



State Grant Requirements

West Virginia State Auditor's Office

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Brief History of the Chief Inspector Division

- Audit Authority over approximately 1,400 local governments
- Public Integrity and Fraud Unit
- Local Purchasing Card Division

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Financial Examinations Conducted

- Financial Audits in accordance with AICPA and Government Auditing Standards
- Federal Register (Single) Audits
- Reviews
- Agreed Upon Procedures
- Small Government Monitoring
- Special Examinations (Fraud)

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Legislation

- SB 345 - 2019 Regular Legislative Session
 - Effective 90 days from passage (June 2019).
 - Revised WV Code 8-15-8b; 12-4-14 (removes VFD language; adds local government) enacts 12-4-14b which move the VFD requirements to their own section.
- HB 2573 – 2021 Regular Legislative Session
 - Effective 90 days from passage (July 2021)
 - Amends the WV Code by adding a new article, designated §5B-9-1, §5B-9-2, §5B-9-3, §5B-9-4, §5B-9-5, §5B-9-6, §5B-9-7, §5B-9-8 and 3 §5B-9-9, and amending and reenacting §12-4-14.
 - Moved some responsibilities of §12-4-14 from the Legislative Auditor to the State Auditor.
 - Adds “Subgrantee” to state grant requirements.

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State Grants for Board of Educations

- State grant requirements applicable to grantees.
- HB 2573 (Effective July 2021) state grant requirements applicable to subgrantees.
 - “Subgrantee means an entity, including a state spending unit, local government, corporation, partnership, association, individual, or other legal entity, who receives grant money from a grantee who was awarded a state grant.”
 - “Subgrant of grant funds. If any grantee obtains grant funds and grants any part or all of those funds to a subgrantee for a specific purpose or purposes, the granted funds shall be treated as a state grant.”

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State Grants for Board of Educations

- More that likely all Board of Educations will receive \$50K or more in state grants, in aggregate, in a given fiscal year.
- Many Federal Grants “pass-through” state offices but are NOT state grants.
- Hopefully, the revenue is booked properly. If you are unsure, please contact the grantor State agency.

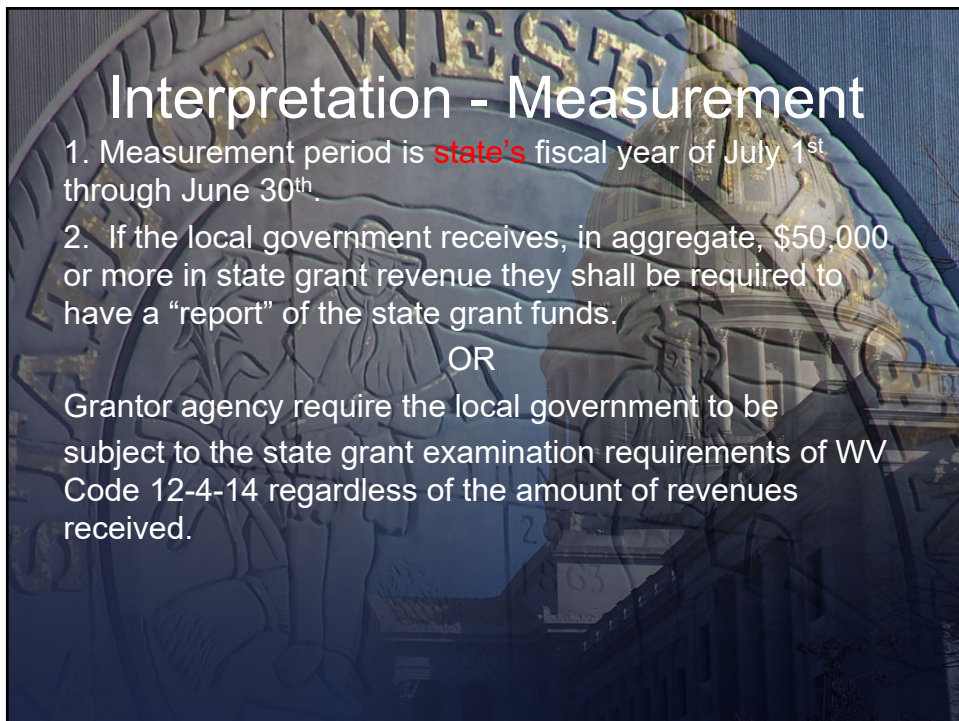
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Interpretation

- 12-4-14 originally passed in about 2008.
- Original interpretation

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Interpretation - Measurement

1. Measurement period is **state's** fiscal year of July 1st through June 30th.
2. If the local government receives, in aggregate, \$50,000 or more in state grant revenue they shall be required to have a "report" of the state grant funds.

OR

Grantor agency require the local government to be subject to the state grant examination requirements of WV Code 12-4-14 regardless of the amount of revenues received.

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Interpretation - Measurement

State grants do NOT include the following:

- A. Payments for goods and services purchased by a state spending unit.
- B. Compensation to state employees and public officials.
- C. Reimbursements to state employees for travel.
- D. Grants of student aid.
- E. Government transfer payments.
- F. Direct benefits provided by state insurance and welfare programs.
- G. Funds reimbursed for expenditures for qualified purposes when the receipt for expenditures are required prior to receiving funds except for WV CODE 5B-2-12. (Economic development – Repealed)
- H. Retirement benefits.
- I. Federal pass-through funds subject to single audit.
- J. Formula distributions to volunteer and part volunteer fire departments (WV Code 33)
- K. Money received from the fire service equipment and training fund.

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Interpretation

- Legislative Rules
 - Title 148, Series 18.

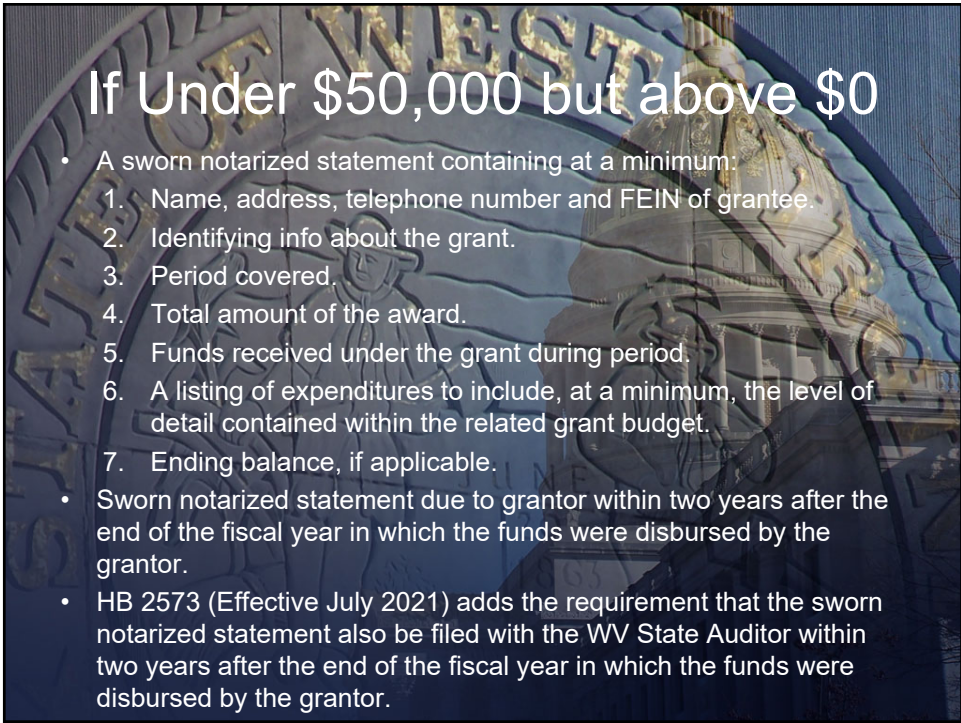
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Flowcharts

- flowchartDoc1.docx
- Responsibilities for State Grant Management.docx

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If Under \$50,000 but above \$0

- A sworn notarized statement containing at a minimum:
 1. Name, address, telephone number and FEIN of grantee.
 2. Identifying info about the grant.
 3. Period covered.
 4. Total amount of the award.
 5. Funds received under the grant during period.
 6. A listing of expenditures to include, at a minimum, the level of detail contained within the related grant budget.
 7. Ending balance, if applicable.
- Sworn notarized statement due to grantor within two years after the end of the fiscal year in which the funds were disbursed by the grantor.
- HB 2573 (Effective July 2021) adds the requirement that the sworn notarized statement also be filed with the WV State Auditor within two years after the end of the fiscal year in which the funds were disbursed by the grantor.

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If Under \$50,000 but above \$0

Per Legislative Rule Title 148, Series 18, the below sworn notarized statement is required:

"This is to certify that I have reviewed the enclosed Statement of Grant Receipts and Expenditures submitted herewith and, to the best of my knowledge and belief, said statement represents all financial activities related to the receipt, use and expenditure of funds granted by the [GRANTOR] to [GRANTEE] and that the expenditures reported were for the purposes intended and in compliance with applicable laws, regulations and the terms and conditions of the grant documents. The Statement of Grant Receipts and Expenditures is presented on the [ACCRUAL/ CASH] basis of accounting and is supported by our financial records and related documentation."

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If Under \$50,000 but above \$0

Per Legislative Rule Title 148, Series 18, the below is required.

- Signature, printed name, title, date, must be affixed to the sworn statement of expenditures made under grants by a senior representative of the grantee who has the authority to bind the grantee.
- The senior representative of the grantee must affirm that the amounts of disbursements shown on the sworn statement were expended as prescribed by the applicable West Virginia Code.
- The signature attesting to the sworn statements must be notarized by a certified notary public in good standing with the Secretary of State.

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If Over \$50,000

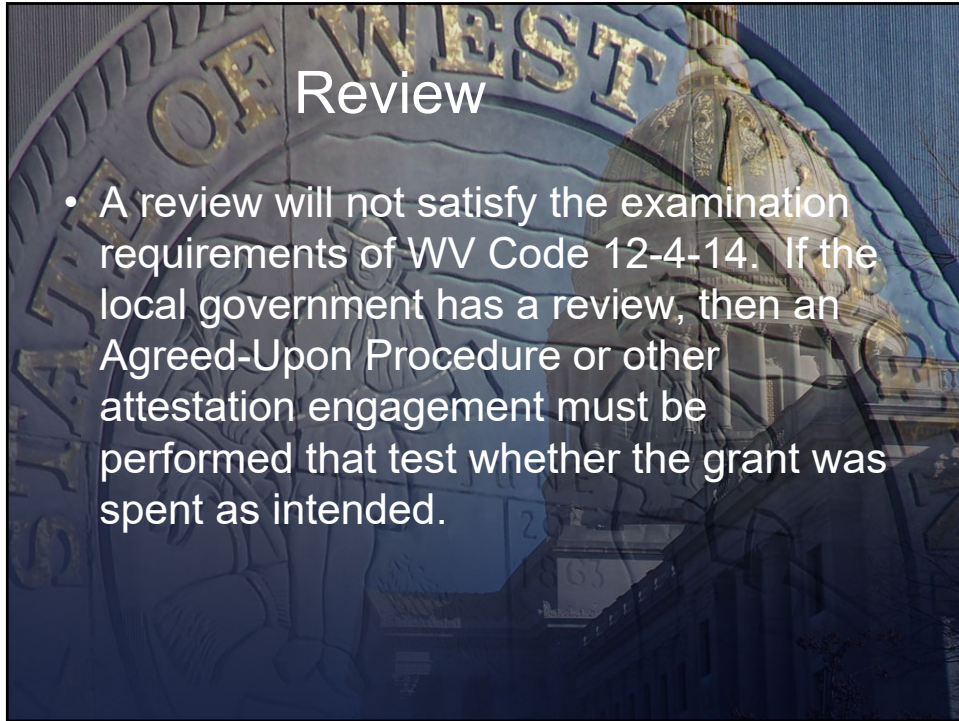
- An agreed-upon procedures report or other attestation engagement that tests "whether the state grants were spent as intended". Required if there is no "audit" performed and must contain the following:
 - Identifying state grant information (agency; grant number)
 - Amount of award
 - Receipt of funds
 - Expenditures of funds
 - Time period being reported on
- If the entity has more than one state grant, they can have one report that encompasses all state grants.
- Grantee shall submit the "report" to the grantor within two years after the end of the fiscal year in which the funds were disbursed by the grantor.
- HB 2573 (Effective July 2021) adds the requirement that the "report" also be submitted to the WV State Auditor within two years after the end of the fiscal year in which the funds were disbursed by the grantor.
- NO NOTORIZED SWORN STATEMENT REQUIRED IN THIS INSTANCE.

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Substitution when Local Government has an Annual Audit

- In lieu of the AUP or other attestation, one of the following may be substituted WITH a sworn statement:
 1. An audit that complies with OMB circular A-133 (now Federal Register)
 2. A financial audit performed in accordance with GAGAS.
- Must contain a Schedule of state grant receipts and expenditures including what accounting basis the schedule was presented on.
- Must contain a statement in the auditor's opinion on whether the schedule is fairly stated in relation to the financial statements as a whole.
- Due to grantor within two years after the end of the grantee's fiscal year in which the funds were disbursed.
- HB 2573 (Effective July 2021) adds the requirement that the audit also be submitted to the WV State Auditor within two years after the end of the fiscal year in which the funds were disbursed by the grantor.
- NOTORIZED SWORN STATEMENT REQUIRED IN THIS INSTANCE.

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Review

- A review will not satisfy the examination requirements of WV Code 12-4-14. If the local government has a review, then an Agreed-Upon Procedure or other attestation engagement must be performed that test whether the grant was spent as intended.

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Schedule

- Schedule of State Grant Receipts and Expenditures

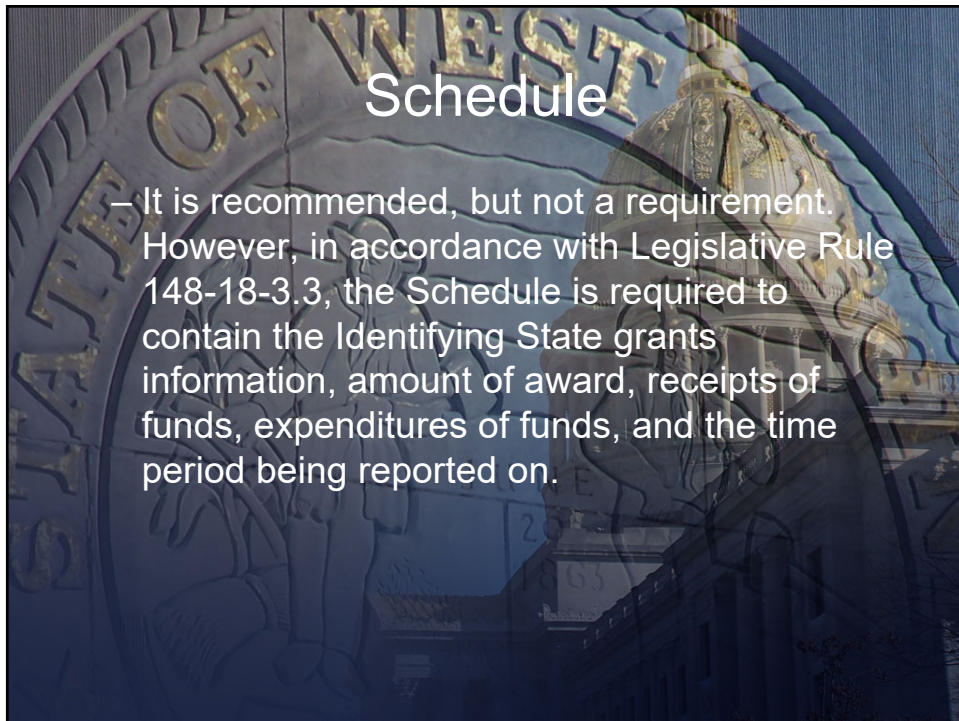
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Schedule

Does the local government have to use the template *Schedule of State Grant Receipts and Expenditures* provided by the Chief Inspector?

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Schedule

– It is recommended, but not a requirement. However, in accordance with Legislative Rule 148-18-3.3, the Schedule is required to contain the Identifying State grants information, amount of award, receipts of funds, expenditures of funds, and the time period being reported on.

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What happens if the local government does not comply with the requirements of WV Code 12-4-14?

- Failure to file the required reports within the specified time could result in debarment from receiving future grants. Grantor must notify grantee and there are dispute procedures.
- Grantor is responsible for notifying the legislative auditor when a grantee has been debarred. HB 2573 (Effective July 2021) changes this to the grantor to notifying the State Auditor (no longer the legislative auditor).
- Failure to satisfy the reporting requirements preclude the grantee from receiving further state grants from the same spending unit or another state spending unit.
- HB 2573 (Effective July 2021) The grantor agencies or the State Auditor shall issue stop payment orders for failure to file required reports. Possible recovery of state funds from grantor or the State Auditor.
- Before disbursing a state grant the grantor shall first confirm with the legislative auditor that the grantee has not been debarred. (Effective July 2021) changes this to the grantor confirming this with the State Auditor (no longer the legislative auditor).

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Grantor Reporting Requirements

- Reporting requirements should be included in the grant agreement.
- Noncompliant issues (either sworn statement or report) shall be reported to the legislative auditor. HB 2573 (Effective July 2021) changes this to the State Auditor (no longer the legislative auditor).
- Examples: reportable conditions; significant deficiency; illegal acts; violation of a provision of a contract or grant agreement; errors or abuse.
- HB 2573 (Effective July 2021) "All grantors shall provide a list of grantees and subgrantees to the State Auditor and all other information regarding grant funds and grantees as required by law or rule."

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