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- Taxes--in general, taxes or payments in lieu of taxes which the grantee agency is legally required to pay are allowable.
- Training and education--in-service training customarily provided for employee development which directly or indirectly benefits grant programs is allowable. Out-of service training involving extended periods of time is allowable only when specifically authorized by the grantor agency.
- Transportation.
- Travel.

The following costs are allowable only with the approval of the grantor agency:

1. Automatic data processing--This may include the cost of rental of equipment or depreciation on grantee-owned equipment. Acquisition of equipment is allowable only upon specific prior approval of the grantor agency.
2. Building space and related facilities--Rental, maintenance and operation, rearrangements and alterations costs, and depreciation are allowable if required specifically for the grant program.
3. Capital expenditures--The cost of facilities, equipment, other capital assets and repairs which materially increase the value or useful life of capital assets is allowable when such procurement is specifically approved by the Federal agency.
4. Insurance and indemnification--Costs of insurance required or approved and maintained pursuant to the grant agreement are allowable.
5. Management studies--These costs are allowable (if they are to improve the effectiveness and efficiency of grant management), except that cost of studies performed by agencies other than the grantees must first be authorized by the Federal agency.
6. Pre-agreement costs--These costs are only allowable if specifically approved in the grant agreement. Please note that OPS will not approve these costs unless they have been approved by OPS before the grantee incurs the costs.
7. Professional services--These costs are allowable only if there is prior authorization from the funding agency.
8. Proposal costs--These costs are allowable, if provided for in the grant agreement.

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The following costs are unallowable:

1. Bad debts.
2. Contingencies--Contributions to contingency reserves are not allowable.
3. Contributions and donations.
4. Entertainment.
5. Fines and penalties--Costs resulting from violations of or failure to comply with Federal, State and Local laws and regulations are unallowable.
6. Governor's expenses- This includes expenses of the Office of the Governor.
7. Interest and other financial costs--Only allowable if authorized by Federal legislation.
8. Legislative expenses--State legislature or other similar government body salaries and other expenses are unallowable.
9. Under-recovery of costs under grant agreements--Any excess of cost over the Federal contribution under one grant agreement is unallowable under other grant agreements.

d. Direct Costs

Direct costs are those that can be specifically identified with a particular cost objective. Typical direct costs are for:

- Compensation of employees for time devoted specifically to the grant program;
- Materials required, consumed, or expended specifically for the grant program;
- Equipment and other approved capital expenditures;
- Services furnished by other agencies specifically for the grant program which are in line with the cost principles; and
- Other items of expense incurred specifically to carry out the grant agreement.

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e. Indirect Costs

Indirect costs are those costs which are:

- incurred which cannot be charged to any one cost objective; and
- not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Indirect cost rates are negotiated by the cognizant Federal agency. This is usually the agency which provides the grantee with the most grant funds. In the case where the Department of Labor is the cognizant Federal agency, the Office of Cost determination is responsible for negotiating the indirect cost rate.

- ! In reviewing grant application budgets, several things are checked regarding indirect costs:
- ! Does the applicant have a current indirect cost rate (i.e., does it have, at a minimum, a provisional rate which covers the proposed grant period?);
- ! Is the rate that the applicant is proposing to charge equal to or less than its provisional or final overhead rate?; and
- ! Is the applicant charging as a direct cost, costs which are already covered by its indirect rate (i.e., some grantees may include rent as an indirect charge)? If this is charged to indirect costs, the applicant may not charge rent as a direct cost.

9. Budget Review and Analysis

A very important element in reviewing grant application and/or modification requests in the detailed review and analysis of the budget. This key area of the proposal can reveal a great deal of information to the inquisitive reviewer. VETS field staff should approach the budget review and analysis with an eye toward determining:

Accuracy - VETS field staff should review all calculations to ensure budget figures are indeed accurate. By taking this simple step many errors can be detected early in the review process;

Consistency - When the arithmetic is verified the reviewer should then crosswalk the budget figures to other pertinent areas of the proposal to ensure all figures are consistent

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(e.g., budget totals are the same on the BIS and SF-424).

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The budget should be consistent with the narrative, goals and objectives and other related segments of the proposal; and

Supporting documentation - The reviewer should check to see that all budget figures on the BIS are supported by documentation in the budget back-up.

Reviewers, employing their knowledge of cost principles, must also review the budget information to determine if the costs proposed are allowable and allocable for administration, fringe benefits, indirect charges and travel. VETS staff should ensure that:

- ! Direct costs for administration plus any indirect charges claimed does not exceed 20% of the total amount of the grant without strong justification from the eligible applicant and approval (i.e., a waiver) of the OASVET:
- ! The eligible applicant provided a formula to support the fringe benefit rate charged and a detailed explanation if that rate exceeded 35%;
- ! Indirect costs claimed by an eligible applicant are based on a federally approved rate. A copy of written documentation from the cognizant federal agency should be submitted with the proposal; and
- ! Eligible applicants provide any formulas used to determine travel costs and explanations of purpose. For mileage costs in excess of \$.32 or the approved federal rate cents per mile documentation must be provided.

When reviewing the budget and supporting documentation VETS field staff must also determine whether or not proposed costs are reasonable. This is, as was discussed earlier, a qualitative or subjective test, i.e., costs that do not exceed that which would be incurred by an ordinarily prudent person in the conduct of competitive business.

10. Sample Budget Review

The following is an approach, a procedure, that can be used in the actual review of grant applications/modification requests. It covers the application of the three cost principles which have been discussed earlier. It will also provide a mechanism to assist in the actual application/modification review process.

Divide the grant application/modification package into the following sections:

- ! Transmittal letter, and SF-424

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- ! The Introduction, Statement of the Problem, Proposed Approach, Summary of Changes (if applicable), Quarterly Project Timetable and Goals and Placement information. These sections are generally referred to as the "program narrative."
- ! The grantee's budget forms and the subgrantee's budget forms (if applicable). Also the budget backup information.
- ! Supporting documentation.

Check all the arithmetic on all budget forms and the budget backup. Start "cross walking." Check to see if the SF-424, budget, and budget backup forms agree, e.g. SF-424 block 15a; Budget Section D.13 (Federal Total for 1st Year) and Budget Backup (Total cost for Federal share). Follow this same procedure for each instance in which the figures should be the same.

- ! Also check to see if all formulas written in the budget backup are correct, e.g., Personnel - "Veterans Specialist" *Annual* wage \$32,240, time charged 100%, Program cost \$30,628 and Administration cost \$1,612. Check this for each budget category.
- ! If there are sub-grantee budgets, check them against the overall grantee budget to ensure that (1) the totals of the budget categories add up to what is shown on the overall budget; and (2) that these figures agree with the specific figures on the budgets and add up to and agree with the budget backup.
- ! Review the narrative. Crosswalk. Does the information concerning the budget agree with the information on the budget and budget backup? (e.g., does the narrative indicate the same number of OJT positions planned as the budget backup?)

Review the application to determine if limitations on the following are adhered to and documentation, where required, is provided:

Administrative costs - these costs should not exceed the amount specified in the SGA. Note: the limitation on administrative costs applies only to the Federal funding and not the match.

Fringe benefits - is a rate provided?

Travel - not to exceed the approved federal rate cents a mile unless documentation is provided.

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Indirect charges - signed copies of approved rate are provided or provisional rate is applied for.

Check the budget back-up to ensure that there is a reasonable breakout between program and administrative costs for each item listed. The division between program and administrative costs is generally based on the amount of time that will be spent on that kind of activity, e.g. a program director would spend a great deal more time on administration and less on program activities, whereas an outreach specialist would spend a much greater amount of time on program activities with less on administration. The breakout for equipment, supplies, etc. would depend on the use of these items and would in most cases follow the same pattern as that of the personnel using the equipment/supplies.

Check to see if costs are reasonable. Costs are generally considered reasonable if they are what a "reasonable person" would pay based on the prudent exercise of their responsibilities. Some factors to be taken into consideration in arriving at a good decision of reasonableness are:

- common sense;
- knowledge of the area, e.g. size;
- knowledge concerning the service providers;
- knowledge concerning area costs, e.g. wages paid; and
- knowledge concerning what items cost in the previous grant.

During the budget review and analysis the reviewer should continually crosswalk for consistency, identify supporting documentation and check for the accuracy of all calculations. Additionally, by applying knowledge of the cost principles (i.e., allowable, allocable and reasonable) to all proposed charges, the reviewer will be able to determine if there are any questionable costs represented.

Funding Recommendations for the DVET and the RAVET

This section will assist the DVET and the RAVET to 1) understand the key elements of a funding recommendation and how to conduct a proposal analysis, 2) understand how to prepare a proposal deficiency list, and 3) learn how to develop a written funding recommendation based on the proposal and on performance. In this regard, the following should be remembered:

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1. The funding recommendation is based on the composite of the proposal review and the performance assessment.
2. The funding recommendation may be made on the same document certifying the applicants' past performance. However, this must be regarded as the summary funding recommendation.
3. The proposal analysis must be based on the requirements in the SGA. This is the mandatory tool for the analysis.
4. The proposal analysis may identify items that need to be corrected by the grantee. Such corrections must be detailed in writing. The specific SGA requirement should be cited, along with the page number of the proposal; this makes it easier for the reviewer and saves time. Use the same proposal analysis form to list the corrections that need to be made.
5. Any negative recommendation must indicate the reason(s) for the recommendation and include supporting documentation.
6. A conditional, or qualified recommendation for funding may be made. This would be the case if there are corrections to the proposal that must be made by the applicant.
7. Satisfactory past performance of the grantee must be factored into the recommendation. To be considered satisfactory a grantee must have met or will meet 85% of aggregate program goals.
8. Any grantee not meeting the 85% may still be recommended for funding provided that evidence is submitted on good cause and will not affect the performance.
9. If the RAVET concurs with the DVET recommendation he/she may simply write a sentence to that effect. If he/she disagrees, the reasons must be fully spelled out in writing. The same format that the DVET used would be helpful to other reviewers. The RAVET should also use the same format in the proposal analysis. Any items missed by the DVET should be clearly noted with SGA citations and proposal page number.
10. A funding recommendation is serious business; the National Office wants to ensure the best services for veterans. Sufficient time should be devoted to it in order to make a sound recommendation.

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It required that the DVET and RAVET be acutely aware of both past performance and the new proposal. Reviewers in the National Office will be checking the funding recommendation and the rationale behind it very closely.

IV. POST-AWARD CONFERENCE

When the VETS National Office is satisfied that a grant application is complete and accurate, it is reviewed for substance and the Grant Officer decides whether or not to award a grant. If the grant is awarded, notice is sent to the RAVET and the DVET. Included in the notice to the DVET is the notification that a Post-Award Conference must be scheduled within 45 calendar days with the grantee. Sub-grantee (s) and contractor(s), if any, should be encouraged to attend. Included in this Chapter is a copy of a sample/letter which the GOTR may use to inform the grantee of the/scheduling of the Post-Award Conference.

The agenda of the Post-Award Conference is designed to achieve several purposes. First, it is an opportunity for the GOTR to establish or build upon the relationship that was developed with the grantee during the application process, they will be working closely together over the term of the grant it is important that a good working relationship be maintained. Second, a Post-Award Conference provides the opportunity for the GOTR to explain the General and Special Provisions of the Grant Agreement and to make sure that grantee understands what is expected of them. The Grant Agreement is the contractual document legally binding the grantee and DOL. It contains two important sections:

- General Provisions (reporting requirements, reimbursement procedures, instructions for seeking modifications, etc.) which govern all grants; and
- Special Provisions which are unique to each specific grant.

The Post-Award Conference should be held as soon after an award as possible (in no case, more than 45 calendar days after the award). By establishing a cooperative working relationship with the grantee and sub-grantee(s) at the outset, and by making sure that everyone understands the terms and conditions of the grant, the GOTR is working to make the remainder of the grant monitoring process as trouble-free as possible.

In preparing for the Post-Award Conference, particularly in preparing to explain any Special Provisions contained in the grant agreement, the GOTR will become aware of those special problems that will need to be carefully monitored during the grant period.

The GOTR should also use the Post-Award Conference to explain the importance of the Quarterly Technical Performance report, to inform the grantee of the kind of information

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expected to be contained in the report, and to make it clear that the report itself is to be submitted on time each quarter.

POST-AWARD CONFERENCE

SUGGESTED POST-AWARD CONFERENCE AGENDA

1. Review all operational requirements.
 - a. General Provisions
 - b. Special Provisions
 - c. Applicable Federal Regulations
 - d. Reporting Requirements
 - e. SF269 Financial Report Form
 - f. SF270 Request for Advance or Reimbursement Form (If applicable)
 - g. Corrective Action Plan
 - h. Fiscal and Programmatic goals
 - i. Answer questions related to operational requirements
2. Discuss the role of
 - a. DVET/ADVET as the GOTR
 - b. OASVET National Office
 - c. Grant Officer
3. Discuss plan for administering/monitoring grant including at least one on site visit during the grant period (Recommended within 120 dayd of grant award)
4. Explain availability of Technical Assistance which can be provided throughout the grant period.

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POST-AWARD CONFERENCE

SAMPLE LETTER

Dear Grantee:

I have received notification from the Grant Officer that you have been awarded a Employment and Training grant in the amount of _____. This grant was awarded on _____ with a starting date of _____ and an ending date of _____.

As the Grant Officer's Technical Representative (GOTR), I am requesting an opportunity to meet with you for a Post-Award Conference on _____. If this date is not acceptable please call me at _____ and we will arrange a mutually convenient time to meet.

The purpose of this meeting is to discuss and clarify, as necessary, the following:

1. Review the operational requirements.
2. Discuss the role of the GOTR, the OASVET National Office and the Grant Officer.
3. Discuss the plan for administering/monitoring the grant.
4. Explain the availability of Technical Assistance.
5. Answer any questions you may have concerning this grant.

(Note: This paragraph may be included if there are any sub-grantees involved). It is suggested that you may wish to invite representatives of the sub-grantee(s) to participate in this meeting. This will give opportunity for all parties to meet and discuss the various aspects of the grant.

I look forward to meeting with you to ensure the smooth and successful operation of your grant.

Sincerely,

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V. GRANT MONITORING PROCESS

THE ROLE OF THE GOTR IS TO HELP GRANTEEES ACHIEVE THEIR GOALS. TO ENSURE THIS EACH GRANT MUST BE MONITORED. THE GOTR IS RESPONSIBLE FOR THE BASIC DAY TO DAY MONITORING ACTIVITIES.

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e of monitoring is twofold: first, to ensure that grantees comply with the grant agreement; second, to ensure that the grantees comply with all the laws, regulations, and policies governing federal grants in general and VETS grants in particular.

Although monitoring may be perceived as a negative undertaking, a search for problems and mistakes, it is actually a positive one. This is true for two reasons:

- Monitoring can lead to the early identification of situations which indicate that goals may not be met. With early problem identification corrective action can be taken; and
- Monitoring can reveal not only problems but successes as well. A grant review may show that a program is much more successful than had been anticipated, that goals are being exceeded or that they are being met with less expense than anticipated. It is true that over achieving goals may be the result of establishing unrealistically low goals. It is also possible that there was something about the program, about how it was designed or carried out, that resulted in that over achievement. If success does occur, then examples of success, and reasons for that success, might be shared with other grantees.

Monitoring is, therefore, an activity that should bring positive results. Grant monitoring involves the review of information about grant performance obtained by two methods:

- **Desk review** -- review of all data submitted by the grantee, particularly the required quarterly technical performance report, the Financial Status Report (SF 269A), and requests for payment (HHS-PMS 272).
- **On-site monitoring visits**, should be conducted during the third grant quarter.

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The results of the review must be available before second year funding decisions are made or before a new grant application is considered.

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The GOTR will conduct four Desk Reviews each grant year. They are submitted as part of the DVET'S Quarterly Report process. The GOTR conducts three review processes while monitoring a grant:

- **Plan versus Actual Monitoring (PVA):** This is a review and analysis of current program information to determine the extent to which grantees are achieving goals established in the grant agreement.
- **Managerial Monitoring:** This is a review of the quality of the program and the effectiveness of services provided to veterans. This type of monitoring involves troubleshooting to determine the cause of identified problems. Managerial monitoring also includes determining corrective action, provision of Technical Assistance, and providing ongoing liaison with grantees to ensure that corrective action occurs. Managerial monitoring is a process which is performed throughout the program activity period.
- **Data Validity Monitoring:** This review is a systematic monitoring method to substantiate the reliability of program and financial information reported by grantees.

A. Review of Information Submitted by the Grantee: Desk Review

The quarterly reports which grantees are required to submit compose one set of documents the GOTR reviews. In addition, the GOTR should review the grantee's expenditures carefully. This is done by comparing the HHS-PMS , SF-272 with the SF-269, the Financial Status Report.

Upon completion of the quarterly review, the GOTR prepares a DVET Summary Report which is to be submitted, along with the material provided by the grantee, to the VETS National Office via the RAVET.

1. Quarterly Technical Performance Review

Each grant recipient is required to file a quarterly technical performance report. The quarterly technical performance report is also the primary instrument by which the GOTR monitors the progress of a grantee and the basis for suggesting any necessary corrective action or a modification. (This is also the primary source for the OASVET statistical reports to both Congress and the public on VETS programs.)

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This report has two parts. First, there is a standard format which the grantee is to complete, containing such information as the number of Federal dollars expended the amount of non-federal funds spent, if applicable, and the number of veterans served.

In addition to the standard format, each grantee is expected to file a written report on the grant program. The narrative should do more than simply put into textual format the data already shown on the standard form. It should explain, in some detail, what is happening and why. If some aspects of the program are doing much better than expected, the grantee should explain why. If other aspects are not on target, the grantee should both offer an explanation and describe what is being done to improve performance in those areas. If the grantee foresees the need to change the program schedule or anticipates problems, the GOTR should be alerted via this written report.

Review of the quarterly report is, in part, an exercise in comparing projected to actual performance (PVA). That is, the information provided on the quarterly report on monies actually spent and veterans actually served (and other program goals) are compared to the projected figures contained in the Grant Agreement (or modification if there is one).

Used to its fullest advantage, a review of this information can:

- identify potential or existing problem areas,
- provide the monitor with background information concerning program design, operational procedures and previous monitoring activities; and
- identify the priorities/activities to be reviewed during the on-site visit.

The GOTR should be aware that there are two issues which, in previous years, have created problems for both the grantee and VETS.

First, there is the issue of projected goals. Remember, one of the major components of grant monitoring is PVA. Projected goals have not always been properly stated either in the grant application or the Grant Agreement. In too many instances, the total program goals are simply divided by four to obtain the quarterly goal figures required in the grant application and those quarterly figures were unmodified in the Grant Agreement. For example, a grantee proposing to train 100 veterans and place 40 of them in employment over the 12-month period of the grant, might propose that in each quarter of the grant, 25 veterans will be trained and 10 placed.

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In this example, it is likely that the grantee proposes to develop a program, publicize it, register veterans, train them, and assist in job placement. It is reasonable to assume that much of the first quarter of the grant will be spent in developing the program and publicizing it. Most likely few veterans will actually be enrolled and trained, and probably none will actually be placed, during that first quarter. Placement is not likely to occur until much later in the program.

A well-prepared application would take this into account and indicate goals on a quarter basis. In this example, the grantee might propose to train 10 veterans in the first quarter and 45 in both the second and third. Placement goals might show 0 for the first and second quarters, 10 in the third, and 30 in the fourth.

The GOTR, as part of Technical Assistance during the development of non-competitive grant applications, should assist the grantee in developing realistic program goals. This early action will serve to avoid grant management problems later on.

A second issue, which has created monitoring problems in the past, concerns the period covered by the first quarterly report. The first quarterly report is due at the end of the first Program Quarter during which a program was active. This is true regardless of the length of time between the Program Start Date and the end of that quarter. For example, if a Program Start Date is November 15, a quarterly report is due for the quarter ending December 31 even though there will be only some six weeks of program operation upon which to report.

PVA comparisons must be made on the basis of the actual Program Start Date, not on the basis of the date of the start of a Program Quarter or Grant Award Date. In virtually all cases in which a Program Start Date is not the same as the beginning of a Program Quarter, there will be an apparent situation of noncompliance. The actual goals achieved reported on the first quarterly summary will be less than the projected goals.

THE PROGRAM START DATE IS THE DATE ON WHICH A GRANTEE CAN LEGALLY BEGIN TO SPEND FEDERAL GRANT FUNDS.

2. DVET Quarterly Grant Summary Report

The quarterly grant review performed by the GOTR requires more than simply reviewing material provided by the grantee. The review is not complete until the GOTR prepares a written summary of the progress and problems (if any) of the grant program. This document is the DVET Quarterly Grant Summary.

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NOTE: The GOTR, whether it be the DVET, ADVET, or a Grant Specialist in the VETS National Office, is responsible for preparing the DVET Quarterly Grant Summary.

The DVET Quarterly Grant Summary should be brief, no more than one or two pages, unless there are problems in the grant program. In that case, the Summary should include:

- a description of the problem or potential problem;
- summary of any actions taken to rectify the problem (such as provision of Technical Assistance, discussions with the grantee, or a request for a Correction Action Plan (CAP)) along with the date(s) such action(s) was taken;
- an indication of whether or not a CAP will be required of the grantee;
- an assessment of whether or not a grant modification might be necessary; and
- any additional information required to fully explain and document the situation.

THE DVET QUARTERLY GRANT SUMMARY IS AN INTEGRAL PART OF THE DESK REVIEW.

The quarterly review of information submitted by the grantee is important, both to ensure that the grantee remains in compliance and to help identify potential problems early. Equally as important, this desk review is used to prepare for the on-site evaluation and should be conducted before an on-site visit is scheduled. A desk review instrument is included as Exhibit V-1 at the end of this chapter.

B. On-Site Monitoring Visit

The first activity completed as part of the monitoring process was described in section V.A, . During the desk review the GOTR develops the written instrument that will be used to collect or verify program information while on-site. The following desk review activities will enable the GOTR to develop the instrument.

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- **Review of the Grant document:** Goals and objectives, budget and budget backup information, and grant narrative should all be reviewed. The goals and objectives must be summarized in the monitoring instrument. Any Special Provisions added by the Grant Officer should also be a part of the instrument.
- **Review and analysis of program and financial data:** This information may be obtained from the grantee's technical report, the SF-269, and the DVET Summary Report. Any discrepancies between planned and actual achievements should be noted. Additionally, review of other pertinent narrative data such as previous monitoring reports and corrective action plans (and when possible, monitoring results from State or other Federal sources), will be provided. All relevant information should be incorporated into the monitoring instrument.

If performed properly, the desk review will also help determine the scope, focus, and schedule of the on-site visit. The reviews of the grant document and of the program and financial data will help the GOTR answer the following questions, and those answers will determine the agenda and the amount of time which will need to be spent at the grantee's site.

- What is to be monitored and for what reasons?
- Who should be interviewed and why?
- What questions need to be asked?
- What records should be examined?
- What activities should be observed?
- What needs to be documented, recorded and reported?

The grants on-site monitoring process is composed of five steps:

- Desk review and on-site review preparation;
- On-Site Review;
- Documentation of Findings (Report Writing);

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- Corrective Action; and
- Follow-up.

C. Preparation for the On-Site Visit

The desk review, discussed in detail above, will acquaint the GOTR with the grant, its goals and objectives, and planned versus actual performance levels. More than this, the information obtained from the desk review will be used by the GOTR to prepare the written monitoring instrument to be used on the on-site review. (See Appendix D).

The desk review often points out potential or existing problem areas within a program; the on-site review is a more in-depth investigation of those potential problem areas. On-site monitoring permits the verification of program data that is reviewed in the desk analysis. It may also provide qualitative information which is not available through desk reviews. The on-site visit provides the GOTR with a "feel" for the program that cannot be obtained through the narrative or quantitative information submitted by the grantee. It can lead to the identification of activities which do not comply with the regulations that would otherwise go undetected.

To do effective on-site monitoring, the GOTR must be prepared. In addition to being thoroughly familiar with the information obtained through the desk review, the GOTR should also be familiar with the regulations, any Special Provisions incorporated into the grant agreement, and the terms of any grant modification or Corrective Action Plan associated with the grant.

The GOTR should use common-sense judgement in deciding how far, or how deep, the on-site review will go. With this in mind, there are two factors which will determine the length and the depth of the monitoring visit:

- the purpose of the on-site visit, and
- the size and complexity of the grant.

An on-site visit may be a regularly scheduled review or it may be a special monitoring visit triggered by a request of the grantee, something found in the desk review, a complaint, or some other cause.

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Because a regularly scheduled on-site visit is intended to review the operation of the entire grant program while a special monitoring visit is (usually) made to investigate one aspect of the program, the regularly scheduled review will take more time. However, the special visit will look more deeply into a specific aspect of the program than will the regularly scheduled visit.

The other factor determining the length and depth of an on-site review, regularly scheduled or special, is the size and complexity of the grant. The larger and more complex the grant is, the more time the review will take and the more likely it is that the GOTR will have to look into program components more deeply in order to get an accurate assessment of its operation.

Whichever type visit is being scheduled, the Grant Project Director (or designee) must be notified in advance of an impending on-site monitoring visit. This should be done in writing with telephone follow-up. The notification letter should advise the grantee of what the GOTR will be looking for. The GOTR may wish to provide the grantee with a copy of the instrument developed for the visit or may summarize its key points. A notification letter is included at the end of this Chapter as Exhibit V

The following are some typical items that would be part of a monitoring instrument and to which the grantee should be alerted:

- review of project financial and non-financial records;
- review of the administrative and management structure and system;
- review of the flow of participants through the program, if applicable;
- visit to work sites and training institutions, if applicable, if time permits, and if it is determined to be necessary;
- review of other specific items and questions identified during the desk review; and
- exit interview with the project director. (This is highly recommended, and should not be refused if requested by the grantee.)

Appendix D contains an on-site review monitoring instrument.

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D. Information to be Collected On Site

The scheduling of monitoring activities while on-site is critical to the effectiveness of the on-site review. If an excessive amount of staff time is spent in monitoring one program area, it is likely that the monitor will gain only a very narrow understanding of overall program performance. Conversely, if a very limited amount of time is spent in all program areas, the result can be a superficial and incomplete picture of how the total program is functioning. The GOTR must use good judgement and common sense in scheduling time on the on-site review.

In general, it is expected that the on-site visit should take one day. In some instances a two day visit may be warranted. For example, the desk review may uncover numerous potential funding problems, or the grant may have diverse components necessitating a longer visit.

However long the on-site visit takes, and to whatever depth the various program components are investigated, the GOTR will use three basic methods to acquire the information needed for completion of the monitoring report. These are:

- 1) review of participant records,
- 2) staff/client interviews, and
- 3) general observation.

The findings of the on-site visit will be presented in a written report.

Review of Participants Records

Review of the records is used to:

- validate quantitative data submitted for desk review;
- supplement the desk review by providing additional information;
- ensure the grantee is complying with all recordkeeping requirements;
- identify and provide a focus for on-site interviews and observations; and
- monitor grant program costs.

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An on-site review agenda is included at the end of this Chapter as Exhibit V-4. This can be used to structure the on-site visit and could be supplied to the grantee ahead of time, if desired.

Staff/client Interviews

Interviews provide useful information about a program which may not be obtainable in any other way. In some instances the data collected in interviews can be tabulated for purposes of an aggregate analysis; in other instances, interviewing is more useful as a source of qualitative information on individuals or specific grant components.

The purpose of interviewing is to: verify and expand upon information obtained from the desk review and from other on-site review activities;

- obtain qualitative information on activities;
- identify causes of problems, deficiencies or of exceptional performance;
- initiate or direct review activities; and
- identify management/administration issues requiring more in-depth review.

Sources of interviews are:

- program staff, including administrative and program managers, trainees, counselors, job developers, etc.;
- chief elected official of the geographic unit in which the program is operating (governor, mayor, county executive);
- community members affected by the program; and
- leaders and members of appropriate interest groups, particularly local veterans' organizations and other organizations that may be linked to the project in the program narrative or whose services may be claimed as a match.

Observation

Observation is also a useful technique for acquiring information about the operation and administration of veterans' employment and training programs.

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During an on-site grant monitoring visit, the GOTR will use direct observation to "get the feel" of the grant, the grantee, and any sub-grantees.

Careful, objective observations assist greatly in determining if the grantee can effectively meet its goals and objectives. For example, a grant may have as its goals explaining employment and training opportunities in general to as many targeted veterans as possible and enrolling those most in need of assistance into the program. If the GOTR observes long lines and waiting periods before a targeted veteran is interviewed by a counselor, there may be reason to believe that there is difficulty in meeting grant goals. That long wait to visit a counselor could discourage many potential applicants. The program could receive a negative image and reputation in the veteran community "as just another bureaucratic waiting game." (Obviously, this is the kind of consideration that should be brought up during an interview. Remember, one purpose of the on-site review is to try to prevent potential problems from becoming real ones.)

Objective opinions on the adequacy of buildings, furnishings, equipment, signs, and other posted information, are other examples of conclusions that can be drawn from observation. These conclusions can be made part of the written report and might also be discussed with grant managers if there is an exit interview.

E. On-Site Financial Review

The monitoring of grant program costs is a complex process. Therefore, this section is included to assist the GOTR in the performance of that task.

NOTE: The monitoring review is not intended to supplement or displace the audit requirements in 29 CFR Part 97 and should not be viewed as a form of an audit. The on-site financial review is limited to fulfilling the GOTR's responsibilities contained in Section IV, Special Provisions, of the grant award under Grant Administration.

The GOTR is responsible for monitoring costs charged to grants. The GOTR is to assure that those costs are allowable, allocable and reasonable.

A cost is allowable if it is allocable, reasonable, and the government is not prevented from paying for it under government cost principles. (See OMB Circular A-87.)

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In addition, in order to be allowable, a cost must be incurred specifically for the program grant. Or, if it benefits both the grant and other activities, the cost must be distributable each in reasonable proportion to the benefits received. For example, if a grantee purchases a duplicating machine in order to make copies of materials for program trainees, and if that duplicating machine is also used to duplicate materials for a another program, only a portion of the cost of the machine and supplies is an allowable program grant cost. The grantee must keep records on the use of the machine so that only the cost proportionate to the percentage of copies made for the program is charged to the grant. The last requirement for an allowable cost is that it must be necessary to the overall operation of the program. There need not be a direct relationship to any particular cost category.

Some examples of unallowable costs include:

- bad debts--losses arising from uncollectible accounts or claims;
- contributions and donations;
- entertainment for non-grant purposes;
- advertising for non-grant purposes;
- higher indirect costs than the negotiated approved rate;
- costs charged to unacceptable sources (for example, the use of program funds rather than matching funds to serve nontargeted veterans);
- UCX and UI benefits;
- employer's share of OJT costs; and
- costs to serve veterans not targeted by a specific grant program.

A cost is allocable to a particular cost category to the extent of benefits received by such category. That is, the grantee operates under an approved line budget. The Grant Officer obligates funds for specific purposes (Object Class Categories). A grant expenditure should be allocated to one or more of those purposes.

Because of the concept of allocability, it is not sufficient for a grantee to remain within the overall budget. With some minor exceptions discussed below, the grantee must stay within budget by Object Class Category.

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A cost is reasonable if in its nature or amount, it does not exceed that which would be incurred by an ordinarily prudent person in the conduct of competitive business.

In determining reasonableness, the GOTR should consider whether or not the cost is of a type that is generally recognized as both ordinary and necessary for the conduct of the grantee's program or the performance of the work under the grant.

Costs approved in the grant application should have passed the tests of allowable and reasonable criteria during the review of the grant application. However, a grant award does not forbid the GOTR to test actual costs against allowable, allocable, and reasonable criteria. Nor does the Grant Award prohibit the GOTR from requesting the Grantee to justify any questionable costs. Indeed, those are primary purposes for the on-site financial review.

The GOTR may not allow additional costs to the Grant. Even if the GOTR finds that an additional cost is allowable and reasonable, a Grant Modification is required to qualify them as allocable.

In performing the on-site financial review, the GOTR should bear in mind that:

- Costs allocated to a particular grant or cost category may not be shifted to another Federal grant or category to overcome fund deficiencies or to avoid restrictions imposed by law, grant agreements or other reasons.
- The recipient shall not transfer any funds which will cause DOL appropriated funds to be used for purposes other than those intended. When the DOL share exceeds \$100,000, the cumulative amount of transfers among direct cost categories or among functions and activities budgeted separately cannot exceed ten percent (10%) of the total budget approved by the Grant Officer (29 CFR, Part 97.30(c)(ii)).

The total cost of a grant program consists of direct and indirect costs.

Direct Costs are those that can be specifically identified with a particular cost category. Examples of direct costs include:

- compensation to employers for the **time** and effort devoted specifically to the execution of grant programs, for example, OJT;
- cost of materials acquired, consumed, or expended specifically for the purpose of the grant;

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- equipment and other approved capital expenditures;
- other expense items incurred specifically to carry out the Grant Agreement; and
- services furnished specifically for the grant program by other agencies, provided such charges are consistent with criteria for agencies other than the grantee.

Indirect Costs, frequently called Administrative Costs or Overhead, are those costs incurred for a common or joint purpose. There are two methods that may be used to determine indirect costs for program grants.

In most cases, a Predetermined Fixed Rate that sets the indirect costs as a percentage of the direct costs will be established.

In other instances, the grantee will propose that a Negotiated Lump Sum be allocated for indirect costs.

Regardless of the method used to determine the indirect costs, the allocable limit is that amount approved in the Grant Application. A maximum limit of 20% of Federal funds has been established for program administrative costs. This means that no more than 20% of grant funds can be used for indirect costs. There is no established limit for the percentage of matching funds that may be used for indirect costs.

The Grant Application specifies both the sources and the objectives of expenditures. The GOTR should review matching funds expenditures to ensure that they are:

- expended on grant application objectives;
- accounted for and reported separately and not commingled with Federal funds and/or objectives; and
- supported by documentation such as enrollment forms, placement, and/or services provided with cost determinators.

An on-site financial monitoring instrument is included as Appendix B at the end of this Chapter to assist GOTRs. Special attention should be given to the SF-424 and financial backup data. The review is to assure charges to the grant are within the limits of the grant proposal (allocable) and that there is sufficient, proper documentation to support these expenditures.

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Many of the programs have subgrantees. In these cases, the subgrantee's records and documentation will also need to be reviewed.

Prior to the monitoring review, the GOTR should analyze the most recent SF-269A. This financial report should provide:

- A. Item 9 - period covered by this report;
- B. Item 10. b. - non-Federal share of outlays - matching funds expended;
- C. Item 10. c. - Federal share of outlays (grant program funds);
- D. Item 10. e. - non-Federal share of unliquidated obligations;
- E. Item 10. g. - total Federal share of outlays and unliquidated obligations;
- F. Item 10. h. - total cumulative amount of Federal funds authorized;
- G. Item 10. I. - keep in monitoring program federal funds expenditures against plan.

Funds may be recaptured by OASVET if identified well before the end of the Program Year. The grantee is required by 29-CFR, Part 97 to notify the Grant Officer whenever the amount of authorized funds is expected to exceed recipient needs by more than \$5,000 or 5% of the Federal grant, whichever is greater. The DVET should identify the under-expenditure problem to the grantee in writing, and ask the grantee, if its situation meets the criteria of 29 CFR Part 97, to state this in writing and provide an estimate of the total amount of excess funds. This information should immediately be forwarded to the Grant Officer through OASVET.

A deobligation modification may be possible if sufficient time for processing remains in the Program Year.

In addition to performing the financial review onsite, the GOTR, during the monitoring visit, will be reviewing a number of different records and record types. The grantee should identify and explain records and systems which track information contained in the budget. Depending upon identified problems or the need for clarifying information, the GOTR may find it necessary to check a variety of other documents and records such as personnel procedures, grievance procedures, staff job descriptions, staff time sheets, and correspondence.

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F. Documentation of Findings

The GOTR must prepare a written report on the results of the onsite monitoring visit. In most cases, the issues covered in the report will be those that had been identified during the desk review. This "core" material may be supplemented by any new issues which came to the attention of the GOTR as a result of the on-site record review, interviews, or observations.

In reporting on the program side of a grant, the GOTR may use any format that adequately summarizes the findings of the on-site visit. Remember, however, that the monitoring instrument should serve as the guide to the issues covered in the report.

The GOTR should feel comfortable that a reader of the report (and monitoring instrument) will see that findings and recommendations, particularly those involving corrective action, are objective and accurate and that they are related to the goals and objectives of the grant. The monitoring instrument and the written report must be submitted to the RAVET, who forwards them to the National Office where they become part of the official grant file.

The GOTR must also inform the grantee in writing, of the findings and recommendations. The findings may be summarized, or the GOTR may attach the full report. Sample transmittal letters are included in Appendix A. The various sample letters are as follows:

- A# Notification of on-site monitoring visit
- A# Grantee exceeding goals
- A# Grantee has no problems or potential problems
- A# Grantee has some potential problems
- A# Grantee has a corrective Action Plan (CAP)

These are for:

- V- 2 - Grantee exceeding goals
- V- 3 - Grantee has no problems or potential problems
- V- 4 - Grantee has some potential problem
- V- 5 - Grantee needs a Corrective Action Plan.

<p>THE GRANTEE MUST BE INFORMED OF THE ON-SITE EVALUATION RESULTS.</p>

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G. Corrective Action

As a result of any aspect of the review process, the GOTR may identify problems that must be addressed. In some cases, resolving the problems is a relatively minor process. For example, the GOTR might suggest that additional signs be posted or point out that many enrollment applications do not have the date entered. The grantee then posts new signs or makes sure that all program personnel are informed that the enrollment applications must be dated. There are, however, problems which cannot be resolved quite so easily, problems that may require the grantee to develop a Corrective Action Plan or even file for a grant modification.

If, as a result of the information obtained during a desk review, an on-site monitoring visit, or both, the GOTR finds a situation in which the grantee is not in compliance with the Grant Agreement, a Corrective Action Plan (Exhibit V- 5) is required. Specifically, if there is a 15% from projected goals or from the approved budget, the grantee must develop a CAP.

The CAP should contain three things:

- a description of the problem(s) being addressed;
- a detailed, step-by-step plan to correct the problem(s); and
- a schedule for implementing the plan.

It is the responsibility of the grantee to develop the CAP. However, the GOTR should provide Technical Assistance (TA) to help the grantee prepare the CAP. If the GOTR is not able to provide needed TA (for example, if the grantee requires assistance in accounting or some other specialized skill), the GOTR should notify the RAVET. The RAVET is then responsible for identifying an individual, not necessarily a member of the VETS staff, to provide the needed assistance. Any further monitoring desk review or on-site visits--will include a check to ensure that the terms of the CAP are being met.

CAPs are discussed here as plans for correcting problems. However, a grantee can deviate more than 15% from projected goals or approved budget on the positive side. For example, a grantee might train and/or place 15% or more targeted veterans than proposed. Or the grantee might be meeting training and placement goals at a cost significantly lower than anticipated.

If the GOTR has determined that these figures do not, in themselves, constitute problems (Were the projected goals and expenditures unrealistic to begin with?), the grantee should explain, in writing, why its performance is better than expected.

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This document is to be carefully reviewed, first by the GOTR, then by the RAVET and VETS National Office, to determine if other grantees can benefit from this information. Technically, this document is a CAP.

H. Follow-up

Follow up after a grant monitoring process involves various important steps:

- 1) Notification to the grantee of the on -site monitoring results. Depending on the results of the visit one of the four sample letters is sent. (See appendixe)
- 2) If no significant problems were found, follow-up simply consists of continuing to perform the quarterly desk reviews and being available to provide TA if necessary.
- 3) If potential problem were found, the GOTR should work with the grantee ensure that they do not become real ones. This might be as simple as pointing out the potential problems to the grantee, or it might involve providing TA. In either case, the GOTR must contact the grantee at a later, mutually agreed upon date, to determine if appropriate action has been taken. During subsequent quarterly desk reviews, the GOTR should look for evidence that the potential problems have not developed into real ones:
- 4) If minor problems were found minor problems are situations which do not require a CAP but which, if uncorrected, could result in a situation of non-compliance the GOTR must point them out to the grantee. A schedule for correcting the problem(s) must be developed as quickly as possible. The GOTR should provide any TA required to help find solutions to the problem(s) and determine the schedule. And, the GOTR should contact the grantee at a mutually agreed upon time to ensure that corrective action has been taken. In subsequent quarterly desk reviews, the GOTR should look for evidence that these minor problems have been corrected and are not adversely affecting grant performance. If necessary, the GOTR should schedule another on-site visit to ensure that corrective action as been taken.
- 5) If significant problems are found ones that require a CAP – the GOTR must ensure that an acceptable CAP is developed. On the basis of the schedule contained in the CAP, the GOTR is to contact the grantee to ensure that the proposed actions have been taken. The GOTR should also ascertain whether or not the grantee believes the actions taken are effective. Grantee quarterly summary reports submitted after a CAP has been filed must indicate the grantee's performance in fulfilling the CAP.

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The GOTR must consult both the original Grant Agreement and the CAP when performing desk reviews to ensure that the grantee is in compliance with both. If necessary, the GOTR should schedule a follow-up on-site visit.

6) Severe problems - In some cases, an on-site monitoring visit or a desk review will uncover problems so severe that a CAP is an inadequate response. In most of those situations, a Grant Modification will be necessary. In some, there may be sufficient cause to begin the process of determining whether or not criminal or other sanctions need to be imposed. The grant modification process is discussed in Chapter VI, and Chapter VII discusses Sanctions and Penalties Matters.

I. Flow of Monitoring Information

The GOTR is responsible for conducting the desk review and the on-site monitoring visit. The information obtained is used by both the GOTR and the grantee. The GOTR uses desk review information to prepare for the on-site monitoring visit and uses information from both sources to assist the grantee in meeting its program goals. The grantee uses the information, particularly the GOTR's report of the on-site visit, to assess its program and correct or prevent problems.

However, the monitoring information is used for other purposes by other VETS staff. Therefore, the GOTR must see to it that the monitoring information is passed on in a timely manner.

The exact flow of monitoring information will depend upon whether the GOTR works for a VETS State Office (the case for all competitive grants and most discretionary grants) or is a Grants Specialist in the VETS National Office (the case only for some discretionary grants).

1) DVET/ADVET Desk Review

In addition to reviewing each grant monitoring report for completeness and accuracy, the DVET (if he/she has not already done so in his/her role as GOTR) reviews that information for potential problems and provide TA when necessary. The DVET is also responsible for seeing that data from all the grants in the State are aggregated.

The original monitoring documents--quarterly information supplied by the grantee and the DVET Summary Report are forwarded to the RAVET.

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At the Regional Office, the RAVET reviews monitoring information, again looking for completeness, accuracy, and problems. The RAVET will return incomplete or inaccurate reports to the DVET for appropriate action. If the RAVET identifies problems or potential problems for which there is no indication that action has been taken (for example, no indication that TA is to be provided or that a CAP is being developed), the RAVET will contact the DVET to ensure that the problems are being addressed.

At the Regional Office, grant monitoring information for all of the States within the Region is aggregated.

The RAVET, after reviewing the original documents, forwards them to the National Office.

At the VETS National Office, the Program Lead again reviews the data on each grant, looking particularly for problems once completeness and accuracy have been established.

The information supplied to the VETS National Office is used for a number of purposes. First, as indicated, the Program Lead is an integral part of the review process. By looking at desk review monitoring information with a fresh set of eyes, removed from contact with grantees, the Program Lead may be able to identify problems or successes that the GOTR, DVET, and RAVET have missed because of their proximity to the grant.

Second, the information is used to assess the performance of the grantee and subgrantee(s) as well as the value of the program. This becomes important during subsequent grant application reviews. If a grantee has not performed well in administering previous grant programs, the Special Provisions of subsequent Grant Agreements may reflect that. Or, if subgrantees have not performed well during the grant application process VETS might ask the grantee to find a different subgrantee. (Conversely, if the grantee and subgrantees performed well, that will also be taken into account during the review of grant applications.)

If a grant program was administered well, but did not have the desired or projected impact, subsequent grant applications to operate similar programs may not be approved. And, conversely, if the program had a more significant positive impact than projected, VETS might encourage other grantees to apply to operate similar programs.

Third, the desk review grant monitoring information originally collected by each GOTR is used to prepare various annual reports. Information on each grant is summarized in a compendium. Aggregate information is formatted for inclusion in the Secretary's Annual Report to Congress on the programs formatted.

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2) DVET/ADVET On-Site Monitoring Visit

It seems reasonable to expect that each grant is unique- however, the approved proposal followed an SGA outline that is common link between all grants. Therefore, the suggestion is that the on-site review format compare the specific elements of the approved proposal, which follows the SGA outline, to the grantees success in accomplishing the tasks and in meeting the stated goals.

NOTE: Even if on-site monitoring visit reports are sent to the RAVET electronically copies of the original reports must also be sent.

The RAVET reviews the on-site monitoring reports for completeness, accuracy, and problems, taking whatever action is necessary. Copies of the original reports are then sent to the VETS National Office where they are also reviewed.

3) Grant Specialist

When a VETS National Office Grant Specialist serves as the GOTR, the flow of grant monitoring information is more restricted. Instead of submitting reports to a RAVET, the Grant Specialist GOTR submits reports directly to the Director of the Office of Operations and Programs. As is the case in discretionary grants for which a DVET or ADVET is the GOTR, the data collected here is not aggregated.

The information generated by desk reviews and on-site visits is used for the same purposes as that collected for competitive grants:

- assessment of grantee and grant program, and
- development of annual reports.

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Appendix A

EXHIBIT V-1

SAMPLE TRANSMITTAL LETTER AFTER ON-SITE MONITORING VISIT
(to be sent to a grantee exceeding goals)

Dear :

On _____ (date) _____, an on-site review was conducted on your Grant No. _____. I appreciate the cooperation that was extended during that visit.

For your information, I am sending you a copy of the report that was developed pursuant to that visit. This report was developed for internal Department of Labor grant administration purposes only and will not be issued to the general public.

The information obtained during the visit shows that the grant is meeting its proposed goals and doing so within budget. In fact, your program is significantly over-achieving. While you proposed to enroll 100 veterans in a training program by this date and to place 30 of them in non-subsidized positions by this date, you have actually enrolled 128 and placed 36 of them.

We would like to learn as much as possible about the reasons for your success so that other grant programs might benefit. Therefore, in accordance with the terms of the Grant Agreement, I am asking you to develop a "Corrective Action Plan" (CAP) explaining in as much detail as you can, the reasons for your success.

I know that this might be considered an imposition. But in addition to the great success you have had with your program, you can help meet our mutual goal of serving target veterans by sharing your experience with other grantees by means of this CAP.

I will call your office on _____ (date) _____ to discuss this in more detail.

On behalf of all of us at VETS, congratulations and thank you.

Sincerely,

(your name)
(title) Grant Officer's Technical Representative

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Notes on Exhibit V-1

1. A letter transmitting the on-site review report or summary should be sent no later than 10 working days after the on-site visit has been completed.
2. This letter should be addressed to the individual who signed the Grant Agreement.
3. Schedule a follow-up telephone call 5-10 working days after the letter is mailed and insert that date in the next-to-last paragraph.
4. During the telephone conversation:
 - express your assessment of the performance of the grant program;
 - stress the importance of the need to share information that might help other grantees perform better;
 - provide general guidelines for the CAP; and
 - establish a date by which the CAP will be submitted.

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EXHIBIT V-2

SAMPLE TRANSMITTAL LETTER AFTER ON-SITE MONITORING VISIT
(to be sent if no problems or potential problems are found)

Dear :

On (date), an on-site review was conducted on your Grant No. I appreciate the cooperation that was extended during that visit.

For your information, I am sending you a copy of the report that was developed pursuant to that visit. This report was developed for internal Department of Labor grant administration purposes only and will not be issued to the general public.

The information obtained during the visit shows that the grant is operating as proposed. There are no significant differences between your proposed goals and expenditures and your actual goals and expenditures. That is, you are providing services to targeted veterans--our mutual goal--and doing so within budget.

If I can be of any service to you in helping you keep your grant program on target, please do not hesitate to call.

Sincerely,

(your name)

(title)

Grant Officer's Technical Representative

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GRANT MONITORING

Notes on Exhibit V-2

1. A letter transmitting the on-site review report or summary should be sent no later than 10 working days after the on-site visit has been completed.
2. This letter should be addressed to the individual who signed the Grant Agreement.

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EXHIBIT V-3

SAMPLE TRANSMITTAL LETTER AFTER ON-SITE MONITORING VISIT
(to be sent if no current problem exist, but potential problems are identified)

Dear:

On (date) , an on-site review was conducted on your Grant - #_____. I appreciate the cooperation that was extended during that visit.

For your information, I am sending you a copy of the report that was developed pursuant to that visit. This report was developed for internal Department of Labor grant administration purposes only and will not be issued to the general public.

The information obtained during the visit shows that the grant is operating as proposed. There are no significant differences between your proposed goals and expenditures and your actual goals and expenditures. That is, you are providing services to targeted veterans--our mutual goal--and doing so within budget.

However, there are some indications that problems might arise during the next Program Quarter. Specifically:

- The long waiting lines for veterans who wish to enroll might discourage many from participating and make it difficult for you to attain your proposed enrollment figures.
- Although there is no significant difference between your proposed rate of expenditure and the actual rate, your grant program is 12% over the proposed figure. This, in itself, is not bad. (At VETS, we use a figure of plus or minus 15% as a warning signal that a problem exists.) However, you still have not obligated funds for the job fair or for the OJT site visits, activities which will be expensive. If you are not careful, you will be more than 15% over your proposed budget by the end of this Program Quarter, a situation that will constitute a problem and for which you will be required to develop a Corrective Action Plan.

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Exhibit V-3

- According to the grant award, you proposed to have trained 75 participants by the end of the last Program Quarter and 100 by the end of the current Program Quarter. Your records indicate that only 65 have been trained and that only 20 participants are currently in the training portion of your program. Again, as of last quarter you were (barely) in compliance. But, unless all of the current participants actually complete training this quarter, your program will be 15% below proposed goals and a Corrective Action Plan will be required.

I will call your office on (date) to discuss these issues with you and to offer any assistance I can to help you keep your grant program on target.

Sincerely,

(your name)

(title)

Grant Officer's Technical Representative

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Notes on Exhibit V-3

1. A letter transmitting the on-site review report or summary should be sent no later than 10 working days after the on-site visit has been completed.
2. This letter should be addressed to the individual who signed the Grant Agreement.
3. The potential problems cited in this letter are, obviously, included for illustrative purposes only. Tailor your letter to the specific areas of concern uncovered in your review.
4. Schedule a follow-up telephone call 5-10 working days after the letter is mailed and insert that date in the last paragraph.
5. During that telephone conversation:
 - assure the grantee that the grant is in compliance;
 - stress your concern that you want to make sure the grant stays in compliance;
 - offer to provide TA and otherwise work with the grantee to prevent the potential problems from becoming real ones; and
 - establish a time frame during which each potential problem will be addressed.

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**GRANT MONITORING
EXHIBIT V-4**

**SAMPLE TRANSMITTAL LETTER AFTER ON-SITE MONITORING VISIT
(to be used if problems requiring a CAP are found)**

Dear :

On (date), an on-site review was conducted on your Grant insert grant number. I appreciate the cooperation that was extended during that visit.

For your information, I am sending you a copy of the report that was developed pursuant to that visit. This report was developed for internal Department of Labor grant administration purposes only and will not be issued to the general public.

The information obtained while on-site indicate that your grant is not in compliance with the basic Grant Agreement and that corrective action is necessary. Specifically:

- Your program has operated for 50% of the award period (6 of 12 months). Original projections were to have expended 50% of the program funds awarded. Your records indicate only 25% of those funds have been expended or obligated.
- Your projected goals were to have enrolled 100 participants by this time. The program has enrolled only 50.
- Two (2) job fairs were to have been held during the first six (6) months of program operation. None have been held so far.

In order to ensure that grant funds are used to help target veterans, our mutual goal, and in order to comply with the terms of the Grant Agreement, a Corrective Action Plan (CAP) must be developed. This CAP should include a description of the problems, a detailed outline of the steps to be taken to correct them, and a schedule for implementing those steps.

Although the responsibility for developing the CAP is the grantee's, I would be pleased to provide assistance in that effort. I will call your office on date) to discuss this with you.

I look forward to working with you to ensure that your Grant Program becomes the success we all want it to be.

Sincerely,

_____ (your name)

_____ (title)

Grant Officer's Technical Representative

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Notes on Exhibit V-4

1. A letter transmitting the on-site review report or summary should be sent no later than 10 working days after the on-site visit has been completed.
2. This letter should be addressed to the individual who signed the Grant Agreement.
3. The problems cited in this letter are, obviously, included for illustrative purposes only. Tailor your letter to the specific problems uncovered in your review.
4. Schedule a follow-up telephone call 5-10 working days after the letter is mailed and insert that date in the last paragraph.
5. During that telephone conversation:
 - stress your concern that the grant is not in compliance;
 - emphasize that the purpose of the call is to begin the process of bringing the grant back into compliance;
 - offer to provide TA and otherwise work with the grantee to develop solutions to solve the problems;
 - remind the grantee that the CAP is required by the terms of the Grant Agreement;
 - indicate that if an effective CAP is not developed and implemented, the results could be a grant modification; and
 - establish a date by which the CAP is to be written.

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Appendix B

ON-SITE REVIEW AGENDA

A. ENTRANCE CONFERENCE

Review visit purpose. Explain what will be looked at, what will be looked for, who will be interviewed, and where work will be done. (Outline entrance discussion here.)

B. PROGRAM REVIEW

1. Interview staff responsible for program.

- a. Ask staff to briefly explain the program activities and their roles. Seek clarification of any unclear issues or potential problems identified in the desk review or during the entrance conference. Note observations.
- b. How does the grantee ensure that only targeted veterans are enrolled in the program?
- c. Have staff explain any formal or informal linkages with other agencies and organizations.
- d. Ask for staff appraisal of program performance and compare their information with the information you prepared during desk review.
- e. How is information for reports generated?

2. Review and document a sample of participant files.

- a. Are participants targeted veterans?
- b. Is all necessary information on participants and participant activity collected consistently?

3. Review program files for information on:

- a. how grantee tracks its own performance;
- b. how grantee tracks the performance of subgrantees or contractors;

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- c. how oversight, coordination, and technical assistance is provided and to whom;
and
- d. how any required corrective actions are implemented and tracked.

4. Placement Review

- a. How are veterans recruited?
- b. Where are recruited veterans referred?
- c. How are referrals tracked?

C. EXIT CONFERENCE

1. Review your findings with grantee officials. Provide some overview of any major concerns. Describe the next steps you will take and what they can expect.

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Appendix C

FINANCIAL REVIEW CHECKLIST

GRANT STATUS: Data from last Financial Status Report SF-269

1. Percent of Grant Period completed (months in review period/months in Grant Period)
2. Percent of grant funds planned to be expended by the end of this reporting period.
(from Grant Agreement)
3. Percent of grant funds expended (expended grant funds + obligated grant funds/total grant funds)
4. Percent matching funds planned to be expended by the end of this reporting period
5. Percent of matching funds expended (expended matching funds + obligated matching funds/total matching funds)

NOTE: Compute percentages of planned versus actual expenditures on the basis of approved quarterly budget. Do not assume expenditures should be the same in each Program Quarter.

6. Are SF-269(s) submitted on time and correctly prepared?

If NO, why? What actions are being taken to ensure this will be done in the future?

GRANTEE - SUB-GRANTEE ARRANGEMENTS

1. If there is a sub-grantee, is the sub-grantee providing timely and correct financial reports to the grantee?
2. Does the grantee have a signed contract with the sub-grantee?
3. If so, does the contract specify the financial data to be provided to the grantee?

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4. Does the contract provide a time frame for submittal of subgrantee financial data in time for the grantee to complete the SF-269 and submit it to the GOTR within the 30-day time frame?
5. Does the contract require the sub-grantee to report on expenditures and obligations separately from the expenditure and obligation of matching fund?
6. Are grant funds broken out separately for program and administrative (direct and indirect) expenses?
7. Does the contract require the sub-grantee to report by expenses by the Object Class Categories in Section B of the Budget Information submitted with the grant application?

If not, why?

GRANTEE CASH MANAGEMENT POLICY AND PROCEDURES

To test the grantee and sub-grantee cash management policy and procedures, the following items should be reviewed:

1. Is the grantee operating on the U.S. Department of Health and Human Services payment management system (HHS/PMS) via personal computer with SMARTLINK capability.

NOTE: Section II, Special Provisions, or the Grant Award provides for method of payments.

2. Is there written policy/procedures for draw-down of funds?
3. Is there a 24-hour turnaround for receiving cash for cash advances? If not, why? How many days does turnaround take?

NOTE: Turn around is from the date of receipt to the date of disbursement of funds.

4. How often are draw-downs normally made by the grantee?
5. If HHS/PMS is used, what problems, if any, has the grantee experienced? What is being done to try to resolve problems encountered?

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6. Are procedures in place to ensure total grant funds requested are not in excess of quarterly allocation?
7. Does the accounting system provide disbursement data and cash balances on a daily basis by program?
8. Can the balance-on-hand amount be traced through the grantee's records?
9. Is the grantee earning interest on grant funds?
10. How often, if ever, is the interest returned to DOL?

NOTE: 29 CFR Part 95 and 24 CFR Part 97.21 requires grantees to remit interest earned on advances of Federal funds to DOL within 15 days after the end of the quarter in which the interest is earned. Is the grantee in compliance with this requirement?

NOTE: If advance payments are requested, an SF-272, Federal Cash Transaction Report, is required to be submitted within 15 working days following the end of each quarter.

FINANCIAL STATUS PROCEDURES

1. Does the grantee and/or subgrantee have a system for allocating costs to the appropriate cost category?
2. Does the grantee and/or subgrantee have a system for monitoring planned versus actual costs and for taking corrective action, when needed?
3. Does the grantee and/or subgrantee have a system for monitoring administrative costs?

NOTE: There is a maximum limit for administrative (indirect) costs on program grants.

What is the number of staff? How are they paid for, with:

Grant funds _____

Matching funds _____

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5. Is there adequate documentation to support cost allocations for paid staff? For example, are there time sheets or written policy statements or directives covering staff who split their time between this program and other programs?

6. Does the grantee and/or subgrantee have an approved indirect Cost Rate? If yes, what is it?

Grantee _____

Sub-grantee _____

7. Does the review show the indirect costs are paid properly?

NOTE: To be paid properly, indirect costs may not be:

- prepaid;
- above the allowed percentage; or
- above the lump sum percentage.

8. Are there adequate expenditure break-outs for comparison of Object Class Category expenses shown in Section B of the Budget Information Form by both the grantee and subgrantee?

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Appendix D

This monitoring instrument is to be completed for all **desk audits and on-site** monitoring reviews of grantees by the Grant Officer Technical Representative (GOTR). Data obtained by use of this instrument is to be used to support the Director for Veterans Employment and Training (DVET) **Quarterly** Summary Report. The forms may also be used by grantees to monitor their subgrantees.

I. QUARTERLY DESK REVIEW

A. Overview: [A desk review is the first activity completed as part of the monitoring process]. A desk review is a review of all data submitted by the grantee, particularly the required quarterly technical performance report, the Financial Status Report (SF269A), and requests for payment (HHS 272).

The GOTR will complete four Desk Reviews each grant year. They are submitted as part of the DVET's Quarterly Report process.

Each grant recipient is required to file a quarterly technical performance report. The quarterly technical performance report is the primary instrument by which the GOTR monitors the progress of a grantee. Further, the findings of the Desk Review are the basis for suggesting any necessary corrective action, including modifications. (This is also the primary source for Veterans' Employment and Training (VETS) statistical reports to both Congress and the public on the grant accomplishments.)

The Grantee Quarterly Report has two parts. First, there is a standard data format which the grantee completes, containing such information as the number of Federal dollars expended, the amount of non-federal funds spent, if applicable, and the number of veterans served. **(The format for the Grantee's report was provided to the Grantee at the Post Award Conference on diskette)**

In addition to completing the standard data format, each grantee is expected to provide a written narrative on the grant program. The narrative should explain, in detail, what activities have been undertaken with identification of any problems or discrepancies from plans and why such problems occurred. For example, if the program is achieving below goal, (+ or - 15% variance) the grantee should explain the deviation. Program successes should be identified and expanded to provide the Grant Officer with information/data on the strengths of the program. If the program is achieving below goal, the grantee should identify the problem areas, offer an explanation and analysis of cause, and describe what is being done to improve performance. If the grantee foresees or anticipates problems, the GOTR should be alerted via the Quarterly Technical Performance report.

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The Quarterly Desk Review of the grantee's quarterly technical performance report is, in part, an exercise, by the GOTR, in comparing projected goals to actual performance. That is, the information provided on the quarterly report on veterans served and expenditures (and other program goals) is compared to the projected figures contained in the Grant Award documents.

Reviewing of this information can:

- identify potential or existing problem areas;
- provide the monitor with background information concerning program design, operational procedures and other monitoring activities;
- identify the priorities/activities to be monitored during the on-site visit; and
- provide information/data on successful program components which may be duplicated in other programs/areas.

The GOTR analysis should include an assessment of the quarterly technical performance report including the grantee's expenditures. In addition, the GOTR reviews quarterly, the Financial Status Report (SF-269) and compares it with the quarterly HHS 272. Any discrepancies (+ or - 15% variance) between those documents and between planned and actual expenditures should be noted on this monitoring instrument as part of the desk review. Additionally, review of other pertinent narrative data such as previous monitoring reports and Corrective Action Plans (CAP) (and if available, monitoring reports from State or other Federal sources), should be reviewed. All relevant information should be documented and updated as part of this analysis. All CAPs previously identified should be tracked and referenced.

A review of the grant documents, the program proposal, and the financial data, will help the GOTR answer the following questions, and those answers will serve as additional areas to be included in the scope and focus of the on-site visits:

- What are the program components?
- What components are potentially problematic?
- Who should be interviewed to understand the identified problem areas? (i.e. financial, programmatic, administrative staff, customers, etc.)

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- What questions need to be asked or data collected for this grant, in order to provide Technical Assistance (TA)?
- What records should be examined and what information gathered?
- What activities should be observed?
- What needs to be documented, recorded and reported? Are their records complete?

Upon completion of each quarterly review, the GOTR prepares a DVET Summary Report which is to be submitted, along with the material provided by the grantee, to the Division of Employment and Training Programs (DETP) - National Office, via the Regional Administrator Veterans' Employment and Training (RAVET). The DVET Quarterly Grant Summary should be brief, no more than one or two pages, unless there are problems noted in the grant report. The Summary should follow the attached format [included next page, designed to be program specific]:

- a description of the program accomplishments to date;
- identification of problems or potential problems;
- a summary of any actions taken to rectify any previous problems (discussions with the grantee, or a request for a CAP) along with the date(s) such action(s) was taken;
- an indication of whether or not a CAP will be required of the grantee; if so, components and projected outcomes; and
- any additional information required to fully explain and document significant grant components.

B. Format of Quarterly Desk Review

(1) PROFILE OF THE GRANT [PROGRAM to include funding source, i.e. VWIP, HVRP, etc. Monitoring Review of The Grantee]

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GRANTEE NAME:

GRANT NUMBER: E- - - -

GRANTEE ADDRESS:

CONTACT PERSON:

TELEPHONE NUMBER:

FUNDING LEVEL: (GRANT AMOUNT): \$

(NON-FEDERAL FUNDING): \$ [If applicable, Report]

PERIOD OF PERFORMANCE: (START DATE):

(END DATE):

SUB-GRANTEES/CONSULTANTS FUNDED BY THE GRANT:

[LIST GRANTEE PERSONNEL AND THEIR RESPONSIBILITIES]

II. PROGRAM PERFORMANCE REVIEW

A. Is the grantee meeting expected goals for enrollment, training, and placement; i.e., is the activity within +/-15% of plan? Yes___No___

(1) If no, has the grantee addressed the problem by proposing strategies and procedures for increasing activity?

(2) Are **80%+** [all] participants involved in core training activities? Yes___No___

B. Is the training being provided as planned per quarter? Yes___No___

(1) Is the grantee placing applicants in unsubsidized employment in accordance with the average wage(s) proposed in their grant agreement? Yes___ No___

(2) If the actual placements vary from planned placements, does it appear that placement goals, will be achieved by the end of the current program year? Yes___ No___

(3) Does the grantee have evidence it has monitored any subgrantees or other service delivery sites during the report period? Yes___No___

Omit Past Performance review; unless it applies to the approved grant.

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III. Past Performance

- A. Did the grantee operate a VETS (JTPA IV-C, HVRP) grant in the last PY?
Yes___ No___
- B. If YES:
Was the grant closeout completed? Yes___No___
- C. Was a CAP initiated for a variance in actual grant accomplishments, did the grantee achieve their proposed goals (performance and financial)?
Yes___ No___ N/A___

IV. FINANCIAL REVIEW

Expenditures

- A. Are the total amounts of Federal funding, being expended within plus or minus 15 percent of the rate planned in the grant for the time period evaluated (refer to the grant's approved SF 424A)?
Yes ___No___
- B. Are the expenditures being charged to the appropriate grant, as approved in the grant award document?
Yes___No___
- C. Are the administrative costs charged to the grant within planned levels? (Such costs should not exceed the percentage setforth in the SGA or grant award without Grant Officer approval).
Yes___No___
- D. Does the program have outside resources (funding or in-kind)? If Yes, continue below.
Yes___ No___N/A___
- E. The forms of outside resources provided to this program by the approved grant are:
in the amount/value of
in the amount/value of
in the amount/value of
in the amount/value of

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F. To date, are the same sources of outside resources, as reflected above, being committed/expended in the program?

Yes___No___

G. Are all costs allowable, allocable and reasonable? (See OMB Circular A-87.)

Yes___No___

If no explain:

Omit Past Audits; unless they apply to the current grant.

Past Audits (see OMB Circular A-133)

A. What is the date of the last audit?

2. What organization/firm conducted the last audit?

3. Were there administrative findings? Yes___No___

4. If Yes, were there questioned costs? Yes___No___

If Yes, what was the status of this finding?

5. If there were disallowed costs, what is the amount? \$_____, and cost category?

6. If there were disallowed costs, has the grantee negotiated a pay-back schedule? Yes___No___N/A___

7. Was a CAP initiated for a variance in expenditures, and is the grantee on schedule? Yes___No___N/A___

If no, explain:

8. Have all the required reports been correctly prepared in accordance with the grant's special provisions and submitted in a timely manner? Yes___ No___

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If no, specify:

- V. **ANALYSIS** [On this page], Summarize strengths and weaknesses of the grantee's program observed from the desk review. If areas of concern are identified, be sure to attach any exhibits which have been collected to support these concerns. If exhibits are not available, be sure to identify how supporting data and information will be collected as part of an on-site visit.

Summary of the Desk Review

A. Program Strengths

B. Program Weaknesses

C. Potential Problematic Areas

ON-SITE REVIEW [VISIT]

A. Overview: [The on-site visit is intended to analyze overall program accomplishments. It often points out potential or existing problem areas within a program]. The annual on-site review is a in-depth assessment of program performance and problem areas. It is used to thoroughly investigate problems identified during (On-site monitoring permits the identification of program data that is reviewed in) the desk analysis. It may also provide qualitative information which is not available through a desk review. The on-site visit

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provides the GOTR with a 'feel' for the program that cannot be obtained through the narrative or quantitative information submitted by the grantee. It can also lead to the identification of potential problem areas, which do not comply with the conditions of the grant agreement.

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The on-site review should be conducted during the third grant quarter. The results of the review must be available before second year funding decisions are made or before a new grant application is considered.

To do effective on-site monitoring, the GOTR must be prepared. In addition to being thoroughly familiar with the information obtained through the desk review, the GOTR should also be familiar with the regulations applicable to the grant being evaluated, the Solicitation for Grant Application (SGA), all Special and General Provisions incorporated into the approved grant agreement, and the terms and conditions of any grant action, as well as any CAP associated with the grant.

There are two factors which will determine the length and the depth of the monitoring visit: the purpose of the on-site visit, and the size and complexity of the grant. In general, it is expected that the on-site visit should take one day. In some instances a two day visit may be warranted. For example, the desk review may uncover potential funding problems, or the grant may have diverse components necessitating a longer visit. Whichever type visit is being scheduled, the Grantee's Project Director (or designee) must be notified in advance of an impending on-site monitoring visit. The initial contact should be done by phone, then followed up with a written confirmation. The notification letter should advise the grantee IN GENERAL what the GOTR will be looking for. The GOTR should provide the grantee with information on specific staff and participants that will be interviewed, which types of files (financial or program) will be checked for consistency, and if site visits to program providers, such as sub-grantees are anticipated.

The GOTR will use three basic methods to acquire the information needed for completion of the on-site monitoring report. Those are: 1) review of participant files, 2) staff/client interviews, and 3) general observation. The findings and analysis of the on-site visit will be presented in a written report.

NOTE: It seems reasonable to expect that each IV-C grant is unique - however, the approved proposal followed an SGA outline that is a common link between all grants. Therefore, the suggestion is that the on-site review format compare the specific elements of the approved proposal, which follows the SGA outline, to the grantees success in accomplishing the tasks and in meeting the stated goals.

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B. On-Site Review Format: *(note: a specific format is available for HVRP and JTPA)*

Grant Profile

Grantee name:

Grant number: E- - - -

Grantee address:

Contact person:

Telephone number:

Funding level: (Grant amount): \$

(Non federal funding): \$

Period of performance: (Start Date):

(End Date):

Sub-Grantee(s) funded by the grant:

Abstract (key findings)

- a. Major Points of the Review
- b. Compliance Issues
- c. Recommendations for Improvement

Program Design

- a. Applicant Approach:
 - (1) Planned:
 - (2) Actual:
- b. Sub-Applicant(s) Approach: (if applicable)
 - (1) Planned
 - (2) Actual

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Program Features: See VWIP (4. a) or HVRP Grant Assessment (4. b) outline

a. VWIP Grant Assessment (See PY 2000 VWIP SGA)

1. Mandatory Program Activity (Ref SGA D.2(d)(1))

- A. Utilization of LVER/DVOP in pre-enrollment assessment.
 - (1) How are LVER/DVOP participating in EDP pre-enrollment assessment?
 - (2) What role do they play?
- B. Utilization of LVER/DVOP in the EDP process.
 - (1) How are LVER/DVOP participating in EDP development?
 - (2) What role do they play?
- C. EDP for each Veteran enrolled.
 - (1) Does each enrolled veteran have an EDP?
 - (2) Are the records of the EDP adequate?
- D. EDP includes (at a minimum) income/barriers/service needs:
 - (1) Are Income needs identified?
 - Are barriers/skills deficiencies noted/documentated?
 - (3) Were service needs described?

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- E. 80% or more of enrolled veterans receive “Core Training” (Ref SGA D.2.(d)(1)(c))
 - (1) Is Core Training documented in case files?
 - (2) Was Core Training consistent with the SGA/Grant?
 - (3) Did 80% or more of all enrolled veterans receive core training?

- F. Utilize LVER/DVOP staff for job placement and follow-up.
 - (1) How are LVER/DVOP participating in placement/follow-up?
 - (2) What role do they play?

2. Optional Program Activities: Ancillary or Support Services

- A. Not more than 20% of enrolled veterans receive only Ancillary or Support Services that lead directly to employment meeting “minimum economic needs” of the applicant.
 - (1) Was Ancillary/Support Service documented in case files?
 - (2) Did 20% or fewer of all enrolled veterans receive only Ancillary/Support Services leading directly to employment?

- B. Ancillary or Support Services provided are consistent with the approved grant and SGA. (Ref SGA D.2.(d)(2)(a))
 - (1) Were such services provided based on a documented determination of client need?

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- (2) Were Ancillary/Support Services provided consistent with the SGA/Grant?

b. HVRP Grants Assessment

1. Participant Eligibility
 - A. Were enrolled clients “homeless individuals”?
 - B. Were enrolled individuals “veterans”?
2. Required Features
 - A. Have veterans who have experienced homelessness been employed for outreach or direct client contacts?
 - B. Have linkages with other programs and services been established (including DVOP and LVER)?
 - C. Are documented client services “employment focused” (such as increasing the clients employability or matching homeless veterans with potential employers)?
3. Scope of Program Design
 - A. Are program operations conducted, to the degree practical, at shelters, day centers, soup kitchens or similar locations?
 - B. Is coordination evident with LVER/DVOP, SESA, WIBs, One-Stop-Centers, VWIP projects?
 - C. Have community awareness activities taken place?
 - D. Is coordination evident with VA facilities in the area?
 - E. Is coordination evident with veteran service organizations?

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F. Are necessary referrals of clients made to:

- treatment services,
- rehabilitation services,
- counseling services,
- housing assistance,
- employment and job training services?

G. Was “Stand Down” support planned and provided?

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YTD Performance Goals

- a. Planned:
- b. Actual:

Budget/Administration

- a. Planned
- b. Actual
- c. Suggested questions:
 - (1) Do actual staffing levels agree with those described in the grant?
 - (2) Does the grantee have documenting evidence of expenditures (i.e., sub-agreements, invoices, purchase orders, travel costs, equipment, supplies)?
 - (3) Does the grantee have a system of internal controls (i.e. Audits)?
 - (4) Does the grantee have a process for allocating costs for the grant funds (and outside/in-kind funds if applicable)?
 - (5) Are cost categories, e.g., OJT and classroom training, and supportive service costs, being tracked separately?
 - (6) Is there a system to de-obligate unused funds from individual Sub-contracts?
 - (7) Were required grant reports (Technical and Financial) submitted on time?
 - (8) Does the funding plan, SF269 and SF272 show consistency?

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Corrective Action:

- A. Documentation of compliance issue:
- B. Action(s) required:
- C. Time frame for compliance:

Recommendations for Improvement(s)

- A. Issue(s):
- B. Action(s) recommended:

Narrative summary of findings

- A. Summary of program performance
- B. Discuss exceptional accomplishments/serious problems.

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GRANT MODIFICATION

VI. GRANT MODIFICATION

There is a major difference between a Corrective Action Plan (CAP) and a Grant Modification. CAPS are used to help bring a grantee into compliance with the Grant Agreement. Modifications are used when the grantee cannot comply with the Grant Agreement, and a change to the SF-424 or SF-424A (Budget Information) is required.

A. Reasons for Grant Modification

There are positive, negative and neutral reasons for a disparity between actual accomplishments and the goals originally projected. For example, a grantee may have received funds to pay for a mass mailing to appraise targeted veterans of the services to be provided only to have a veterans' organization volunteer to do the mass mailing at no cost to the grantee. Or, instead of having to purchase a duplicating machine from grant funds, the grantee may have located a machine in a state office-that could be used for no cost or a commercial machine available for lease. In situations of this type, the grantee will not have expended certain grant monies for the purposes originally intended.

Other reasons for needing a modification are negative ones. For example, a grantee may have proposed to place 45 veterans in unsubsidized positions after training, but at some point during the grant period realizes that, at best, it will only be able to place 35 trainees. Conversely, consider a situation in which the grantee proposed to place 45 veterans, but at the halfway point in the grant period has placed 65 and looks as if it will be able to place at least at least 30 more. If this over achievement of program goals turns out to be a result of proposing unrealistic goals to begin with, Grant Modification is in order.

Perhaps the most common reasons for requiring a Grant Modification are neutral ones - those which do not reflect on the actual performance of the grantee but are reflections of the environment in which grantees operate. If a grantee training program lost two weeks to severe weather, thus delaying the beginning of other portions of the program, it may be necessary to request a modification to extend the grant period in order to make up for the lost time.

For whatever reasons they are made, modifications to grants are a critical part of grant management. Frequently, modifications are requested as the result of conditions identified by the GOTR during grant monitoring. Timely, correct modification development and processing are a major responsibility of the GOTR.

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GRANT MODIFICATION

Because requests for grant modification are requests to change the conditions of the Grant Agreement, they are submitted on SF- 424 and, if necessary, SF-424A (Budget Information), the same forms used to make the original grant application. Before looking at those forms in the context of the grant modification process, there are some policy guidelines and specific problems which should be addressed.

Basically, any change to a grant which deviates from the approved SF-424 or SF-424A requires a Grant Modification. These include:

- changes in the grant start date;
- changes in the grant end date;
- any increase in expenditure;
- any expenditure decrease of more than 5%;
- any increase or decrease of more than 15% in performance goals; and
- any decrease in matching funds or in-kind contributions.

GOTRs should be aware of the following and should make sure that grantees which they monitor also know that:

- Changes in the scope of the approved grant, generally will not be approved if it appears that the request is being made merely to adjust for poor performance.
- If applicable, decreases in the match will not be approved if the grantee does not indicate any other action had been taken to identify alternative sources of match.

B. The Role of the GOTR in the Grant Modification Process

First, the GOTR is responsible for providing whatever TA is necessary to the grantee in completing the modification request. This TA includes assisting the grantee in providing sufficient justification (if such exists) for any modifications to the Grant Agreement.

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GRANT MODIFICATION

Second, the GOTR is responsible for reviewing all modification requests and for making a recommendation to the Grant Officer via the Office of the Assistant Secretary for Veterans' Employment and Training (OASVET).

The GOTR can approve some changes without requesting a grant modification. Specifically, the GOTR can approve changes in "technical matters not involving a change in the scope, costs or conditions of the effort."

A request for Grant Modification is not treated on an all-or nothing basis. If a modification request asks for more than one change, each is considered separately. A modification action may approve part of the grantee's request and disapprove part.

Requests for modification are submitted to the GOTR on SF-424 and SF-424A (if necessary). The forms must be accompanied by a letter requesting the modification(s) and information explaining and justifying the change(s) requested.

The GOTR reviews the modification request and makes a recommendation, in writing. From this point on, requests for modification are treated in the same manner as Grant Applications.

The request for modification is forwarded to the GO through the normal channels. That is, the request is forwarded by the DVET to the RAVET who submits it to the Program lead. The Program lead forwards it to the DETP Chief, then to the Director, OOPS, and from there the request is sent to the GO. If the GOTR is a grant specialist in the VETS National Office, the request for modification is submitted to the DETP Chief, then to the Director, OOPS, and then forwarded to the GO.

Basically, the same problems and issues arise in requesting a modification that arise in applying for a grant. Because each person in the processing chain is expected to review the request and make any recommendations or ask for any additional information necessary before submitting it to the next person, it is important for the GOTR to review the request for accuracy and completeness. A checklist indicating the differences between completing the SF-424 and the Budget Information forms for a modification as opposed to an initial application is provided in Chapter II Required Documentation.

The GOTR should also ensure that information explaining and justifying the need for a grant modification is provided.

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GRANT MODIFICATION

C. Common Errors

Although the application and modification processes are similar, there are considerations that apply only to the modification requests. Here are some of the most common errors made in requesting modifications.

1. A modification request is transmitted by the GOTR when one is not required.
2. The modification request is not accompanied by the required forms. These are the SF-424 and SF-424A.

A letter requesting a modification without the appropriate backup forms is not acceptable. It is the responsibility of the GOTR to ensure that the modification request includes the proper forms. If it does not, the request will be returned to the GOTR for correction.

3. The proper forms are submitted, but they are completed incorrectly.

When a request for an extension is submitted, Section D of the Budget Information Form needs to be revised if the activity will extend into an additional quarter.

Program Quarters are: January-March; April-June; July-September; and October-December.

The first quarter of the grant is the quarter in which the period of performance begins. The Project dates and duration of project items in the SF-424 also must be revised.

4. Modifications requested are not explained in the same detail as in the initial application. All requests for modification must contain information, in sufficient detail, to justify the request.
5. There is an inconsistency between the changes indicated on the SF-424 and SF-424A. Any changes indicated on those forms must be discussed in the supporting documentation. Any changes discussed in supporting documentation must be indicated on the forms.

Requests for grant modification are made on SF-424, Application for Federal Assistance. When the SF-424 is used to request a modification rather than for an initial grant application, the guidelines below should be used.

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GRANT MODIFICATION

D. Item-by-Item Overview for Submitting SF-424 for Grant Modifications

These guidelines only discuss those elements of the SF-424 affecting requests for modifications to the original grant application. The general rule is that if no change was made, the box is left blank.

Box 1: Type of Submission

Leave this section blank.

Box 2: Date Submitted and Applicant Identifier

- a. The GOTR should enter the date on which the modification is received.
- b. Leave the Applicant Identifier space blank.

Box 3: Date Received By State and the State Application Identifier

Leave this section blank.

Box 4: Date Received By Federal Agency & the Federal Identifier

- a. The National Office will enter the date on which it receives the modification.
- b. The GOTR should enter the grant number in this space and indicate that this is a modification request by adding an uppercase "M" to the end of the number.

Box 5: Applicant Information

- a. In the section headed Legal Name the GOTR should ensure that the entry identifies the entity have legal responsibility for the program and that the address is appropriate and correct. In the case of competitive grants, the legal entity will always be defined in the SGA.
- b. The section headed Organizational Unit should provide the identity of the organization which will undertake the assistance activity and the name and telephone number of the person to contact on matters related to the modification.

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GRANT MODIFICATION

Box 6: Employer Identification Number

Leave this section blank.

Box 7: Type of Applicant

Leave this section blank.

Box 8: Type of Application

a. A modification will be either a continuation or a revision. Check the box labeled "Continuation" if the proposed modification intends to extend the program for an additional funding/budget period having a new completion date. Check the box labeled "Revision" for any other changes.

b. If the modification is a revision enter the appropriate letters to indicate if the proposed changes include an extension or reduction in the duration of the program (C) and/or a change in the amount of the funding (A), i.e., both match and Federal contribution. Both (A) and (C) can be entered.

Box 9: Name of Federal Agency

This space should read, "VETS, DOL."

Box 10: Catalog Of Federal Domestic Assistance Number

a. The number 17.802 or 17.805 must be placed in the space provided.

b. Following "Title:" ensure that the name given is the correct title of the program.

Box 11: Descriptive Title

Leave this section blank.

Box 12: Areas Affected By Project

If there is not change, leave this box blank.

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Box 13: Proposed Project

- a. If there are no proposed changes in the date and duration of the program, leave these boxes blank.
- b. If there are changes in the end date, so note. However, under no circumstances, can there ever be a change in the start date as reflected on the face sheet of the grant agreement.

Box 14: Congressional Districts Of:

If there is no change, leave this box and its elements blank.

Box 15: Estimated Funding

If the modification proposed a change in the amount of the Federal contribution or in one of the sources of match, indicate only the amount of the change. For decreases, enclose the amount in parentheses.

Box 16: Review By The State Executive Order 12372 Process

Leave this section blank.

Box 17: Is the Applicant Delinquent on any Federal Debt?

Leave this section blank.

Box 18: Signature Block of the Authorized Representative

The person signing the request for modification must be an authorized representative of the legal applicant who has the authority to bind the applicant organization to a contractual agreement with the Department of Labor. This signature block must be dated and include the representative's correct title and telephone number. The signature block must never be signed in black ink.

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SANCTIONS AND PENALTIES MATTERS

VII. SANCTIONS AND PENALTIES MATTERS

One of the goals of the GOTR and the purpose of grant monitoring is to help ensure that grantees comply with the General and Special Provisions of their grant agreements.

Regardless of how well the GOTR performs, there will be cases in which grantees, for varying reasons, are unable or unwilling to meet the provisions of the grant agreement. In such situations, the GOTR may find it necessary to recommend sanctions. Sanctions are actions which may be taken when a grantee is not performing in compliance with the terms and conditions of the grant. The Special Provisions of the Grant Agreement set out the procedures to be followed for the imposition of sanctions.

There are three sanctions specified in the Special Provisions of the Grant Agreement which may be taken when a grantee is not performing in compliance with the terms and conditions of the grant.

These are:

1. withholding of Funds;
2. suspension; and
3. termination.

A. Withholding of SF-270 Funds

If a grantee has been expending funds in a manner which is not permissible, or if the grantee's SF-269 does not justify the expenses requested on the SF-270s or the amount of money drawn down by Letter-of-Credit, the Grant Officer has the authority to withhold payment by instructing the Department of the Treasury not to honor requests for payment from the grantee.

Withholding of funds continues until the Grant Officer is satisfied that any previous problems have been corrected and that the grantee has instituted procedures to prevent a recurrence of the problem.

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SANCTIONS AND PENALTIES MATTERS

B. Suspension of a Grant Program.

A suspension of a grant temporarily suspends Federal assistance under the grant pending corrective action by the grantee or pending a decision to terminate the grant. Although a grantee may continue to operate **a program while** funds are withheld (the grantee may use non-Federal funds or even Federal funds it had on hand before the withholding of funds was imposed), it may not, legally, continue to operate a program once a suspension has been imposed.

NOTE: The Grant Officer (GO) shall allow all necessary and proper costs which the grantee could not reasonably avoid during the period of suspension, provided that they meet the provisions of the grant and any applicable Federal Cost Principles.

C. Grant Termination

The termination of a grant means the cancellation of assistance under the grant, in whole or in part, at any time prior to the end of the grant period. If a grant has been suspended, it may be reinstated once corrective action has been taken. The grantee is then permitted to continue its program. If a grant is terminated, no reinstatement option is available.

If a grant is terminated, the GO will promptly notify the grantee and the GOTR, RAVET, and OASVET in writing. That notification provides the reasons for and the effective date of the termination. Payments made to the grantee or recoveries of prior advances by the VETS under grants terminated for cause shall be made in accordance with the legal rights and liabilities of the parties.

Grants can be terminated with cause. There is also a "Termination for Convenience" clause. The grantee or OASVET may terminate a grant, in whole or in part, when both parties agree that the continuation of the program would not produce beneficial results commensurate with the further expenditure of funds. Both the grantee and OASVET should agree on the termination conditions, including the effective date. In the case of partial terminations--when some portion(s) of a program is terminated, but others continue--the grantee will not incur any new obligations for the terminated portion(s) after that effective date and shall cancel as many outstanding obligations as possible. Any noncancellable obligations, properly incurred prior to the effective date, will be honored according to the terms of the Grant Agreement.

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SANCTIONS AND PENALTIES MATTERS

D. Imposition of Sanctions

Sanctions imposed will depend upon the seriousness of the situation, the terms of the grant agreement, and the willingness and ability of the grantee to rectify the situation. It's important to remember that only the GO has the authority to impose sanctions.

The recommendation to impose sanctions, however, is the responsibility of the GOTR when there is good cause and adequate documentation. Situations in which the GOTR should forward a sanction recommendation to the RAVET include, but are not necessarily limited to, the following:

- The grantee fails to submit timely and/or accurate quarterly reports and GOTR letters requesting corrective action are ignored.
- There is more than a 50% under expenditure of funds approved in Section D of SF-424A after the second Program Quarter.
- The grantee has not achieved at least 50% of the approved grant application goals after the second Program Quarter.

The RAVET reviews the recommendation and forwards it to OASVET for further review. OASVET conducts appropriate discussions with the Grant Officer before any decision is made on the GOTR's recommendation.

In the sanctioning process the GOTR is limited to making the initial recommendation and to providing the documentation necessary to support that recommendation. The imposition of sanctions is a legal process and, therefore, complete and accurate documentation is essential. Documentation should include:

- all written correspondence to and from the grantee;
- the GOTR's monitoring review and response
- the DVET's Summary Report; and
- a summary of any meetings and/or telephone contacts with the grantee (include dates).

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SANCTIONS AND PENALTIES MATTERS

The grantee does have the right to be notified and the right to request a hearing if sanctions are being considered since withholding SF-270 payments and the formal suspension or termination of a grant are legal processes. The Grant Officer is responsible for providing the grantee with the formal notice and for scheduling any hearings. The GO is also responsible for determining the sanctions, if any, to be imposed. (Evidence or allegations of possible criminal activity on the part of any party to a VETS Grant must be reported immediately to the GO.)

The monies appropriated for VETS grants are official United States Government funds and, therefore, protected under the criminal provisions of Title 18 of the United States Code.

(Other provisions of Title 18 may also be applicable to criminal acts committed in connection with projects under VETS grants.)

The language of WIA, Subtitle E - Administration speaks of Administrative Controls; which would apply to the VETS - VWIP Program.

Subtitle E also prohibits other actions, including allocation of funds; monitoring, Fiscal controls; sanctions; reports; recordkeeping; investigations; general program requirements; etc. If the GOTR thinks a criminal investigation might be in order, specific action should be taken. Department of Labor policy states that any allegations of wrong-doing in the field should be reported to the appropriate Regional Office of the Inspector General. In the National Office, the matter should be reported to the Assistant Inspector General for Investigations. A written record should be maintained of any incident reported to the Office of the Inspector General.

The GOTR should become familiar with the provisions of Chapter 700, Department of Labor Manual Series (DLMS), which deals with Incident Reporting. Chapter 700 sets out Departmental policy concerning the reporting of wrong-doing, including, but not limited to:

- submission of false claims;
- making fraudulent statements;
- conspiracy to defraud;
- concealment, falsification or destruction of official documents; and
- misappropriation or embezzlement of Government funds.