant terms and conditions to meet – to determine if match applies to your award. But everyone should consider using this tool to track their leverage resources.

So then we have the combined analysis. So this is where we're trying to look at the overall picture of our projected rates and tying all the different areas into an overall analysis. So this – the evolved analysis compared your actual performance to planned results through the third quarter of a three year grant. Another approach to analyzing the status to compare the percentage of planned results achieved to the percentage of time elapsed in the grant.

Since three-quarters of the 12th quarter grant have elapsed, that computes to an elapsed time of 25 percent. The following table compares all of the performance categories against this measure of time. This chart provides a graphic picture of the variances in the percent of actual results achieved compared with the targets for the entire grant period, and as measured against the percentage of time elapsed in the grant. It is clear to see how administrative costs are being spent at a much faster rate than the passage of time. Although total enrollments are still behind the third quarter plan, they have caught up to the percentage of time elapsed.

The percentage of participants enrolled in training is behind both the third quarter planned and the time elapsed with training completions and job placements trailing farther behind. So if this is the picture or story of your project as the grant recipient, you need to potentially slow the rate of administrative costs. Maybe work with a subrecipient to develop a plan to increase participant enrollments.

Ensure that the increase in enrollments also boosts the number of participants enrolled in training. Track the rate of training completions to ensure that the goal is met, track the rate of job placements and closely track training costs and total expense expenses. At times, the analysis may indicate that the initial plan needs to be modified in order to achieve the grant's objectives.

The types of analysis described here will help you to not only identify where the variances are occurring, but also to isolate the causes for those variances. The final results of that analysis will indicate what corrective action needs to be taken. If the analysis indicates that the grant itself needs to be modified, the analysis will enable you to explain to the ETA grant officer why the changes to the statement or scope of work or your budget are needed.

And very importantly, as discussed again with this focus becoming much more pertinent with the Uniform Guidance, linking budget and performance analysis. So you have award conditions that may include a industry focus, occupational targets, certain populations to be served and allowable grant activities specified by us upon which must be adhere to. All of this information can be found in the grant and financial management TAG chapter 4.6 in linking the budget and performance analysis.

So some consequences of a lack of budget control. Primarily these failures are related to recipients failing to conduct any sort of comparison between planned expenditures as listed on your 424A and the actual costs incurred as found in your official book of account. This is often the result of the lack of process to link the budget categories to the official chart of accounts and then to the books.

Taking narrowly, the lack of budget controls has led to a breakdown in cost controls, the results of which are over expenditures, under expenditures, or expenditures that are not in line with performance outcomes.

Without adequate controls and a process to analyze the data in place, you do not have the tools or knowledge to make a request of the grant officer for a budget modification. By not linking the analysis of financial indicators with program performance indicators, you lose the opportunity to conduct a richer and more dynamic analysis of your program overall.

Program personnel should realize that fiscal personnel only process financial transactions to support program operations. Program personnel decide where the money will be spent, i.e. how many will be enrolled, who will receive actual training as opposed to other less costly services when they will enter training, who will receive supportive services, etc.

So consequently it is imperative that program and fiscal staff maintain an ongoing dialogue to keep the organization on track to effectively and efficiently accomplish program goals. You should also understand that these failures are not attributable only to your two direct recipients. If the direct recipient does not have adequate controls in place, then it is very likely that the same issues apply to – or apply at the subrecipient level, as well.

So here, we have a knowledge check and we will have a poll for you. So program and fiscal personnel must routinely communicate performance and financial results for effective budget management. True or false? So the answer is true. Just as previously discussed, program personnel should realize that fiscal and personnel only process financial transaction to support program operations.

So I just went over that. So it is, again, consequently imperative that you maintain an ongoing dialogue, both fiscal and program staff, to make sure that you can track effectively and efficiently all of the cost limitations and make sure that they're adequate to accomplish program goals.

Number two, on obligated funds and a subaward of discretionary grant cannot be de-obligated and reprogrammed by the pass-through entity to fund other subgrantees. That answer is false. Pass-through entity should constantly be reviewing the progress of subrecipients to make sure they are spending enrolling participants to expend all funds awarded to them.

If it becomes apparent that a sub recipient will not be able to spend all funds that was awarded, the pass-through entity can reprogram any funds the subrecipient cannot spend and use them and add those funds to other subrecipients who demonstrate that they can use the funds effectively and maybe add additional participants or serve or other services to further the overall pass-through entity's grant objectives.

Number three, the entity' accounting records need to track back to the approved budget and line item object class categories. This is true. The accounting records need to track back to the line item object class categories. This may be done either through linking spreadsheets or through a separate budget code within the chart of accounts does not matter what method is used, but as a recipient is your responsibility to be able to determine whether or not costs you charge to the federal award are identifiable by budget category.

She just mentioned, this is a common finding during monitoring that you may have a budget that is in line with the way things are delineated in your own accounting system. But if we have no way to track those back to the budget or 424A, your approved budget and your award, but then it's supported by your budget narrative.

It becomes virtually impossible to track if you're in compliance with a prior approval requirement for budget modifications and also to track specific object class category spending to analyze if funds need to be reprogrammed or if funds have been overspent. So it's very important to link whatever budget you end up putting in your accounting system back to the original 424A that's in your approved statement of work.

So now we're moving to the section of the presentation on grant modification. We're going to go over the prior approval requirements, the modification definition, modification types, the supporting and technical information that is needed for each modification or requests, and then also the request process. So please refer to your grant agreement and other applicable program regulations for the prior approval requirements.

For certain formula funded programs that are awarded to states, prior approval from the grant officer may not be required. But for certain discretionary grants that are awarded to the states prior approval maybe required. So it is your responsibility as a grant recipient to ensure compliance with the appropriate requirements.

So here are our – this is where our definitions come from. 2 CFR 200 subpart E the cost principles, that has your general provisions for the selected items of cost, whether it's whether costs are allowable, un-allowable, or allowable prior approval and that includes capital expenditures and many other types of costs, but the method for receiving prior approval for those types of costs that require you to obtain that prior approval is through our modification process.

We also have the Uniform Guidance DOL exception that goes into more detail around prior approvals and who has the authority to give you official prior approval. One very important note is that your – the awarding of your statement of work does not constitute prior approval of the items that require prior approval. So listing things in your grant agreement or budget, and then you get your grant awarded that is not prior approval.

You need to come in to us after the fact and obtain the prior approval even if the specific item of cost was included in your budget or program plan. Also, you must request prior approval actions at least 30 days prior to the effective date of that action. Then you have the citation at 2 CFR 2900.11-12, which talks about the revision of budget and program plans where you must receive prior approval for an extension to your period of performance.

And then also as I alluded to, that while all modifications are processed through your FPO, the authority for providing a prior approval rests only with the grant officer. FPOS have no authority to provide you with prior approval. If you address a potential modification with an FPO and they tell you they think that's a good idea and you hang up the phone that does not constitute prior approval. And we'll go into that further in the next slides.

So what is a grant modification? A modification is a formal process used to make changes to your grant agreement that require a prior approval. You have grant officer initiated modifications, those are unilateral mods and then also a grantee requested or external bilateral modification. And those are the ones that need prior approval. Examples of a unilateral grant officer modification could be a rescission or including some conditions of award or taking other actions that come directly from the grant officer and change your grant agreement.

Some examples of bilateral, grant officers may initiate those, but usually they are initiated by the grant recipient themselves. And those would be budget realignment, statement of work changes, changes to your period of performance. And then again, approvals, specific costs like equipment. So the modification requirements you need to have the policies and procedures related to obtaining prior approval.

This should be part of your financial manual or part of your grant's management manual and it's a system or part of your system of internal controls for staff should know when it is required to obtain prior approval. And so that should include modification policies and procedures. And then staff, not only should you have these policies and procedures as part of your internal controls and your financial manual or grants management module manual, you need to make sure that your staff and all new staff that may be hired for a specific award are actually trained to understand the prior approval and modification requirements.

So again, some types of modifications we're going to go over here are budget realignment, some administrative changes, changes to your statement or scope of work, period of performance extensions, also referred to as no-cost extensions, equipment purchases, capital expenditures, changes to your key staff, and then also incorporation of indirect cost rate agreements.

So the first one, budget modification, states – so for formula awards, states do have the authority and flexibility to shift dollar resources among allowable cost categories or budget line items following the requirements and provisions of WIOA unless specified in the grant agreement for those items requiring prior approval, the authority to grant or deny approval is delegated to your governor. And that includes unemployment insurance, WIOA Youth, Adult, and dislocated workers; and under the Wagner-Peyser Act.

For discretionary grant recipients, the request for a budget modification must be submitted in writing at least 30 days before the effective date of any change. So this ties back to doing all those budget projections and making sure that we are forecasting overruns in any object class category so that we can request a, um, budget realignment again, prior approval to an overrun.

You don't want to have to be coming in after the fact after you've already had an overrun and asking for a modification. While there an exception may be made a one-time exception to fix an issue, that's usually will show us or be indicative that there is some internal control issue at your organization and make – may kind of trigger further follow up or even onsite monitoring if it hasn't already happened.

And then for discretionary recipients, you may, under the Uniform Guidance now you can move money between the object class categories cumulatively up to 10 percent of your total award. If you're going to go – need to move more than 10 percent of your total award in cumulative changes amongst the object class categories and that includes all of them, then you're going to need to request a budget modification. So definitely if you are forecasting any overruns, it's important to talk to your federal project officer and try to anticipate and discuss whether a budget modification is needed.

And we have what we call some administrative modifications and that would be changes in key personnel. So if you're signatory or point of contact are going to change, those key personnel listed on your 424, as opposed to the 424A but your actual application for financial assistance form the 424, you do need to request prior approval to change those key personnel.

If there's a change of your address or phone number or what we call a novation change, which is a institution or organization change and then in a corporation of your negotiated indirect cost rate agreement. So anytime you receive a new indirect cost rate agreement that should be submitted to your federal project officer. And you should be requesting that that new rate agreement become incorporated into your grant agreement.

And sometimes those may trigger the need for a budget – a kind of attached or applicable budget realignment. Other times they wouldn't change your – the object class categories by more than 10 percent of your total award. So then you wouldn't need a corresponding budget realignment. But we still want to incorporate your most current approved indirect cost rate agreement into the award.

So then it's a statement of work modifications. So these are an important tool because you are writing a proposal and you've proposed all sorts of activities in concert with partners, employer partners, subrecipients, and then by the time and the award is made, maybe things have changed on the ground where certain types of services are no longer needed or certain types of training – you've already saturated the market. Employers are telling you, we don't need this type of training anymore. We need something else. So we need to have a tool to be able to change your grant agreement so that it – we can still utilize the funds.

Another example would be if you are very specific about a certain zip code or PUMA area that you are going to serve and then you are having enrollment issues, if allowed under the FOA we would want to modify the award so that you could expand or open up to serve participants in a larger geographic area so that you may meet your performance goals.

One of the major criteria when we're evaluating these requests though are would this request change your pre-award competitiveness? And that's why almost never do we approve a change in your performance goals. So we're going to – we may change the how, sometimes the what, but we're not going to change the how many at the end.

You know, it's definitely not good to say you are going to serve a thousand participants or potentially your grant writer said that you're going to serve a thousand participants. The grant is awarded and then you find your project managers hired and find that's not even anywhere close to realistic. We want to serve 400 participants. We're not going to allow you to make that change.

Someone else or some other entity should have probably received that award that was more realistic in the outcomes they put in their proposal. So just keep that in mind. But again, it is very important to be able to change strategy because things do change over time, during the period of performance. And that's the tool that we have so that we can still make sure that you're successful and can meet your goals and objectives.

Period of performance modification. This – the Uniform Guidance says that you are allowed to receive a one-time extension of up to 12 months. So one thing to keep in mind there is that make sure that you understand that requirement. Don't ask for just three months. If there's any possibility at all that you could you need six months or 12 months because we're technically only allowed to give you a one-time extension.

So make sure that you really are accounting for all the time that is needed. It's also very important that you justify a period of performance extension. These are not rubber stamped. We don't provide approval just so that you can spend down funds. If you have met all the goals and objectives of the grant and you have money left, great. You came in under cost and that money will go back to treasury.

That said, if there were significant delays or other causes for issues in the project and you need more time to meet your goals and objectives, we will consider the – your explanation and potentially award an extension to allow you to meet those goals and objectives. Equipment. So again, just because you put a piece of equipment in your proposal or in your narrative and your grant is awarded, that does not give you prior approval to go out and purchase equipment.

Equipment, you do need to come in after the award to get prior approval to purchase any tangible personal property including information technology systems, having a useful life of more than one year and a per unit acquisition cost, which equals or exceeds the lesser of a capitalization level by the non-federal entity for financial statement purposes or $5,000.

So the one important change for those of you that have been around since before the Uniform Guidance is the inclusion of information technology systems. If you go and look at the definition of information technology systems in the Uniform Guidance, that includes software. So a software purchase where the per unit acquisition costs of $5,000 or more useful life of more than one year would require prior approval.

And again, these equipment requests, you should reference the page number that the equipment – the deliverable that the equipment ties to. We are allowing you to purchase equipment that is allocable to the award. So it supports a specific goal or objective or objective. Does the curriculum you're using call for this type of equipment? Do the employer partners use this type of equipment or and have supported to you that this is very important for the participants that they want to hire to be trained on?

So there needs to be a narrative justification and really a – yeah. Just a justification explaining how this is allocable to the award. Any questions on equipment? Definitely you want to work through those with your federal project officer.

For equipment modifications for formula grants, for state recipients, you must manage and dispose of your equipments in accordance with your state laws and the procedures at 2 CFR 200 and normally prior approval is designated to that governor. For discretionary awardees, the prior approval is obtained through your federal project officer by the ETA grant officer.

So there requires – any equipment request needs to include the item name, item description and basic specifications, the estimated useful life, the per unit cost and make sure you put the estimated cost because often you're doing procurement after you get prior approval and procurement and can bear out costs that may vary from what you had originally planned.

So make sure you say – I would actually subtract the actual from this slide and just leave it at estimated. And then again, as I already discussed, the purpose and allocability of the equipment referencing the page numbers and the deliverables in your period of – in your statement of work that they tied to and then a contact name and telephone number for questions.

And then there's also a major condition that you may not purchase equipment in the last year of your performance. If any approved acquisition has not occurred prior to last year of performance than the – even if you received an approval, that approval is rescinded. So what to include in all modification requests?

You're going to need to have a letter on your agency letterhead signed by your authorized representative. It's important to actually submit to your federal project officer the request in draft because you may go back and forth several times if you have to make significant changes and you've already had your signatory sign the request, that can take up a lot of time going back and forth.

It's just unnecessary. Please work with your federal project officer in draft and then once they kind of give you the go ahead that this package is ready to go and it's an approvable state, go back and have it signed by your signatory and then email it back to your federal project officer for processing.

It needs – all requests need to include the date, your obviously your entity name, we need the grant number. It's going to – you – always in the first line of their requests state that the action or modification that you're asking for and the subsequent – if there are multiple actions so it should read, we are seeking prior approval to change our statement and our scope of work. We are seeking prior approval to change our statement or scope of work and modify our budget.

Tell us right off the bat what use this specific actions are that you were requesting and then have subsequent sections where you justify and have all the required elements for those particular actions. And every request is going to need to have a justification. We need to hear – have some narrative of why you believe this is necessary, why this is a good idea and in the best interest of the program.

Some common mistakes with the budget, a budget and other grand modifications would be purchasing equipment without prior written grant officer approval. When we do a monitoring and find that equipment has been purchased without prior approval, those costs will be questioned and potentially disallowed.

Also making budget adjustments between line items that exceed the 10 percent of the award without prior approval, charging indirect costs without an approved indirect cost rate or without using an acceptable de minimis rate, making changes to your key personnel program, service plans, goals or statement of work or commitments without prior approval, revising commitments to provide match or leverage resources without prior approval, approving subrecipient when the revision should first trigger a modification to the prime award.

So again it's common, we've seen where we go out and find that a subrecipient has purchased a piece of equipment and the pass-through entity gave them prior approval, but prior approval was never actually obtained from the ETA grant officer.

OK. So going through some of this information quickly. But we have our second and final knowledge check here. So true or false, discretionary grantees must request prior approval actions and at least 30 days prior to the effective date of the requested action? True or false. And the answer is true.

You must – per the deal exceptions at 2 CFR 2900.10, discretionary grantees must request prior of approvals actions at least 30 days prior to the effective date of the requested action. If an entity, for example, wants to purchase equipment that was included in the budget, nothing prohibits an entity from looking into prices from various vendors. However, no procurement action should take place until prior approval has been obtained.

Number two, discretionary grant recipients must obtain prior written approval from the DOL grant officer. That is true.

Three; failure to spend all obligated funds is not significant justification for extending the period of performance. False. So that's what we talked about. You know, just having funds remaining is not justification to extend the period of performance. If the award did not provide for indirect costs or providing the direct costs rate and the recipient subsequently received the negotiated rate, the grant modification would have to be approved by the DOL grants or for indirect costs to be charged to the grant.

So it also required a change to the budget. Yes. So that's false. Oops. I think I was reading the answers there instead of the questions. Well, I think you probably all could follow that regardless of my error there. And then here are all the answers which I already read to you.

So then we have the core monitoring guide. So this is the section that is applicable for if you want to look up some of this information for yourself that then actually links back to the Uniform Guidance. But it's indicator 2B2 on budget modification. This is what we're going to be monitoring you. You know, we walk through the door, we have our agenda and it's time to talk about mods.

We're going to ask, do you have policies and procedures for when modifications need to be made? Does the mechanism allow for 30 day notice? Did you receive prior approval? So make sure that you understand that section of the core guide and that your own policies and procedures conform. And we have the smart checklist. So you'll have this as a resource, as well. You can download the PowerPoint. So this is all information that we've already discussed.

And our module three view. So during the module we discussed how the budget and program goals should align with the organizational operations and doing so program in fiscal must work collaboratively. We discussed how to implement our enhanced budget controls and be able to analyze the data combining both fiscal and program and how to better see the linkage between budget and performance through analysis.

And how to understand the budget modification process and when a modification is required. And to identify the need for budget modifications before they are actually needed. Here's some more resources for you. The core guide, the TAG references. All right. The U.S. DOL exception references and then Uniform Guidance citations.

And then finally some web resources, your grant management toolbox. And then we will go to questions. I'm just going to go up and look at the questions, we – looks like we have about 20 minutes for questions. The first question is, what budget class category is for tuition? Good question.

The 424A does not actually have kind of a walkthrough where it explicitly says what has to be in every single category for every potential item of cost out there. In general, I've seen tuition go under either the other object class category or the contractual, it's kind of how the grantee sets it up in their accounting system and how they treat the tuition.

You know, there are certain times say where like a OJT on-the-job training, that's through a contract with an employer. So grantees put it under contractual, but I've also seen tuition in that same circumstance be put under other. And there's really no right or wrong. The importance is kind of consistent treatment.

Is match to be placed on the 424A? In general it's not, but there I have seen times when a match is required to be put on the 424A. It definitely doesn't go under the column A where you see where we want you to break up the object class categories of the actual federal award. I think in a recent award that has match, they ask them to put the match on the second page of the 424A in the other funds required section.

But you don't want to kind of intersperse the federal with the matching funds, and when it comes to the main category of the 424A budget. Someone is asking number three, how participants support costs differ from supportive service costs? That's a good question. I would leave that question to be asked to your directly to your federal project officer. That doesn't really pertain to mods or to budgeting, at least not the way the question was asked. So I'm not going to – I mean, I could explain that, but it'll take a little bit of time, somewhat semantics. But you should go to your FPO and discuss that.

What is the difference between a grant officer and an FPO? So it has to do with authorities and roles. A grant officer, we have a regional grant officer and national office grant officers. They have undergone grant officer training. They have a grant officer warrant. And per the regulations, have the authority to actually provide prior approval for things. FPOs really don't have authority for anything.

They are provide – they are your liaison to the federal government, they're federal project officers. They provide you with technical assistance throughout the life of the grant and they also do the monitoring and oversight of your grant. But what they are providing you with is guidance, not approval. So that's kind of the quick and dirty on the difference between a grant officer and an FPO.

For budget modifications, for discretionary, does the 30 days start from the request date? So this can vary kind of from region to region. I don't want to weigh into it too much, although I will say that picking up the phone and talking to your federal project officer and saying, I think we may need a budget mod, what do you think? Should we just have a discussion? That definitely does not start the clock ticking. And it's also not, when you submit that first draft, at least here in this region, which is where I sit in region one or the Northeast region now, we – this clock starts once it's submitted in the system to the grant officer.

So there can be significant time up front where you're going back and forth with the FPO to get a modification to an approvable state. So you really should build in that time and consider that it could be longer – take some time, really. And the 30 days is really for once the internal process starts for grant specialist and the grant officer to review and execute. So you may want to build in more than 30 days overall.

So question seven, can you provide an example of when a budget monies realignment would be allowed without a modification and when it wouldn't for real world reference point? Slide 39-40. So in a discretionary grant where you have a 10 percent of your entire award is flexible to move with any object class category, if you have an $1 million award, you – that means you can move $100,000 cumulatively line item to line line item or object class category, object class category without triggering a modification.

One caveat there. You know, small changes, a certain cost that you were going to contract out for and now you're going to pull that service in house and do it yourself and it's a relatively small dollar value. And you're moving from contractual to personnel. That's something you're going to probably be able to do on your own. It's a basic process change. You should definitely let your FPO know but most likely are not going to need to do a modification unless in my example, the million dollar grant if that's like over $100,000 change and you have no other changes to date.

And again, the big caveat is that a $100,000 move, while you may have the budget flexibility to do that without prior approval, there's a very good chance that you may be impacting your statement or scope of work. So while you may not need a budget mod, you may in fact need a statement or scope of work, prior approval mod.

So really the best answer is if you think you need a budget realignment, if there are cost overruns or under – definitely underspending of funds, try to identify those early on and have a discussion with your federal project officer. And then over time you kind of build the rapport and figure out the best way to move forward and whether or not a modification is actually needed.

Number eight, it was stated that changes less than 10 percent cumulative applies to all categories. Does that apply to personnel and fringe? Yes. So under the old rules, and I don't want to confuse anybody, but I get this question all the time. So I think it is important to explain the old versus the new. Under the old rules, you could move up to 20 percent of the object class categories outside of personnel, fringe, and indirect.

If you are moving even a penny in or out of personnel fringe or indirect, you would need a prior approval mod that went away under the Uniform Guidance. If you can cumulatively move 10 percent of the entire award in any object class category and that includes personnel, fringe, and indirect travel, all of them. But again, consider impact to your statement or scope of work. So while you may have the flexibility for the budget, you may not for necessarily for the statement or scope of work.

Next question. If you want to make a line item modification that is less than 10 percent, should we notify the grant officer even if approval is not required? So you don't notify the grant officer for anything. The federal project officer is your liaison and who you need to go through for everything. They obtain for you the prior approval if that's necessary, but you're going to your federal project officer and I would say that changes to your budget, even if they are less than 10 percent, it is a good idea to notify your federal project officer just so that when they come out to monitor you, there are no surprises.

You can hand hand them a unilaterally modified budget so they can check your actual spending verse the program plan. Also, they, by letting them know of those changes, there may be follow up questions they will have to make sure that you stay in compliance again with maybe needing a mod related to your statement or scope of work.

So it is – I think it is important to pick up the phone or email the federal project officer regardless if you're required officially to or not. And then they can guide you in the right direction. If you're going to need to obtain prior approval from the grant officer through them.

Number 11. I've heard in other training that the de minimis only being accessible is for grantees who have never had an indirect cost rate is changing to be accessible to grantees who don't have current indirect costs rates. Do you know where I can find more on this? So I'm not going to address this question specifically just because it is a little outside the scope of this specific presentation.

But it is an important question. I have heard kind of what you're talking about. I don't know if there's anything official at this point. I believe currently – yeah. So the answer is go to your federal project officer and ask your specific question or work through your specific scenario and they'll get you an official answer.

Next question. Do formula grants such as WIOA funds should have pass-through entity require local areas to submit budgets and budget mods? You definitely want subrecipients to have budgets. They need to have a budget, whether it exactly mirrors the 424A and our budget. You know, I – and I don't mean mirrors based on the dollar amounts, but mirrors though the kind of formatting is up to you.

I actually think it's a really good idea to adopt the 424A and use that as the budget for subrecipients and then you can have subsequent line item detail below that and require budget narratives and everything. But it does make it easier to kind of stick to that format but that really is your prerogative. But you do need a budget with your subrecipient and then whether a budget mod, you want to require them to request a budget mod or not is up to the pass-through entity.

But again, we have that requirement in place, we give flexibility but there is a threshold for when we want some over changes to the budget because we don't want a major impact to the statement or scope of work without knowing about it. So it probably would be a good idea that you have some threshold or some a requirement where they can make some types of changes, but others we would require your prior approval. Again, without any prior approval, they could then make some change that gets you into trouble because you would have had to receive prior approval from us.

And this looks like my last question, is there somewhere we can access an example of a recipients grant management manual for use as a guide? In general, we need to do not provide overall kind of grant management manuals because then we come out and monitor and there's some issue and we found, well, you gave up the guide.

So what's important is that what the requirements are and then the policy itself can be standardized based on the Uniform Guidance and other – the program recommendation, other requirements. But it is the process that is very important for you to design on your own. Because a small three- or four- person nonprofit should not have the same grant management policies and procedures as a huge educational institution with millions and millions and millions of dollars in federal grants.

So it really is important for you to design your own grants management manual for use. That said, we do have a grantee grants management manual that we provide. It's not – it doesn't get into policy – designing your policies and procedures for you, but it outlines all the kind of grants management requirements and practices. And I have noticed that this is going out with new awards, called the new grantee handbook.

And then again, if you look back at that toolbox, there are other resources to use to help you build your own policies and procedures that were in that toolbox, like the TAG and the core monitoring guide and certainly finding a peer that maybe is a nonprofit of your size or another educational institution that does your type of business with federal grants and then corresponding with them and taking a look at their policies and procedures. That that can be good idea as well. But we don't provide policies and procedures for grantees.

So a modified – another question. So a modification would need to be done if a signatory authority has changed. That is true. So whomever signed your grant agreement, if you look at the 424, it's in the signatory section, if that is changing or has changed, you need to submit a request to change the signatory. Ideally you want to do this before the old signatory leaves and have the old signatory request the change and list the contact information for the new signatory.

That's kind of the ideal scenario. We do see that sometimes a signatory will leave abruptly. What do you do in that scenario? We will want some supporting documentation for the new signatory. It just can't be a letter from the new signatory saying, hey, I'm the new signatory. It has to – there has to be some documentation from say your board meeting notes, some type of legal documentation showing who the – who now has signatory authority. But we can sort it out in either scenario.

Just talk to your federal project officer as soon as possible and they can point you in the right direction for how to solve that. The next question, where can I find the core monitoring guide? Ask your federal project officer and they should be able to send that to you.

And that looks like the end of our questions and it is 3:28 so we have two minutes to spare. If there are – or if there aren't any other questions, then we can end this session. If anybody has any final questions, submit them in the chat feature.

And actually at this time I'll probably just cut it off and say if you have any questions at this point, submit them to your federal project officer just as I wouldn't have time to answer you anyway. But I appreciate everybody attending the session today. Have a good day. In doubt, talk to your federal project officer. Thank you very much.

MS. MCCALL: All right. Excellent. And I'd also like to thank all of our participants and presenters for today's webinar and if you please stay logged into the room for just a minute longer to provide us with some feedback, it would be most appreciated. You'll see a feedback window where you can let us know what you thought of today's webinar.

Please take a second now to share your thoughts, let us know what you liked or what we can improve on. There is also an additional topics window where you can let us know what you'd like to hear in future webinars. Our recording of today's webinar as well as the transcript will be made available on WorkforceGPS in a few business days.

Also to better connect with your WorkforceGPS colleagues, please take a few minutes and sign up for the member directory on WorkforceGPS. That link is located at the top of the feedback window. Thank you to everybody for joining us and with that, have a wonderful day.

(END)