Engagement. Service. Improvement.
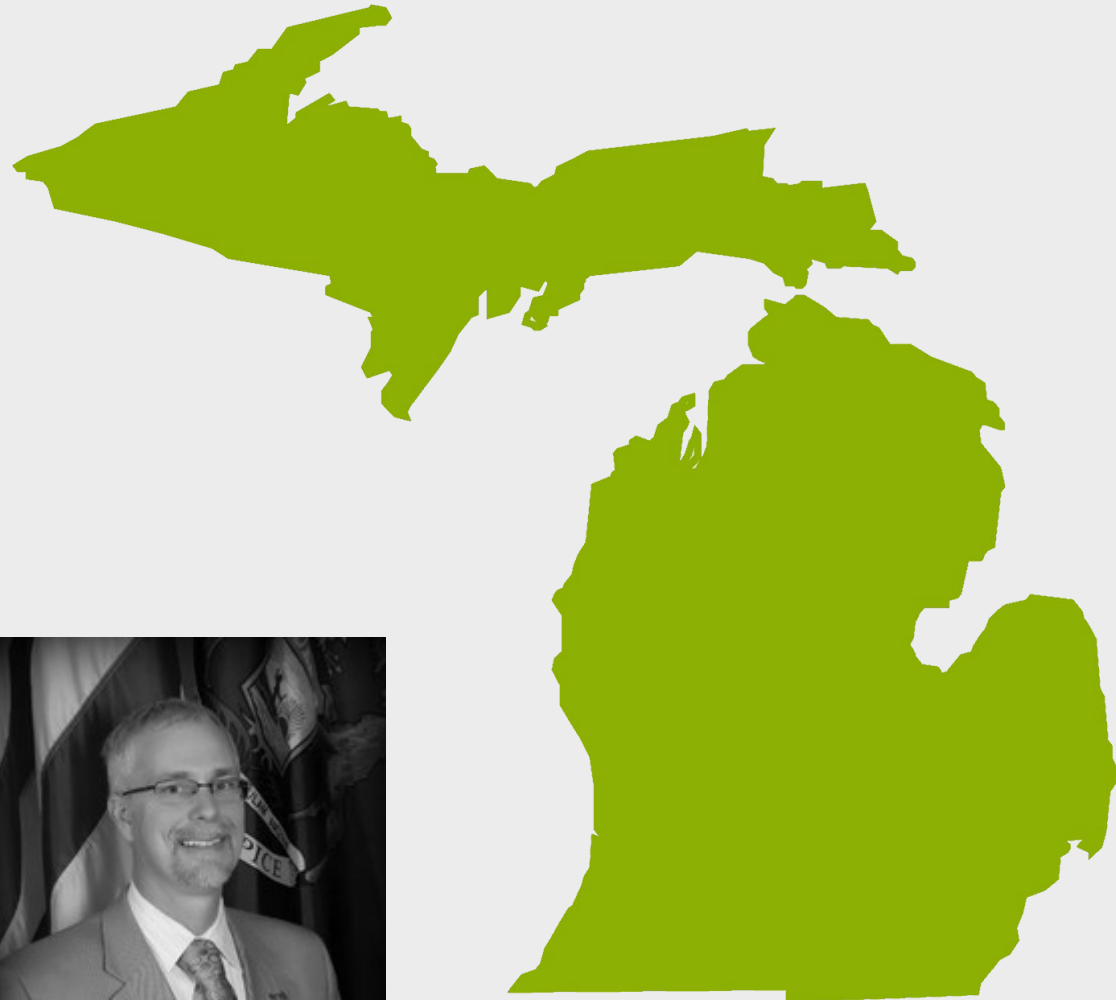
Chart Chat Webinar

Tuesday, May 10, 2022

2:00pm

Welcome Greeting

Kathleen Harrison
Departmental Analyst
Community Engagement and Finance,
Department of Treasury

I. **Welcome & Introductions**
Rod Taylor, Administrator, Community Engagement and Finance Division, Michigan Department of Treasury

II. **Grants Management Best Practices**
Stephen Blann, CPA, CGFM, CGMA, Director of Governmental Audit Quality, Rehmann

III. **Treasury Updates: American Rescue Plan Act – Alternative to Single Audit**
Rod Taylor, Administrator, Community Engagement and Finance Division, Michigan Department of Treasury

IV. **Qualifying Statements**
Harlan Goodrich, Manager, Municipal Finance Section, Community Engagement and Finance Division, Michigan Department of Treasury

V. **Budgeting**
Roxanne Foster, Senior Auditor, Audit Section, Community Engagement and Finance Division, Michigan Department of Treasury

VI. **Questions & Answers**

VII. **Closing Remarks**
Rod Taylor, Administrator, Community Engagement and Finance Division, Michigan Department of Treasury

Grants Management

May 10, 2022

Presented by:

Stephen W. Blann, CPA, CGFM, CGMA
Owner | Public Sector QC Director
Rehmann

Outline

- The Uniform Guidance
- GFOA Best Practice: Grant Administration
- Q&A

Uniform Guidance (2 CFR 200)
Standards for Financial Management

- Recipients must:
  - Comply with all requirements of award
  - Maintain performance measurement systems
  - Maintain financial management systems:
    - Separate identification of federal awards
    - Complete/accurate financial results
    - Support for federal draws
    - Effective control/accountability
    - Written procedures

Uniform Guidance (2 CFR 200)
Standards for Financial Management

- Written procedures:
  - Recommended for all compliance areas
  - Required for implementing:
    - §200.305 Payments (i.e., cash draws)
    - §200.318 Procurement (including conflict of interest)
    - Allowability of costs (Subpart E, Cost Principles)
    - §200.430-431 Compensation (personnel & benefits)
    - §200.474 Travel costs

Uniform Guidance (2 CFR 200)
Standards for Financial Management

- Recipients must:
  - Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award
  - Should be in compliance with the GAO Green Book / COSO (see CS Part 6)

GFOA Best Practice
Grants Administration

- https://www.gfoa.org/materials/grants-administration
- Governments should establish processes to promote awareness throughout the government that grants normally come with significant requirements. Such processes should ensure that this awareness exists throughout the life of the grant and should address the following areas and include the following elements…

Grants Administration

- To ensure the efficient administration and operation of grant programs the government should:
  - Monitor for changes in grant terms and conditions
  - Establish a project plan with timelines and responsible parties
  - Provide training
  - Maintain a process to address specific personnel issues related to grants

GFOA Best Practice
Grants Administration

- To ensure the efficient financial management of grants a government should:
  - Develop appropriate cash management procedures
  - Reconcile internal records with federal and state reports
  - Ensure that costs charged to grants are allowable
  - Determine whether and how indirect costs will be allocated to grant programs

<div align="right">cont...</div>

Grants Administration

- To ensure the efficient financial management of grants a government should:
  - Track information about local matching funds
  - Integrate grants in the annual budget process
  - Integrate grants in the government's cash flows planning
  - Develop a plan for funding services after the grant

Grants Administration

- Governments should maintain proper systems to support grants that:
  - Comply with GAAP and grant requirements
  - Identify and segregate costs for the grant
  - Account for and track capital items
  - Track information for non-cash grants
  - Store and provide information electronically

Grants Administration

- Maintain proper internal controls that:
  - Document grant procedures
  - Address accounting, financial reporting, and program administration
  - Identify and adhere to compliance requirements
  - Consider the level of program risk (e.g., high, medium, low)
  - Ensure the reliability of information obtained from third parties

GFOA Best Practice
Grants Administration

- Maintain processes for subrecipient monitoring that:
  - Provide for programmatic monitoring
  - Provide for administrative monitoring
  - Provide for financial monitoring
  - Establish periodic monitoring meetings
  - Provide for the receipt, review, and follow-up of single audit reports

Grants Administration

- Establish continuous communication with:
  - The sponsor/provider
  - Entities with oversight responsibility
  - External auditors / single auditors
  - An interdisciplinary implementation task force within the government that meets regularly to discuss changes and how they should be implemented

Grants Administration

- Processes to meet various specialized reporting requirements that:
  - Maintain a list of reporting requirements and deadlines
  - Prepares specialized reports
  - Certifies specialized reporting
 - Aggregates all required information for the SEFA

Grants Administration

- Ensure the completion of auditing requirements for grants that:
  - Considers GAAS, GAGAS, and the Uniform Guidance
  - Includes audit requirements that may be necessary for grant close-out
  - Addresses information to be included in GAAP-basis financial statements

Treasury Updates

Rod Taylor
Administrator,
Community Engagement and
Finance,
Department of Treasury
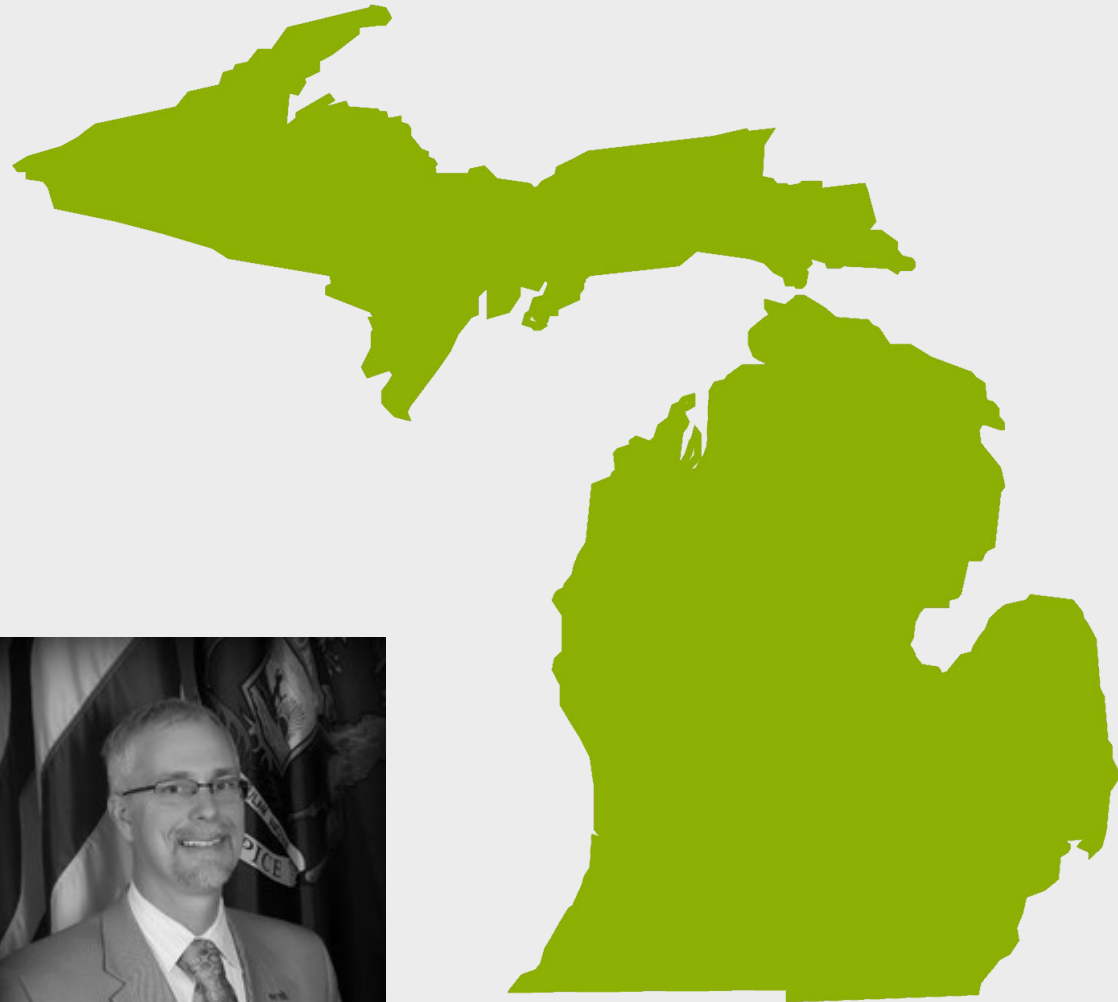
Auditing Procedures Report (APR)

- Several questions will be eliminated or modified

- Errors will be corrected

- Increases efficiencies

ARPA Alternative to full Single Audit

- Federal Expenditures Exceed $750,000

- ARPA is Less Than $10 million

- All Other Federal Awards Less Than $750,000

- Activities Allowed and Unallowable/Allowable Cost

Qualifying Statement Revision Project

Harlan Goodrich
Municipal Finance Manager,
Community Engagement and
Finance,
Department of Treasury

What is a Qualifying Statement?

- Statutorily required
  - Revised Municipal Finance Act
  - Public Act 34 of 2001, Section 303(3)
- 16-question test of a municipality's fiscal health
- Filed electronically six months after FYE
  - Counties, road commissions, townships, cities, villages, school districts, public school academies, intermediate school districts, community colleges, drain districts, authorities, libraries, and hospital finance authorities
- If "approved" the municipality can issue debt in the upcoming year without first needing to obtain Treasury's prior approval to do so
- Last year 83% were approved

Treasury's Revision Project Goals

- Increasing transparency
- Eliminating common errors
- Improving the user experience
- Educating filers
- Reducing staff effort

Revisions 1

- Questions will contain more detail
- We created information bubbles for each question to provide additional background information
- The form will now have an autosave feature
- Forms that time out and go incomplete will have a more intuitive way for the user to start back again
- The user will be able to print a copy of the questions before they complete the form in order to receive assistance from others

Revisions 2

- For reconsideration requests, the form will now be pre-populated with the responses from the original submission

- For non-primary municipalities that don't file a separate audit and their audit is filed as part of a primary municipality's audit, their qualifying statement will now indicate the primary municipality under which the audit was filed.

- In addition to posting determination letters on our website, we will begin posting the qualifying statement form itself

- Automated delinquent notices for primary municipalities sent via email 30 and 60 days after due date

Numbered Letter 2022-1

- Public comment period April 12-May 17, 2022
  - Michigan.gov/municipalfinance
  - Lower left click on "Numbered Letters"
  - Send us your feedback
  - Go "live" Fall 2022
- Provides for a revised qualifying statement (Form 5047)
- Creates a single source of information
  - Replaces Bulletins 2 and 6 and incorporates elements of Bulletin 1

Comparisons

- As part of the public comment period, we have provided a chart comparing the current questions to the new questions
- The chart also includes the proposed information bubble language for each question

Budgeting

Roxanne Foster
Senior Auditor,
Community Engagement and
Finance,
Department of Treasury

Treasury Budget Manual

The current Budget Manual dates back to 2001.

There will be a completely updated Budget Manual that will be released soon.

The new Budget Manual will include:

- Enhanced terminology section.

- Helpful chart for the general budget process with the Stage, If the Stage is Legally Required, Major Activities, Individual Responsible, and Recommended Timeline.

- Example budget formats (aligning with the new Uniform Chart of Accounts).

- Sample General Appropriations Act.

Developing a Budget Document

- Charter and internal requirements
- Legal requirements
- Have a budget calendar
- Have a document to explain the budget
- Involve staff in draft developments
- Have workshops with the elected body
- Develop a balanced budget

Preparation

Review

Appropriation

Implementation

Review
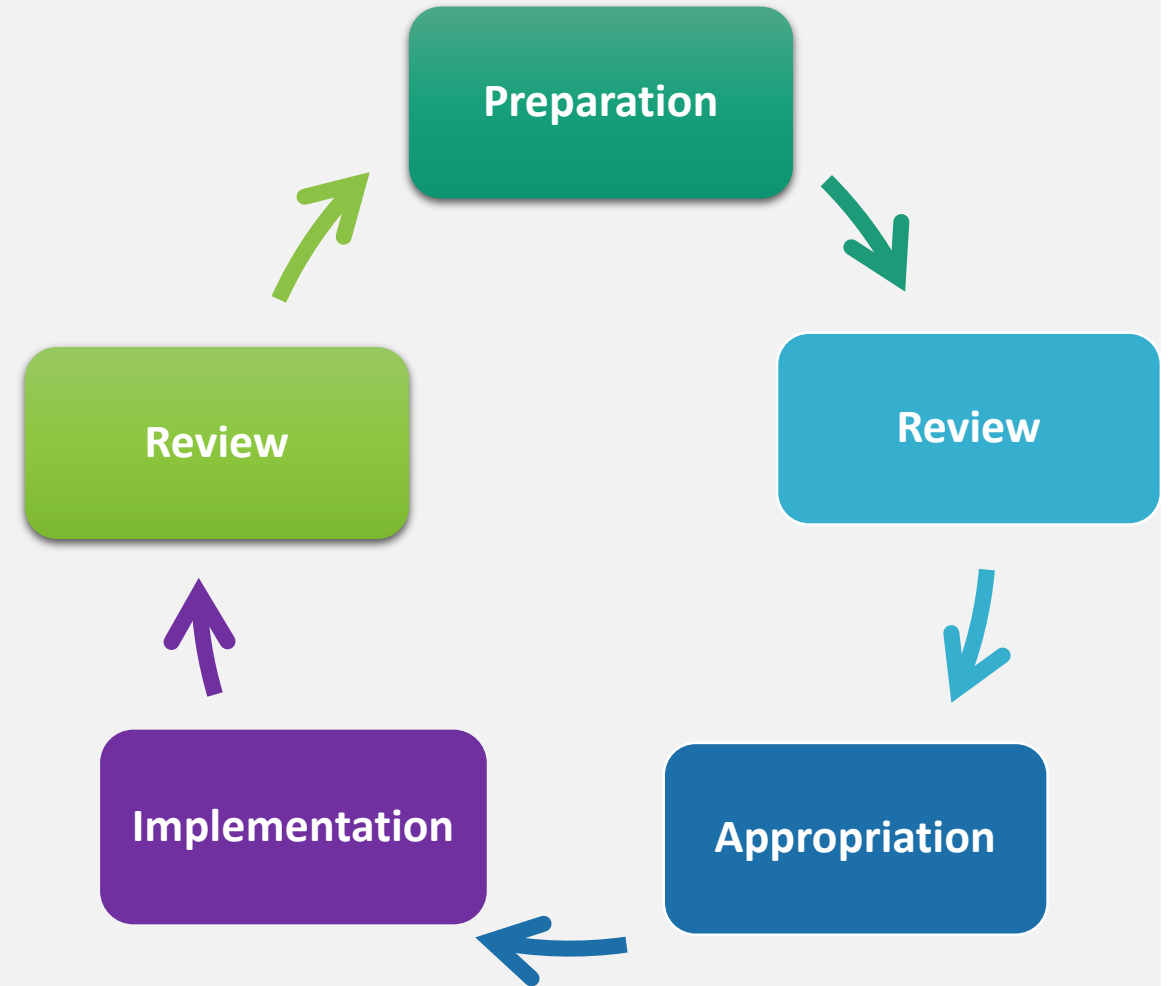
Preparing for Your Budget

- When to start and what is the timeline
  - Create a checklist

- Who to include internally

- Why and how to include the public
  - Citizen engagement is critical

- How to get feedback
  - Surveys, open hours, workshops, newsletters, budget summaries, using social media

- How to plan for future needs

- Tie to Capital Improvement Plan (CIP), other plans and board organizational goals

Guidance on Adopting a Budget

- Provide enough time for review of the final draft
  - Budget workshops with staff and governing body
- Required notification times
- A public hearing
- Have a formal presentation
- Budget/Appropriations resolutions
- Distribute copies after approval

Communicating the Purpose of Your Budget

- As communities face difficult decisions during the annual budget process this year, it will be important that local unit leadership provide information to their communities and get feedback on those decisions.
  - o Ask for public comment/public hearings
  - o Take surveys
  - o Interactive activities for public engagement

- Actively engaging residents up-front can minimize tension when difficult decisions must be made.

Designing Your Budget

Your budget should follow:
- Your budget policy
- Any Charter requirements
- State law

- Why is it important?
- Deciding what to include in your budget?
  - Minimum requirements under state law
  - More comprehensive budget document – going above and beyond

- Certain funds require a budget – governmental funds
  - General fund, special revenue funds

- It is recommended that funds have a budget for management purposes
  - Enterprise funds, internal service

Minimum Requirements for a Budget Document

- For Prior Fiscal Years:
  - The amount of accumulated surplus or deficit (ending fund balance)
- From the Prior Fiscal Year:
  - Actual expenditures and revenue data
- For the Current Fiscal Year:
  - Estimated expenditures and revenues
  - Estimate of expected surplus or deficit

- For the Next Fiscal Year:
  - Estimate of required expenditures
  - Estimate of revenues (by revenue source)
  - Estimate of amounts needed for deficiency
  - Estimate for contingent or emergency purposes
  - Estimate of expected surplus

Approving Your Budget

- What level is your budget approved?
  - Activity or line-item level
    - Activity level gives you more flexibility to reallocate within the activity
    - Line item allows for a more detailed look into individual revenue and expenditures
- You must have a balanced budget
  - It is important to note that your budgeted expenditures **CANNOT** be higher than your budgeted revenue plus your fund balance
    - Therefore, it is important to include your fund balance in your budget

Required Actions for Budget Adoption

- The chief administrative officer:

    - Has the final responsibility for budget preparation and controls expenditures under the budget

    - Presents the recommended budget to the elected body **before** the start of the budget year. A timeline shall be followed to allow adequate time for review and adoption

    - Provides the elected body with information it requires for proper consideration of the recommended budget

    - Includes with the recommended budget a draft general appropriation act to implement the budget

Required Actions for Budget Adoption

- The elected body:
    - Considers the recommended budget provided by the chief administrative officer.
    - Holds a public hearing as required by the Budget Hearings Act (1963 (2nd Ex Sess) PA 43), and the Open Meetings Act, (1976 PA 267), before final adoption of a general appropriations act.

At least 6 days notice should be given of the hearing by publication in a newspaper of general circulation within the local unit. The notice **shall** include the time and place of the hearing and **shall** state the place where a copy of the budget is available for public inspection. The notice **shall** also include the following [specific] statement printed in 11-point boldfaced type: "The property tax millage rate proposed to be levied to support the proposed budget will be a subject of this hearing."

A Sample Budget Timeline to Prepare to Pass Your Budget

Please review all charter requirements and state laws prior to passing your budget	
Minimum time before your fiscal year end (FYE)	**Step**
4 months before your FYE	Chief administrative officer or fiscal officer asks department heads to compile budget requests for the coming fiscal year
3 months before your FYE	Department heads submit budget requests for the coming fiscal year
2 month before your FYE	Chief administrative officer presents the proposed budget to the legislative body
1 months before your FYE	Council review completed; revisions made; union negotiations completed, etc.
3 weeks before your FYE	If necessary, council adopts a resolution on the proposed additional millage rate for the coming fiscal year
2 weeks before your FYE	Publish notice of public hearing on proposed budget (6 days prior to hearing), including time, place, and where a copy of the budget is available for public inspection. The notice shall also include the following statement printed in 11-point boldfaced type MCL 141.412):"The property tax millage rate proposed to be levied to support the proposed budget will be a subject of this hearing."
1 week before your FYE	Public hearing on budget; budget adopted

Preparing to Amend Your Budget

Review your revenue and expenditure report monthly.

Amend your budget not less than quarterly, if necessary–this should include all the same people as passing your budget.

The governing body should approve any revenue or expenditures that have changed or expect to be changed.

Common Budgeting Pitfalls

- Starting with no goals or strategy of what to accomplish.
- Failing to forecast your revenue during the budgeting process.
- Failing to include information from other sources (i.e., Capital Improvements Plan (CIP), Tax Increment Finance (TIF), Recreation Plan).
- Failing to account for changes such as new Collective Bargaining Agreements (CBA), debt payments, grants, or one-time revenue.
- Not reviewing/updating your fee schedule annually.

Other Budgeting Pitfalls

- Rushing or having no timeline at all.

- Having poor or no data on how past budgets performed.

- Not educating or including elected officials in the budget process or in what is included in the draft budget.

- Not involving staff in the development phase.

Even More Budgeting Pitfalls

- Not providing a draft copy for public inspection.

- Not holding a public hearing and/or failing to follow a proper adoption process.

- Not adopting a budget resolution and an appropriations resolution.

- Budgeting alone, without reaching out/reviewing to your neighboring communities.

Questions
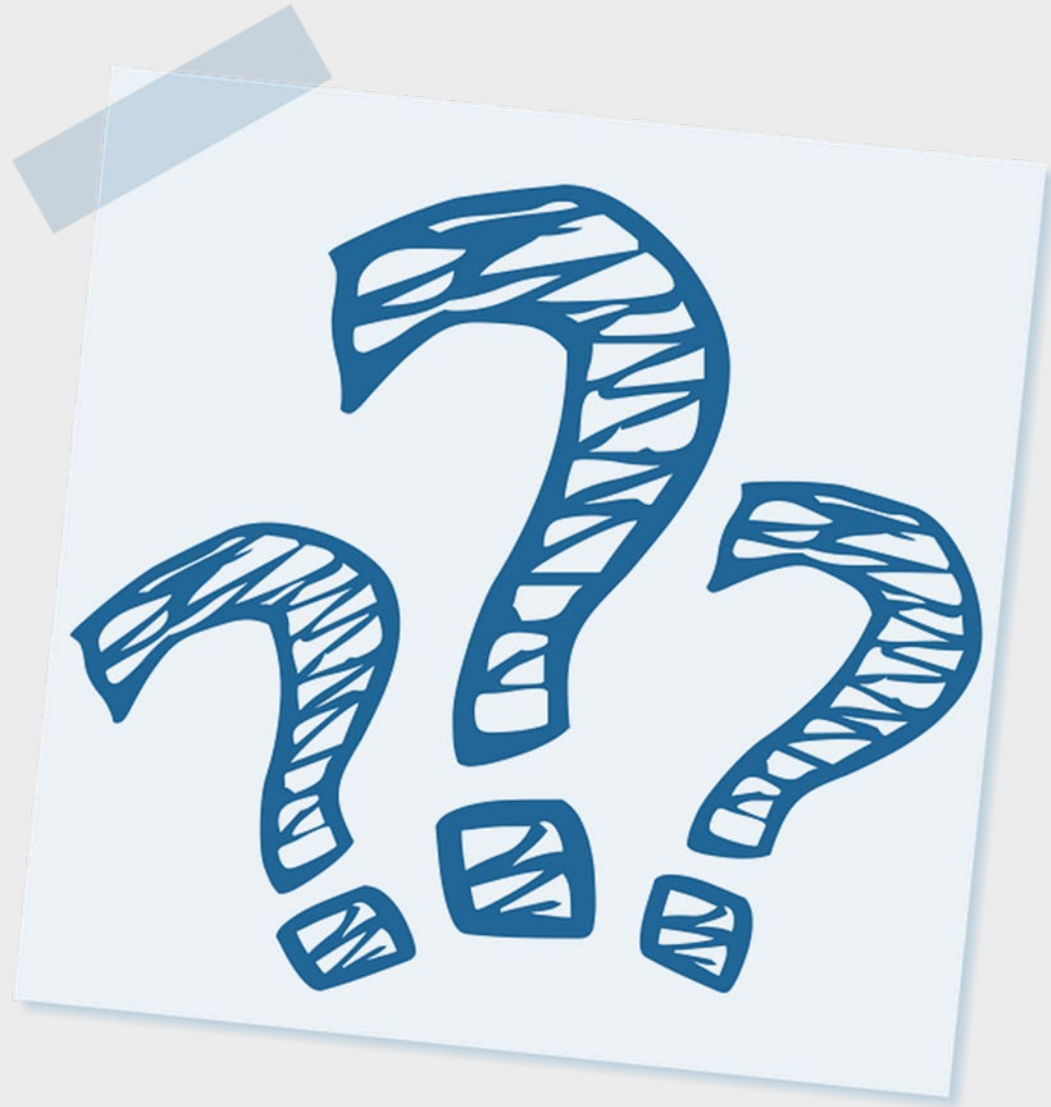
www.michigan.gov/CEFD
www.michigan.gov/treasury

@MITreasury