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LOCAL VOICES MAKING LOCAL CHOICES

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Financial **Management** And **Closeout**

Bridging Program and Finance for
Audit-Ready Grant Management

FLORIDA LEAGUE OF CITIES

Finance Joins the **Grants Team**

POST-AWARD

Once a grant is awarded, the budget office/finance and/or clerk's office becomes an essential, active partner in managing the award to completion.

COMMUNICATION IS CRITICAL

Strong, ongoing communication between **program and finance staff** is essential for effective grants management and clean audits. Silos create compliance gaps; connections close them.

MEET THE GRANTS-LATOR

Identify someone in your organization who is **fluent in both finance and grants**—someone who can translate between the two worlds, bridge terminology gaps, and keep both teams aligned throughout the grant lifecycle.

Financial Terms and Definitions

Commingling

Improper **mixing of grant funds** into unsegregated accounts. Each award must be tracked by a unique project code or subledger, as auditors actively look for this violation.

Encumbered Funds

Money **set aside for future obligations** not yet paid. Not a prepaid or accrued expense—simply a recognition of funds expected to be spent. Examples: purchase orders, contracts, salary obligations.

Supplementing vs. Supplanting

Grants must **enhance existing activities** (supplement). They cannot replace local funding already committed to an activity (supplant). Supplanting is a serious compliance violation.

Accrual Accounting

Income and expenses are **recorded when billed or earned,** not when cash changes hands. Required under GAAP. Contrast: cash accounting records only when money is received or paid.

SEFA

Schedule of Expenditures of Federal Awards. The foundation of the single audit, which drives threshold determination, informs major program selection, and forms the basis of the auditor's risk assessment.

Matching / Cost Share

Recipient funds contributed to the total project cost beyond the grant award. Must be accounted for in the same manner as grant funds and used only for the same allowable expenses.

Key Financial Terms

Commingling

&

Encumbered Funds

Improper fund mixing

The improper mixing of distinct grant awards, general operating funds, or private money into a **single unsegregated account pool**.

COMPLIANCE RULE

Each grant award must be accounted for by a unique **project code**, **tracking number**, or **subledger**.

AUDITOR FOCUS

Auditors **will specifically look** to see if funds have been mismanaged through commingling. This is a primary audit finding category.

Reserved future obligations

Money **set aside** for specific obligations or future expenditures, representing funds expected to be spent at a later date.

CLARIFICATION — WHAT IT IS NOT

- × Not a prepaid expense—cash has not left the account.
- × Not an accrued expense—the expense has not yet been incurred.
- ✓ Simply a reservation of funds for anticipated future spend.

COMMON EXAMPLES

Purchase Orders | Contracts | Salary Obligations

Use when formal guidance is unclear

Four-Part **Supplanting** Assessment

1. **Was the activity performed BEFORE the grant existed?**

2. **Is the activity previously funded with NON-FEDERAL dollars?**
   Local, state, or private funds; not any prior federal grant or award.

3. **Has the non-federal funding for that activity been REDUCED or ELIMINATED since the grant was awarded?**
   Check the budget before and after the award. Was local funding quietly pulled back?

4. **Have you confirmed you are not DUPLICATING BENEFITS by getting paid twice for the same loss of expense?**
   Common issues with FEMA grants and insurance payouts.

ALL FOUR **YES** Use this as your starting guide, not a definitive rule.

4
Questions to Ask Before Concluding Supplanting

- **Activity existed pre-grant**
- **Funded by non-federal source**
- **Local funding reduced/eliminated**

GRANT COMPLIANCE SAFEGUARD TEST

AGENCY-SPECIFIC REFERENCES
DOJ: 34 USC 10153
HUD: 42 USC 5304(b)(3)
FEMA: 44 CFR 206 / PAPPG

Accrual Accounting & SEFA

Accrual Accounting

TERM

Income and expenses are recorded **when billed and earned,** regardless of when money is actually received or paid.

HOW IT DIFFERS

CASH	Recorded when money changes hands.
ACCRUAL	Recorded when billed or earned—timing is independent of cash flow.

GOVERNING STANDARD

Required by GAAP for Financial Reporting

SEFA Schedule of Expenditures of Federal Awards

TERM

The **foundation of any defensible single audit**. A complete and accurate SEFA is non-negotiable for federal compliance.

WHAT THE SEFA DRIVES

- **Threshold Determination** – Sets the spending level that triggers a single audit requirement.
- **Major Program Selection** – Auditors use the SEFA to identify which programs receive scrutiny.
- **Auditor Risk Assessment** – Forms the basis of the auditor's program-level risk evaluation.

CRITICAL ACTION REQUIRED

Reconcile your SEFA to the **GENERAL LEDGER** AND to **SUBRECIPIENT ACTIVITY**. Both reconciliations are essential for a clean audit.

Matching / Cost Share

Matching or cost sharing means funds contributed by the recipient as part of the total project cost, in addition to the grant award. Matching funds must be accounted for in the **same manner as grant funds** and used only for the same **allowable expenses**.

1 STEP 1

Award Amount
÷ Federal Share %

= Total Adjusted Project Cost

Divide the award amount by the federal share percentage to determine the *full* project cost required.

2 STEP 2

Total Adjusted Project Cost
× Recipient Share %

= Required Match

Multiply the total adjusted project cost by the recipient share percentage to find your *exact match obligation.*

EXAMPLE

80% Federal | **20% Recipient**

$25,000

REQUIRED MATCH

- $100,000 ÷ 80% → $125,000 total project
- $125,000 × 20% → $25,000 match

Matching funds are subject to the same allowable cost standards, documentation requirements, and audit scrutiny as federal grant funds. Reference: 2 CFR 200.306

OMB Guidance — **2 CFR 200**

If you have a federal grant, direct or passed through the state, you will find references to **2 CFR 200** throughout your grant agreement. These references govern how your organization manages grant funds from procurement through audit.

Procurement Rules

Guidance on how procurements must be conducted, including competition requirements, contract thresholds, conflict of interest policies, and documentation standards.

Allowable Costs

Defines what expenses can and cannot be charged to the grant. Costs must be necessary, reasonable, allocable, and consistent with federal cost principles.

Record Keeping

Requirements for maintaining documentation that supports all grant expenditures, activities, and decisions—generally for a minimum of three years after final closeout.

Audit Requirements

Establishes single audit thresholds (currently $1M in federal expenditures), major program selection criteria, and compliance responsibilities for subrecipients.

CURRENT VERSION RESOURCE
Always use **www.ecfr.gov** to access the most current version of 2 CFR 200. OMB updates this guidance frequently, and printed or cached copies may be outdated.

A significant update to the OMB Uniform Guidance is anticipated. This is an excellent opportunity for **project managers and finance directors** to meet and assess the impact on grants management and audit results.

Grant Closeout Checklist: Financial and Accounting Steps

Start building an audit-ready file well before the grant end date.

1. **Post All Expenditures and Revenues**
   Confirm all are correctly posted to the General Ledger Account.

2. **Pull the General Ledger**
   Get a copy with all grant-related transactions coded to the award.

3. **File Bank Reconciliations**
   Include wire transfer documentation in the grant file.

4. **File All Invoices and Receipts**
   Payment records for every expenditure must be in the file.

5. **Procurement Documentation**
   Cost analysis and method-of-procurement docs must be filed if required.

6. **Cancel Outstanding Encumbrances**
   Close all purchase orders tied to the grant before closeout.

7. **Verify All Revenues Received**
   Confirm full receipt of all funds from the funding agency.

8. **Reconcile Final Financial Report**
   Reconcile to the General Ledger before submitting the final report.

Payroll, Reporting, and Property

PAYROLL & TIME

1. End any payroll distributions tied to the grant upon closeout.
2. File timesheets or time and effort reporting forms for all grant-funded personnel.
3. File documentation showing eligibility of payroll distributions for reimbursement.

Among the top audit findings: time and effort records. Keep them complete and signed.

REPORTS & PROGRAM INCOME

1. Submit all final technical, progress, and financial reports by agency deadlines.
2. Determine disposition of program income, if applicable, per 2 CFR 200 requirements.
3. Determine the disposition of any excess match revenue accumulated during the grant period.

Late or missing final reports can trigger holds on future awards. Confirm submission and retain confirmation receipts.

INVENTORY, ASSETS & PROPERTY

1. Determine disposition of any inventory purchased with grant funds per award terms.
2. Determine disposition of fixed assets and equipment—transfer, sale, or retention per 2 CFR 200.313.
3. Determine disposition of any real property purchased or improved with grant funds.

Federal approval may be required for disposition of equipment exceeding $10,000 fair market value. Check your award terms.

INTERNAL AUDIT TIP: Do your own internal audit before closeout. Test whether you can retrieve all required closeout documentation in 48 hours or less. If you cannot, identify the gaps and act now while the grant is still open.

What Auditors Look For

1 Timely Reporting

Were all required reports filed on time?

- Technical, progress, and financial reports.
- Submission within grant agreement deadlines.
- Late filings trigger findings and risk flags.

2 Allowable Expenditures

Were costs charged to the grant allowable under the award terms?

- Aligned with 2 CFR 200 and award agreement.
- Necessary, reasonable, and allocable costs.
- No unallowable costs buried in grant lines.

3 Correct Account Coding

Were costs coded to the correct financial account?

- Unique project/account code per award.
- General ledger reconciles to grant reports.
- No commingling of funds across accounts.

4 Subrecipient Monitoring

Was there a written monitoring plan? Was it followed? Was a risk assessment done prior to the subaward?

- Written monitoring plan documented and executed.
- Pre-award risk assessment on file.

5 Procurement Compliance

Evidence of competitive procures, conflict of interest policies, SAM.gov checks, and internal policy compliance?

- Competitive procurement documented.
- Conflict of interest policy on file.
- SAM.gov contractor responsibility verified.

6 Equipment Tracking

Is each item tracked? Is disposition documented with federal approval if required?

- Description, serial number, funding source.
- Acquisition date, cost, and location on file.
- Disposition method and federal approval documented.

Key Takeaways

Finance Is a Grants Partner

Once a grant is awarded, the finance department is an **essential team member**, not a back-office function. Strong program-finance communication drives clean audits.

Speak the Language

Build fluency in grants finance terminology: **commingling, encumbered funds, supplanting, accrual accounting, SEFA,** and **cost share**. Bilingual staff = fewer audit findings.

Know Your Guidance

Reference **2 CFR 200** via **ecfr.gov**, your award agreement, and agency-specific guidance. A major OMB revision is anticipated.

Prepare for Closeout Early

Maintain an **audit-ready file throughout the grant period**, not just at the end. Post expenditures, reconcile the GL, and file documentation continuously.

⚠ SLFRF Deadline Alert

All State & Local Fiscal Recovery Funds must be **spent by December 31, 2026** (Sept 30 for Surface Transportation/Title I). Final **P&E Report due April 30, 2027**.

Test Your Readiness

Can you retrieve all closeout documentation in **48 hours or less?** If not, act now. Run an internal audit before your funder does. Readiness is a habit, not a sprint.

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