



2023 WICPA NOT-FOR-PROFIT ACCOUNTING CONFERENCE

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HIGHLIGHTED TOPICS:



ACCOUNTING & AUDIT UPDATE

Get an overview of recently issued standards and information on what the future holds



NAVIGATING ECONOMIC & FINANCIAL MARKET UNCERTAINTY

Find out the best numbers for not-for-profits to watch to know where we stand in the economic market cycle and what to expect in the future



EFFECTIVE GRANT MANAGEMENT

Learn how to develop a strategy for successfully managing grants from pre-award to post-award close out using real-world experiences to achieve your grant management goals

TUESDAY, SEPT. 12 | WICPA OFFICE & WICPA CPE LIVESTREAM

2023 WICPA NOT-FOR-PROFIT ACCOUNTING CONFERENCE

MATERIALS AT A GLANCE

The following materials are from the morning sessions of the 2023 WICPA Not-For-Profit Accounting Conference held on Tuesday, Sept. 12, including:

- Accounting & Auditing Update
- Effective Grant Management
- Microsoft Teams: Increase Your Knowledge & Skills With This Key Communication & Collaboration Tool

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Thursday, Nov. 9
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8:10 – 9:40 a.m.

Accounting & Auditing Update

Karl Eck, CPA, Partner, Wipfli LLP

Wisconsin Institute of CPAs NFP Accounting Conference Accounting and Auditing Update



WIPFLI

Presenter



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3

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4

Agenda

GAAP update

GAAS update

Ethics update

Questions



ASU 2020-07 Gifts in Kind

- Present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets
- Disclose disaggregation by category of contributed nonfinancial asset, including whether used or monetized. If used, in which areas/programs. Also any monetization policies.
- Disclose a description of donor-imposed restrictions associated with contributed nonfinancial assets
- Provide a description of the valuation techniques and inputs used to arrive at a fair value measure for contributed nonfinancial assets
- Disclose principal market (or more advantageous market) used to arrive at fair value measure if it is a market in which the recipient NFP is prohibited by donor restrictions from selling or using the contributed nonfinancial asset

7

ASU 2020-07 Gifts in Kind (cont'd)

- Prior to issuance of ASU 2020-07 disclosure requirements already existed for contributed services; no changes to these requirements
 - Description of the programs or activities for which the services were used
 - Nature and extent of contributed services received for the period
 - Amount of revenue recognized for the period
 - Encouraged to disclose the fair value of contributed services received but not recognized as revenue, if practicable
- Transition and effective date
 - Retrospective transition required
 - [Effective years beginning after 6/15/21](#)



8

ASU 2016-02 Leases

- Originally effective for public entities & NFP conduit bond obligors for reporting periods beginning after 12/15/18 and all others 12/15/20
- [ASU 2020-05 deferred effective date to reporting periods beginning after 12/15/19 for public NFPs & NFP conduit bond obligors and reporting periods beginning after 12/15/21 for all others](#)
- Multiple additional ASUs have been issued:
 - 2018-01 Land easements
 - 2018-10 Codification improvements
 - 2018-11 Targeted improvements
 - 2018-20 Narrow scope improvements
 - 2019-01 Codification improvements
 - 2021-05 Lessors with variable lease payments
 - 2021-09 Discount rate for leases that are not public business entities
 - 2023-01 Common control arrangements

9

ASU 2016-02 Leases (cont'd)

- ASU 2016-02 transition through modified retrospective approach
 - Cumulative effect adjusted as of earliest period presented
- ASU 2018-11 provided additional transition method
 - Apply lease standard at adoption date and recognize cumulative-effect adjustment to the opening balance of net assets
 - If comparative financial statements, must still follow guidance under Topic 840 for prior year including disclosures
- Right of use model– a lease contract conveys a right to use an asset for a period of time in exchange for consideration
 - All leases, both operating and financing, create an asset & liability
 - Lease liability = PV of future minimum lease payments
 - ROU asset = lease liability + initial direct costs + lease prepayments – lease incentives
- Discount rate - Rate charged by lessor if known, incremental borrowing rate or private companies & NFPs can elect to use risk-free rate

10

ASU 2016-02 Leases (cont'd)

- Operating leases
 - Statement of financial position – ROU asset and lease liability
 - Statement of activities – lease/rent expense
 - Statement of cash flow – cash paid for lease payments
 - Straight line expense over lease term
- Finance leases
 - Statement of financial position – ROU asset and lease liability
 - Statement of activities – Interest and amortization expense
 - Statement of cash flow – cash paid for interest and for variable lease payments
 - Expense pattern similar to capital leases under 840

11

ASU 2016-02 Leases (cont'd)

- Disclosures
 - Policies and nature of leases
 - Significant assumptions
 - Quantitative disclosures
 - Finance lease costs, operating lease costs, short-term lease costs and variable lease costs
 - Weighted average remaining lease term and weighted average discount rate
 - Supplemental noncash transaction information
- ASU 2023-01 Common Control
 - Provides a practical expedient to use written terms to determine if a lease exists and if so its classification
 - Leasehold improvements amortized over economic life of the improvements as long as the lessee continues to use the underlying asset

12

ASU 2016-02 Leases (cont'd)



- **Additional considerations**
 - Lease extensions
 - Lessor considerations
 - Nonlease components
 - Escalating/variable payments
 - Prepaid rent
 - Lease incentives
 - Direct costs
 - Lease modifications
 - Debt covenants

- **Short term leases**
 - Entities can make a formal policy election to not recognize short-term leases on the statement of financial position

13

ASU 2016-02 Leases (cont'd)

- **Free use of space**
 - If no lease payments follow contribution guidance in 958-605
 - Recognize contribution revenue in period in which received, and expense in period the space is used
 - If more than one year, will need to record unconditional promise to give
 - Unconditional promise to give cannot exceed FV of contributed space
 - LT portion discounted to net present value
 - If no enforceable period contribution and rent expense recognized as it uses the space (such as weekly or monthly)
- **Discounted rent**
 - Lease payments below the fair rental value of property may be a donation
 - Bifurcate transaction between lease (consideration paid) and contribution (FMV in excess of consideration) and follow relevant guidance
 - FMV can be determined through appraisal, realtor estimate of price per square foot, or third-party websites with information on similar property

14

ASU 2016-13 Financial Instruments – Credit Losses

- ASU 2019-10 extended effective date to [years beginning after 12/15/22](#)
- Transition is a cumulative effect adjustment to net assets as of the beginning of first reporting period in which the guidance is effective
- Multiple additional ASUs have been issued
 - 2018-19 Codification improvements
 - 2019-04 Codification improvements
 - 2019-05 Targeted transition relief
 - 2019-11 Codification improvements
 - 2020-03 Codification improvements
 - 2022-02 Troubled debt restructurings
 - Eliminates accounting guidance for TDRs by creditors and enhances disclosures for certain loan refinancings/restructurings when a borrower is experiencing financial difficulty

15

ASU 2016-13 (cont'd)

- “CECL” – Current expected credit losses
- New standard for measuring impairment/credit losses for most financial assets measured at amortized cost
- Recognize allowance for “lifetime” expected credit losses
- Legacy GAAP – incurred loss model
 - Under incurred loss model impairment is recognized for credit loss that have been incurred as of reporting date
 - Loss that is recognized is based on the estimated credit losses at the reporting date even if the loss has not been realized, but it does not include losses that may happen in the future
- Need to consider expected future losses with CECL, not just current conditions and historical loss experience

16

ASU 2016-13 (cont'd)

- CECL requirements
 - Required to evaluate CECL in pools unless the instrument does not share similar risk characteristics with other instruments
 - Estimate credit losses for a “reasonable and supportable forecast” period then revert to historical experience
 - Also required to adjust the loss estimate for changes expected during the forecast period
 - Always required to consider the risk of loss, even if the risk of loss is remote, but “zero loss” is acceptable if expectation is that the asset (or pool) will be fully repaid
- AICPA NFP expert panel is currently reviewing potential impact of programmatic loans/investments in chapter 8 of NFP Audit Guide for potential CECL impacts
- Additional presentation and disclosure requirements

17

ASU 2016-13 (cont'd)

In Scope	Out of Scope
Financing receivables (loans)	Equity securities
Trade receivables	Securities available for sale
Debt securities held to maturity	Unconditional promises to give
Contract assets	EBP loans to participants
Sales-type and direct financing lease receivables	Loans between entities under common control
Off-balance sheet credit exposure	Operating lease receivables
Reinsurance recoverables	

18

Other standards

- ASU 2017-04 Goodwill and other
 - Eliminates step 2 from goodwill impairment test
 - Effective [fiscal years beginning after 12/15/22 \(delayed from 12/15/21\)](#)
- ASU 2019-12 Income taxes
 - Could be applicable if have UBIT
 - Effective [fiscal years beginning after 12/15/21](#)
- ASU 2022-06 Reference rate reform – effective upon issuance
 - LIBOR will cease to be published as of June 30, 2023
 - Relief was set to expire 12/31/22
 - ASU extends [sunset date to 12/31/24](#)
- ASU 2022-04 Liabilities – Supplier finance programs
 - Structured payable program
 - Enhanced disclosures, including roll forward showing activity
 - Effective [fiscal years beginning after 12/15/22](#)

19

Crypto assets – Exposure draft

- March 2023 – Proposal issued for crypto assets
- **Measurement** – Crypto assets in scope would be accounted for at fair value with changes in fair value recorded to statement of activities
- **Presentation** – Separate presentation on the face of the financial statements would be required for crypto assets measured at fair value (statement of financial position and statement of activities)
- **Disclosure** – Entities would be required to disclose a roll forward of crypto asset holdings (purchases, sales, changes in value, realized gains/losses, etc.)
- Initial measurement – Transaction costs are expensed
- Guidance expected in Q4 of 2023



20



SAS 142 Audit Evidence

- [Effective for audits of periods ending on or after 12/15/22](#)
- Modernizes audit evidence standard and changes objective of audit evidence to be more focused on evaluation of the information used
- Expanded guidance on whether sufficient appropriate audit evidence has been obtained
 - Consideration of relevance and reliability of the information, whether it corroborates or contradicts assertions in the FS, evaluating whether the information is sufficiently precise and detailed for the auditor's purposes, and obtaining evidence about the accuracy and completeness of the information
- Automated tools and techniques
 - How items such as drones, remote observation and data analytics can be used
- Professional skepticism
 - Susceptibility of information to bias

SAS 143 Auditing Accounting Estimates and Disclosures

- [Effective for audits of periods ending on or after 12/15/23](#)
- Addresses auditor's responsibilities relating to accounting estimates and related disclosures
- Explains nature of accounting estimates and the concept of estimation uncertainty
- Provides information about scalability and exercise of professional skepticism
- Includes risk assessment requirements relating to estimates, including separate assessment of inherent risk and control risk at the assertion level, emphasis on importance of auditor's decisions about controls relating to estimates and that audit procedures need to be responsive to assessed ROMM
- Required to evaluate whether the accounting estimates and related disclosures are reasonable

23

SAS 144 Use of Specialists and Use of Pricing Information

- [Effective for audits of periods ending on or after 12/15/23](#)
- Enhanced guidance about evaluating the work of management's specialists
- No longer refers to using the work of an external inventory taking firm as a management specialist
- Adds a new appendix for AU-C 540 on use of pricing information from third parties as audit evidence

24

SAS 145 Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement

- [Effective for audits of periods ending on or after 12/15/23](#)
- New and revised risk assessment concepts and terminology
- Clarifies work effort related to understanding each of the components of internal control, including enhanced guidance on IT controls
- New requirement to separately assess inherent risk and control risk
- “Maximum” control risk when controls are not tested for operating effectiveness
 - Inherent risk = ROMM when test of controls not performed
- “Stand-back” requirement
- Revised guidance on documentation, scalability and maintaining professional skepticism

25

SAS 145 (cont'd)

- [Inherent risk factors](#)
 - Characteristics of events or conditions that affect the susceptibility to misstatement, whether due to fraud or error, of an assertion about a COTABD (class of transactions, account balance and disclosure) before consideration of internal controls
 - Complexity, subjectivity, change, uncertainty, susceptibility to misstatement due to management bias or other fraud risk factors
- [Spectrum of inherent risk](#)
 - Frame of reference in determining the significance of the combination of the likelihood and magnitude of misstatement

26

SAS 145 (cont'd)

- **Significant risk**
 - An identified ROMM for which inherent risk is at the upper end of the spectrum of inherent risk when considering magnitude and likelihood of the potential misstatement or that is required to be treated as a significant risk in accordance with requirements in GAAS
- **SCOTABD**
 - COTABD is significant when it has an identified ROMM at the assertion level; must perform substantive procedures for each relevant assertion of each SCOTABD
- **Relevant assertion**
 - An assertion about a SCOTABD (significant COTABD) is relevant when it has an identified ROMM (reasonable possibility of a material misstatement)

27

SAS 145 (cont'd)

- **Direct controls** – controls that are precise enough to address risks of material misstatement at the assertion level
 - Understand and evaluate, and for identified controls evaluate the design and determine implementation
- Direct controls include
 - Controls that address a significant risk
 - Controls over journal entries and other adjustments
 - Controls for which the auditor plans to test operating effectiveness
 - Other controls the auditor considers appropriate to enable the auditor to assess the risks of material misstatements at the assertion level and to design further audit procedures
- **Control activities are direct controls**

28

SAS 145 (cont'd)

- **Indirect controls** – controls that support direct controls; they are foundational and may have an indirect effect on the likelihood that a misstatement will be prevented or detected on a timely basis
 - Understand and evaluate
- **Control environment, risk assessment and monitoring are indirect controls**
- **Information systems and communication controls are primarily direct, but may be indirect controls**



29

SAS 147 Inquiries of Predecessor Auditor Regarding NOCLAR



- [Audits of periods beginning on or after 6/30/23](#)
- Requires auditors to inquire of the predecessor auditor regarding identified or suspected fraud or NOCLAR
- Predecessor auditor is required to respond on a timely basis & clearly state if the response is limited for any reason
- Must occur before engagement acceptance
- Inquiries must be documented in the audit file

30

Other SAS's

- SAS 148 Compliance audits
 - [Aligns with effective dates of SAS 142 \(on or after 12/15/22\) and SAS 145 \(on or after 12/15/23\)](#)
 - Amends AU-C section 935 Compliance Audits to reflect changes from SAS 142 and 145, including revised appendices
- SAS 149 Group audits
 - [Effective for periods ending on or after 12/15/26](#)
 - Risk based approach to planning and performing a group audit and identifying components
 - Introduces term “referred to” auditor
 - Revised definition of a component auditor

31

Upcoming SQMS and related standards

- [SQMS 1](#) System of quality management – designed and [implemented by 12/15/25](#); evaluation of system of quality management required [within one year following 12/15/25](#)
- [SQMS 2](#) Engagement quality reviews – [beginning on or after 12/15/25](#)
- [SAS 146](#) Quality management for engagements in accordance with GAAS – [beginning on or after 12/15/25](#)
- [SSARS 26](#) Quality management for engagements in accordance with SSARS – [beginning on or after 12/15/25](#)

32

TQA's – Other information included in annual reports

- AICPA revised [TQA 9165.01](#) to provide nonauthoritative guidance about the auditor's reporting options when an entity issues a document or documents that includes
 - Financial statements
 - The auditor's report and
 - Some but not all of the other information expected to be included in the entity's annual report
- AICPA also issued [TQA 9165.04](#) to provide nonauthoritative guidance about whether an auditor may issue separate auditor reports when an entity issues both an annual report and separate standalone audited financial statements on the same date

33

SSAEs

- [SSAE 21](#) – Direct examination engagements
 - [Effective for reports dated on or after 6/15/22](#)
 - New AT-C section 206
 - Introduces new terms and definitions
 - Renames AT-C section 205 as Assertion Based Examination Engagements
- [SSAE 22](#) – Review engagements
 - [Effective for practitioners' review reports dated on or after 6/15/22](#)
 - More explanation as to procedures that may be performed
 - Report to include informative summary of work performed as a basis for the practitioner's conclusion
 - Allows expression of an adverse conclusion

34



Ethics interpretations effective 12/31/22

- Loans, acquisitions and other transactions – [effective 12/31/22](#)
 - Clarifies definition of “beneficially owned”
 - Adds student loans as permitted
 - Alters language referring to the types of individuals with whom a covered member’s loan arrangement may result in a threat to compliance with the “independence rule”
 - Clarifies members should consider the loans of immediate family members
- Assisting attest clients with implementing accounting standards – [effective 12/31/22](#)
 - Provides guidance for avoiding self-review and management participation threats
 - Examples of how members can avoid performing management responsibilities

Ethics interpretations effective 12/31/22

- Unpaid fees – [effective 12/31/22](#)
 - Provides a principals based approach for evaluating when fees may impair independence
 - Provides factors to consider when evaluating whether threats to independence are at an acceptable level
 - Provides examples of actions or safeguards that might help eliminate threats to independence



37

Ethics interpretation effective January 1, 2023

- Information system services – [Originally effective 1/1/21 and delayed until 1/1/23](#)
 - “modernized interpretation” of AICPA Code of Conduct related to financial information systems (FIS)
 - Differentiates between “FIS” and “non-FIS”
 - FIS are general ledgers, sub-ledgers, inventory systems, supply chain, sales/POS systems, others. FIS is:
 - System that aggregates source data underlying financial statements
 - System generates information that is significant to the financial statements
 - System generates information that is significant to the financial process as a whole
 - Non-FIS are websites, business intelligence (dashboards)*, others
 - *In some cases PEEC has considered business intelligence to be FIS; each situation should be carefully evaluated*

38

Ethics interpretation effective January 1, 2023

- Threats are at acceptable level if member performs design, development and implementation services for non-FIS for an attest client
- Threats are NOT at an acceptable level if member designs or develops FIS for an attest client
- Threats are at an acceptable level if a member performs implementation services related to an FIS COTS (commercial off the shelf) software solution where the services do not involve design, development, customization, the building of interfaces, or the creation of data translation programs
 - May include member assisting the client with understanding and effecting configuration options as long as a client makes all decisions with respect to options
- Threats are NOT at an acceptable level for service that involves outsourcing to the member an ongoing function or process such as systems monitoring, support or maintenance
 - Services that are separate and distinct engagements and are not ongoing/continuous may be acceptable

39

Ethics interpretations effective June 2023

- Noncompliance with laws and regulations (NOCLAR) –[effective 6/30/23](#)
 - Sets forth member's responsibilities when they encounter NOCLAR
 - A member should alert the appropriate parties (including those charged with governance) to enable the organization to rectify the NOCLAR
 - This is applicable to all levels of service provided, not just attest services, however, different "levels" or requirements are present based on:
 - Audit or review services
 - Nonattest service
 - Senior professional accountants
 - Other than senior professional accountants
 - Specific guidance also is provided regarding communication in group audit engagements
- Compliance audits – [audits beginning after 6/15/23](#)
 - Includes two new definitions and one revised definition relating to independence in compliance audits

40



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43

A dark blue background with a white and blue aerial view of Earth from space, showing clouds and the horizon.

Questions?

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10 – 10:50 a.m.

Effective Grant Management

David Maccoux, CPA, *Finance Director, Calumet County*

Finance Department

Effective Grant Management

Not-For-Profit Accounting Conference

September 12, 2023



Welcome!

David Maccoux, CPA

Finance Director, Calumet County

Learning Objectives

At the end of the session, you will be able to:

- Understand roles and responsibilities related to grant management within your organization
- Learn the benefits of developing effective financial management strategies



Grant Management

What is grant management?

- Compliance is cornerstone to your grant management system
- Can be complicated
- Specific regulations and specialized requirements



Grant Management: Entity Structure

- Within an organization, grants may be decentralized, managed by different departments, or centralized where one person (department) handles all grants from start to finish Compliance is cornerstone to your grant management system
- Authority to bind organization



Grant Management Phases



Focus from Implementation to Close Out

- Grant management starts with designing a potential project in the strategic planning phase and grant writing; and then from the time the grant is awarded to the final grant close out report.
 - Grant budget design.
 - Understand grant requirements.
 - Develop effective risk assessment and monitoring throughout the grant period.



Risk Assessment

Risks into categories is helpful to ensure that risks aren't overly lopsided to the financial, compliance, or programmatic side. Types of risks might include:

- Risk of non-compliance with Federal and state statutes and regulations.
- Risks of non-compliance with the terms and conditions of the subaward.
- Performance risk that subaward performance goals are not being achieved.



Risk Assessment

- Adequate financial and programmatic documentation.
- Record retention.
- Structure of financial records for individual grants.
- Cost share requirements and available funding.
- Conflict of interest.

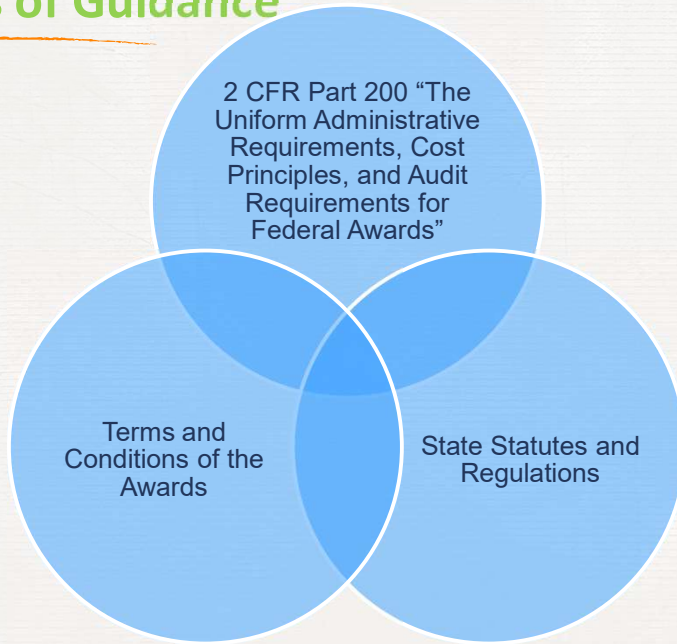


Regulatory Compliance

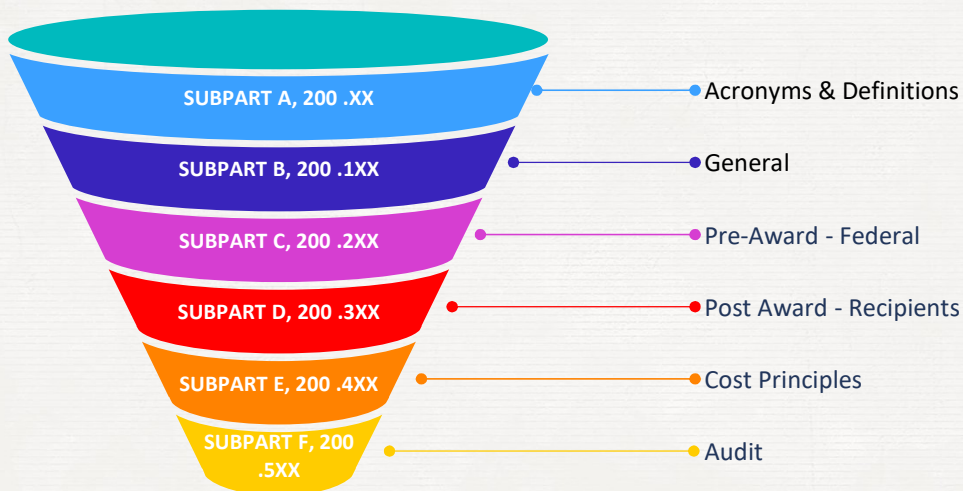
- Adherence to the regulations covering grant management. This area can experience change over time.
- Federal and state guides.



Sources of Guidance



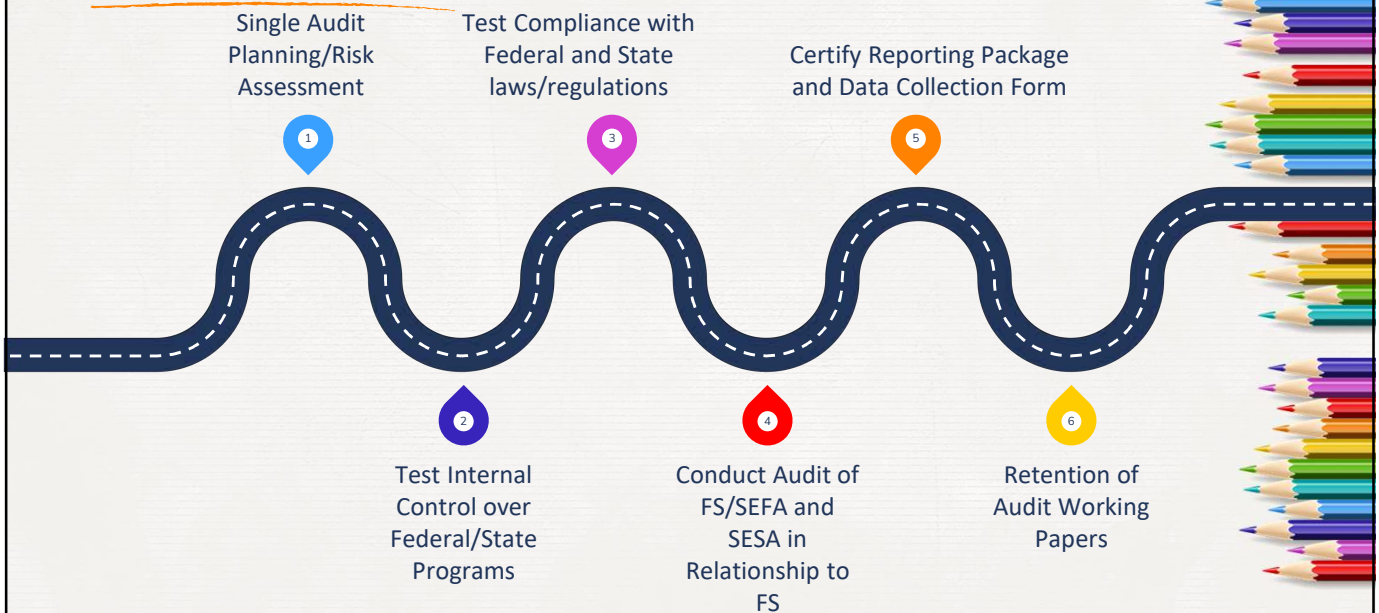
Key Sections of the Uniform Guidance



Overview of NFP's Responsibilities §200.508



Overview of Auditor's Responsibilities



Compliance Supplement Overview

The Supplement consists of seven parts and nine appendices. The seven parts of the Supplement are:

- Part 1 – Background, Purpose and Applicability.
 - This part contains general Single Audit information.
- Part 2 – Matrix of Compliance Requirements.
 - Part 2 identifies which of the 12 types of compliance requirements are subject to audit for the federal programs included in this supplement.



Compliance Supplement Overview (Continued)

- Part 3 – Compliance Requirements.
 - Part 3 includes the generic program objectives and audit procedures pertaining to the 12 types of compliance requirements.



Compliance Supplement Overview (Continued)

- Part 4 – Agency Program Requirements.
 - Part 4 contains the specific program objectives and procedures by federal agency and CFDA number. When any of these five types of compliance requirements are applicable to a program (Activities Allowed or Unallowed; Eligibility; Matching, Level of Effort, Earmarking; Reporting; and Special tests and Provisions), Part 4 will always provide information specific to the program. The other seven types of requirements are not specific to a program and therefore not included again in Part 4 as they are in Part 3.



Compliance Supplement Overview (Continued)

- Part 5 – Clusters of Programs.
 - Part 5 identifies those programs that are to be considered clusters of federal programs.
- Part 6 – Internal Control.
 - Part 6 describes characteristics of internal control relating to each of the five components of internal control.



Compliance Supplement Overview (Continued)

- Part 7 – Guidance for Auditing Programs Not Included in This Compliance Supplement.
 - Part 7 states that for those programs not covered in the Supplement, the auditor must use the 12 types of compliance requirements described in Part 3.



Federal and State Responsibilities

“Single audits have a significant public interest component as they are relied on by federal, state and local agencies as part of their administrative responsibilities for determining compliance with the requirements of federal and state awards by non-federal entities. However, because each grant has its own unique requirements, no two audits are exactly the same.



Policies and Procedures

Policies and Procedures:

- Internal controls (adequate segregation of duties).
- Policies and procedures required by *Uniform Guidance*.
- Internal systems to address procurement, time keeping, property management, and budget controls.
- Record retention.



Internal Control (§200.303)

- Focus of *Uniform Guidance*
- Internal control affects all policies and procedures.
 - Are there any different internal control considerations we should be thinking about after the pandemic?
 - Consider the following:
 - Were there changes to your operations due to pandemic (e.g., remote working)?
 - Have our policies and procedures been modified to address any changes?
 - Are there new controls or revised controls necessary for a new award?



Writing Policies

- I. Purpose
 - a. Define why the policy is being written.
- II. Policy
 - a. Provide a broad statement or description of the policy.
- III. Authority
 - a. Include the Organization's authority and/or general federal or state regulation.
 - b. Proper signature/date approved/effective date.



Writing Procedures

- I. Purpose
 - a. Define why the procedure being written.
- II. Authority
 - a. Include the Organization's authority and/or general federal or state regulation.
 - b. Proper signature/date approved/effective date
- III. Team Responsibilities
 - a. Specify what staff is involved and who is responsible for specific actions.



Writing Procedures (continued)

IV. Definitions

- a. Define the terms used in the procedures.

V. Procedure

a. Step-by-Step Instructions:

- Who initiates?
- Who is authorized to approve?
- Who performs the procedure?
- What supporting documents are needed?
- Examples of appropriate or inappropriate?
- When should the procedure be performed?
- When is a response expected?



Writing Procedures (continued)

VI. Reports

- a. Identify if reports are required, when they are due, and include standard data elements.

VII. Maintenance

- a. Identify the department/responsible staff who developed the procedure, when it would be updated (annually, for example), effective date, and how it would be communicated to the Organization.

VIII. Violations of procedure/corrective action to be taken

IX. Distribution List



Roles and Responsibilities

Clearly defined roles and responsibilities are critical to successful grants management:

- Organizational vs an individual employee responsibility.
 - Executive director/management,
 - Organization's board of directors,
 - Grant/project manager,
 - Finance and/or purchasing teams, and
 - Partners and sub-grantees.



Roles and Responsibilities (continued)

- Post-award communication meeting with key employees to align roles and responsibilities.
 - Proper account structure/manage award budget,
 - Determining responsibility for financial and programmatic reports,
 - Verifying the calendar of key award dates, and
 - Evaluating challenges and potential risks (i.e. Need to onboard new employees to accomplish grant objectives).



Compliance Requirements (Continued)

Activities Allowed or Unallowed – These are the activities that the federal program has determined the funds can be used for or cannot be used for. Since this is very specific to each federal program, it is therefore included in the audit program in Part 4.



Compliance Requirements

Allowable Costs - This describes the types of costs that can be charged to a federal program. Generally, only necessary and reasonable costs can be charged to a federal program. There are, however, certain costs that are not allowed to be charged to a federal program such as fines, penalties, bad debt, tobacco and alcohol. Since this requirement is for all federal programs, it is included once in Part 3. Part 3B of the Supplement has an extensive list of selected items of cost and whether they are unallowable, allowable or allowable with restrictions.



Compliance Requirements

Allowable Costs/Activities: Time and Effort

- UGG provides for more flexibility in documenting staff time and effort spent on federal awards, but it is not clear exactly what documentation will be sufficient.
- Guidance is less prescriptive on documentation and places more emphasis on internal control. Shift from focus on Compliance to focus on Performance.
- Allows entities to replace detailed time and effort reports (timesheets) with performance-based reporting (based on milestones)
- Charges to Federal awards for salaries and wages must be based on records, and budget estimates alone do not qualify to support charges to Federal awards, but may qualify for reporting during interim periods.



Compliance Requirements (Continued)

Cash Management – Most federal programs are either funded on a reimbursement basis, advances or a combination of both. For advances, the organization must minimize the time elapsing between the receipt of the funds and the disbursements. For reimbursements, the organization must pay for the program costs with their own funds prior to requesting reimbursement. Since this requirement is for all federal programs, it is included once in Part 3. See Part 3C for the requirements.



Compliance Requirements (Continued)

Eligibility – This relates to beneficiary eligibility, not organizational eligibility. The specific requirements for eligibility are unique to each federal program. See the eligibility requirements for your federal program in Part 4.



Compliance Requirements (Continued)

Equipment and Real Property Management – This requirement only applies if equipment or real property is purchased with federal grant funds of over \$5,000 or more, or over the organization's capitalization policy. Since this requirement is for all federal programs, it is included once in Part 3. See Part 3F for the requirements.



Compliance Requirements (Continued)

Matching, Level of Effort, Earmarking – The specific requirements for these are unique to each federal program.

- *Matching* - provide contributions of a specific amount or percentage to match federal awards. (2 CFR 200.306, non-federal)
- *Level of effort* (program specific)
 - a specified level of *service* to be provided or *expenditures* to be maintained from period to period
 - Federal funds to supplement and not supplant non-federal funding of services
- *Earmarking* - (program specific)
 - a minimum or maximum amount or percentage of the program's funding to be used for certain activities



Compliance Requirements (Continued)

Period of Performance - Federal grants may specify a time period during which the organization may use the federal funds. Where a funding period is specified, the organization may charge to the award only costs resulting from obligations incurred during the funding period and any pre-awards authorized by the federal awarding agency. See Part 3H for the requirements.



Compliance Requirements (Continued)

Procurement, Suspension and Debarment- Organizations must use their own documented procurement procedures, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in Uniform Guidance as set out in Title 2 CFR sections 200.318 through 200.326.



Compliance Requirements (Continued)

Organizations are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” includes contracts awarded under a grant or cooperative agreement that are expected to equal or exceed \$25,000. All non-procurement transactions entered into by a pass-through entity, irrespective of award amount, are considered covered transactions. See Part 31 for full details. Since this requirement is for all federal programs, it is included once in Part 3. See Part 31 for the requirements.



Compliance Requirements (Continued)

Reporting – This requirement relates to the reporting required to the federal agency or to the pass-through agency. It includes financial reporting (requests for advances or reimbursements), performance and special reporting. The specific requirements for reporting are unique to each federal program. See the reporting requirements for your federal program in Part 4.



Compliance Requirements (Continued)

Subrecipient Monitoring - This requirement is applicable if an organization passes the federal funds through to another organization that will be running the federal program on their behalf. The organization that passes through the funds must identify the award and applicable requirements to the other entity, evaluate the risk of their noncompliance and monitor their activities. Since this requirement is for all federal programs, it is included once in Part 3. See Part 3M for full details.



Compliance Requirements (Continued)

Special Tests and Provisions – The specific requirements for Special Tests and Provisions are unique to each federal program. See the specific requirements for your federal program in Part 4.



Grant Management: Results of Improper Grant Compliance

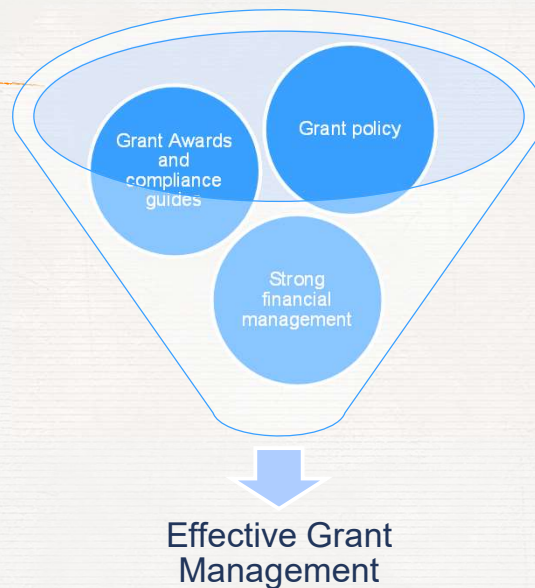


Noncompliance Causes

- Lack of education and training programs related to the grant.
- Ineffective or lack of communication between grant manager and other employees.
- Improper employee or employees responsible for developing and maintaining compliance.
- Failure to identify risks, take corrective action in a timely manner.
- Common findings.



Overview





Thanks!

Any questions?

You can reach me at:

David.Maccoux@calumetcounty.org

with any questions.

11 – 11:50 a.m.

Microsoft Teams: Increase Your Knowledge & Skills With This Key Communication & Collaboration Tool

Ann Strong, *Trainer*

There are no presentation slides available for this session.

