Above Board: Compliance, Legal, and Financial Best Practices

The CDFI Fund's Capacity Building Initiative
Building Native CDFIs' Sustainability and Impact II

December 10-12, 2019
ICF | Friedman Associates, LLC

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MODULE 1:
Welcome and Course Overview

Course Overview

- Welcome
- Introductions & Expectations
- Course Objectives
- Preview of Agenda

Your Trainers

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Participant Introductions

- Name

- Organization

- Expectations

Course Learning Objectives

This curriculum is designed to help Native CDFIs develop and strengthen their compliance, legal, and financial practices, by understanding:

- Why and how to create a successful compliance program;
- How an effective control system provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations;
- How to conduct a risk assessment and use it to mitigate and control risks;

Course Learning Objectives, cont…

This curriculum is designed to help Native CDFIs develop and strengthen their compliance, legal, and financial practices, by understanding:

- The importance of implementing a process and mechanisms designed to ensure that their compliance program is effectively communicated to all employees;

- The key competencies and best practices that characterize effective grants management; and

- Effective practices in meeting compliance and reporting requirements for your Annual Certification Report (ACR) and CDFI Fund NACA FA/TA awards.

Agenda Overview

DAY 1 – Tuesday	DAY 2 – Wednesday
• Course Overview • Fundamentals of Compliance • Culture of Compliance • Developing a Compliance Program • Compliance Training	• Developing Internal Controls • Implementing Internal Controls • Risk Management • Strategies to Improve Compliance

Agenda Overview

DAY 3 – Thursday

- Developing an Effective Grants Management Program
- Best Practices in Meeting CDFI Fund Compliance Requirements
- Office Hours/Technical Assistance

Common Courtesies

- Be engaged
- Turn cell phones to vibrate
- Take care of yourself

Logistics

- Restrooms
- Breaks
- Lunch

A-Z ICE BREAKER

MODULE 2—The Fundamentals of Compliance

What is Compliance?

- Process of making sure your CDFI and employees follow the applicable laws, regulations, standards, and ethical practices

- Covers federal, state, and tribal laws as well as internal policies and rules

- Helps prevent and detect violations of rules and greatly reduces the possibility of fines and lawsuits

What Does Compliance Mean for Your Organization?

- <u>Regulatory Compliance</u>: the steps an organization takes to comply with relevant external laws, regulations, and guidelines.

- <u>Corporate Compliance</u>: the actions and programs an organization sets in place to ensure compliance with internal policies, procedures, and accepted behavior, as well as external regulations.

What Does this Look Like in Practice?

When well-designed and implemented:

- Prevents and detects violations of applicable law, regulations, rules, and ethical standards by employees, contractors, and others

- Lays out expectations for employee behavior

- Helps staff stay focused on organization's broader goals

- Helps operations run smoothly

Examples: Written values, ethics policy, employee handbook, and policies for complying with legal obligations

Common Subject Areas of Nonprofit Compliance

- Maintaining a registered agent

- Filing an annual report

- Maintaining charitable solicitation or fundraising registration

- Filing a corporate tax return

- Maintaining state-level tax exemption

- Financial Management

- Reporting

The Role of Tribal Government in Compliance

- Tribal governments are sovereign governments that operate apart from state or federal governments.

- Although each federally recognized tribe retains national sovereignty, the tribes also function similarly to states in that they receive assistance from the U.S. federal government in the form of social services, including support for community economic development.

- An organization can be incorporated under tribal law and be a 501(c)(3).

- Therefore, Native CDFIs may have to fulfill the compliance requirements of the state, federal government, and tribe.

Why is an Effective Compliance Program Essential for Small Nonprofits?

Compliance is part of your organization's duties to its community and stakeholders.

If you have no compliance function, you invite reputational damage.

Compliance helps define an organization's "why."

Compliance helps define and regulate an organization's "how."

Why is an Effective Compliance Program Essential for Small Nonprofits?

- Builds trust

- Protects your reputation

- Serves as a driver of change and innovation

- Enhances consistency

- Can reduce unforced errors

Common Concerns for Nonprofits/CDFIs

- Political campaign activity/donations by Section 501(c)(3) organizations

- Failing to comply with charitable solicitation registration requirements

- Failing to properly address conflicts of interest among directors or officers

- Failing to adhere to the organization's bylaws

Module 2 Wrap Up and Reflection

Think about the common issues we've discussed. Are any of them weak points for your Native CDFI? How could you plan to address them?
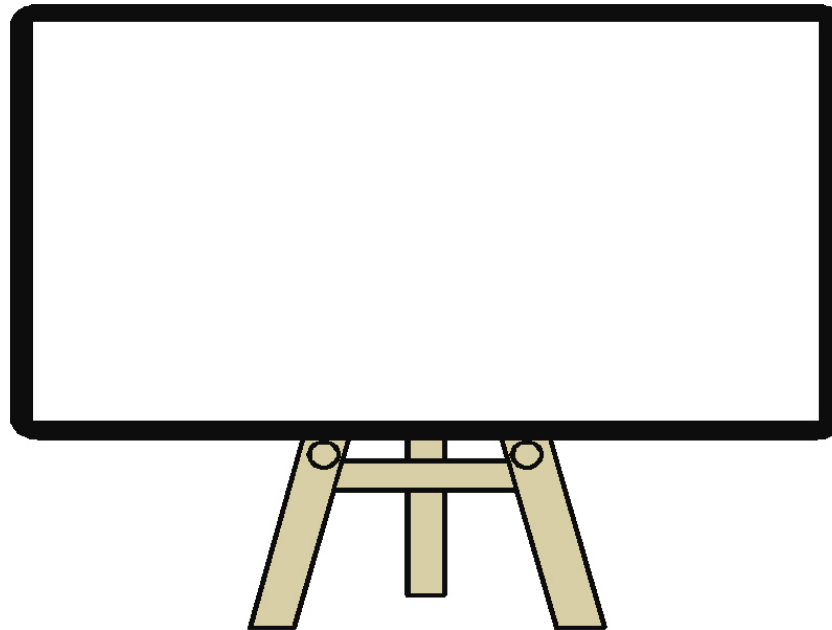
COFFEE BREAK

MODULE 3—Developing a Culture of Compliance in your CDFI

A Culture of Compliance is...

Group Discussion: Let's Share Our Ideas!

Compliance Culture Starts at the Top

The Department of Justice (DOJ) includes the following factors to be taken into consideration:

- Conduct at the top

- Shared commitment

- Oversight

PS: This should not be mistaken for "top down."

Leaders <u>model</u> and <u>prioritize</u> compliance.

- Establish and adopt written policies, procedures, and standards of conduct and ethics

- Commit a budget for compliance

- Communicate openly and transparently

- Assign accountabilities

- Enforce consequences for noncompliance

Six Core Written Documents

- ❑ Code of Conduct

- ❑ Whistleblower Policy

- ❑ Conflict of Interest Policy

- ❑ Confidentiality Policy

- ❑ Document Retention Policy

- ❑ Executive Compensation Policy
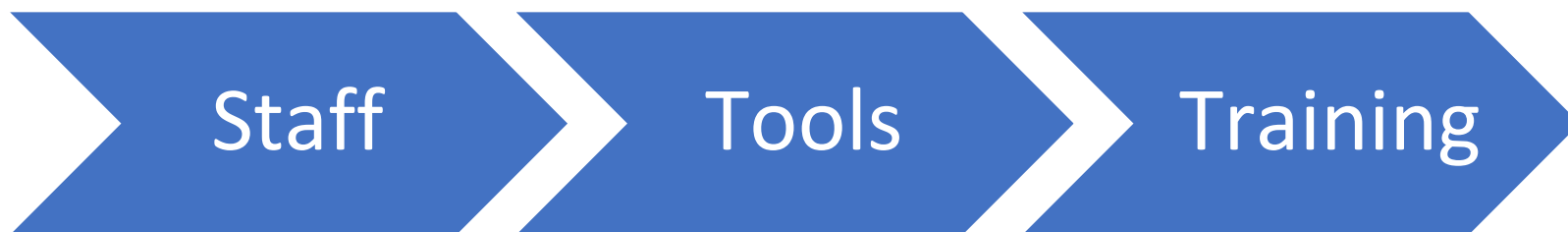
Sample policies are included in your manual.

IMPLEMENTATION TIP: Consider developing Conflict of Interest policies as it relates to lending.

How many of these essential policies does your organization already have?

1, 2, 3, 4, 5, 6

Commit a Budget for Compliance

Staff ➤ Tools ➤ Training

Transparent and Open Communication

- Provide periodic training on old and new compliance concerns.

- Integrate compliance expectations into job descriptions.

- Post policies in prominent places (sometimes required).

- Publicly point out and reward good conduct.

- When mistakes are made, acknowledge the issue with honesty and transparency.

Assign Accountabilities

- Board of Directors/Executive Team

- Staff Compliance Officer (or Assistant Director or Director of Administration & Finance)

- Director/Manager Level Staff

Consequences for Noncompliance

Enforce and re-enforce the standards you have created and communicated

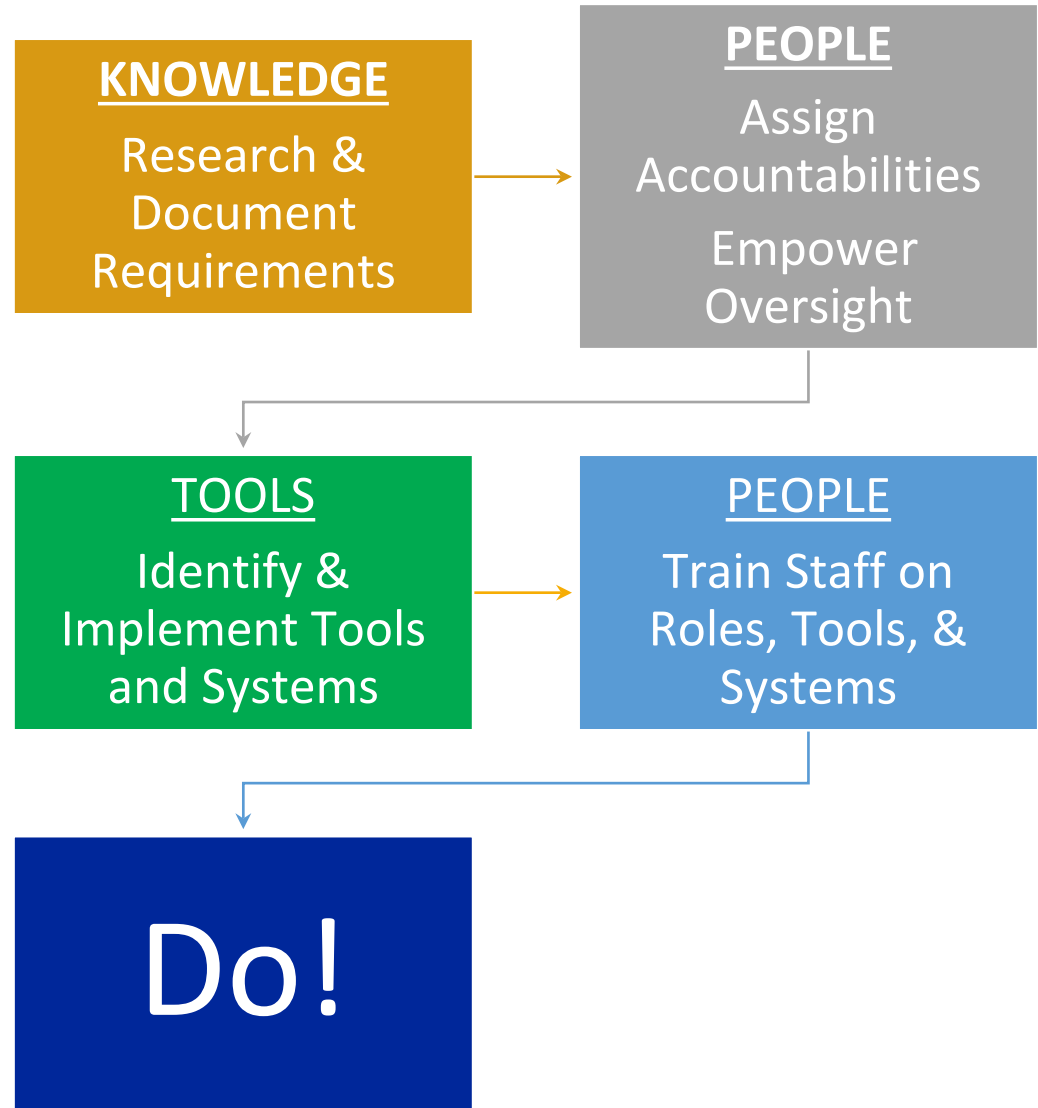Negative AND positive consequences

Module 3 Wrap Up and Reflection

Do you feel like your Native CDFI has a culture of compliance? Why or why not? What are three things that you could do to make your culture of compliance stronger?

LUNCH BREAK

MODULE 4—Developing a Compliance Program

The How and the What: Developing Your Compliance Program

KNOWLEDGE

Research & Document Requirements

PEOPLE

Assign Accountabilities

Empower Oversight

TOOLS

Identify & Implement Tools and Systems

PEOPLE

Train Staff on Roles, Tools, & Systems

Do!

KNOWLEDGE – Research/Document

- Federal filing requirements

- Annual/periodic state or tribal filing requirements

All Group Discussion

- Is your CDFI tribally incorporated?

- What tribal department or entity governs your tribe's charity activities?

- What filing or reporting requirements do you have?

KNOWLEDGE – Research/Document

- Financial and legal requirements

- Reporting and other contractual requirements

- Recordkeeping requirements

IMPLEMENTATION TIP: Remember to add your own loan maturity dates to your list of contractual requirements

PEOPLE – Assign/Empower

- **Six Functions of a Compliance Officer**
  - Develop, implement, and manage an organization's compliance program
  Coordinate and schedule required compliance training for employees
  - Develop company compliance communications
  - Create and coordinate proper reporting channels for compliance issues
  - Coordinate with federal and state regulators
  Plan, implement, and oversee risk-related programs

TOOLS – Identify/Implement

- Paper filing system

- Shared digital drive

- Shared calendar

- Password manager

PEOPLE – Empower/Train

- Codify compliance roles in job descriptions
- Train (more in Module 5!)

DO…

- More to come!

Module 4 Wrap Up and Reflection

What are three things that you can do when you get back to work to develop your Native CDFI's compliance program? What resources will you need? Who can help you?

MODULE 5—Staying Above Board: Compliance Training

Definition and Purpose of Compliance Training

- Refers to the process of educating employees on laws, regulations, and company policies that apply to their day-to-day job responsibilities

- Familiarizes employees with the operating procedures and philosophies of the organization

- Teaches employees about ethical and legal issues

- Ensures employees know their responsibilities and boundaries

- Enables employees to work productively with less supervision

Goals of Compliance Training

Detect and avoid violations by employees that could lead to legal liability for the organization

Create a more hospitable and respectful workplace

Lay the groundwork for a partial or complete defense if employee wrongdoing occurs despite the organization's training efforts

Add business value and a competitive advantage

Making itself more attractive to potential funders

What percent of your staff training budget is devoted to compliance training?

Compliance Training Can Be a Challenge

- For a majority of organizations, there is a significant gap in how well they deliver compliance training compared to other types of learning.

- 2017 Training Benchmarking Study by Brandon Hall Group
  - On average, compliance training accounts for 11 percent of the Learning and Development (L&D) budget.
  - Only one-third of organizations consider their compliance training efforts to be effective.

From 10,000 Feet: Categories of Compliance Training

Broad business and employment laws, industry-specific regulations, and the principles and policies of the organization itself

Discussions of legal and ethical issues as well as company values and operating philosophies

Aligning Compliance with Limited Capacity

- The leadership of small CDFIs face challenges to build the capacity of their organizations, including providing effective training in compliance.

- Considering limited resources, one option could be to incorporate short trainings or 'briefings' on a specific compliance policy into each weekly staff meeting.

- Smaller 'bites' can lead to good discussions among staff and ideas for implementation and monitoring.

Potential Topics to Cover In Compliance Training

- Federal, state & tribal laws
- Company SOPs and policies
- Code of conduct
- Data privacy and security
- Fraud detection and prevention
- Business ethics
- Discrimination
- Sexual harassment

- OSHA regulations and workplace safety
- Risk management
- Workplace substance abuse
- Workplace violence
- Diversity and inclusiveness in the workplace
- Customer service standards
- Reporting violations

Fund Development and Compliance: A Team Approach

- A great deal of time and energy is devoted toward fundraising and contract compliance.

- Nonprofits are often reliant upon government funds, which are usually inadequate for the total program expense and often come with compliance requirements.

- How do you get folks to step up to play their appropriate roles in development and compliance, whether direct or indirect?

- How do you help them to see fundraising as a noble pursuit and compliance as the 'guardian" of those funds?

Development + Compliance = Mission Impact

- The first step is helping all staff and volunteers recognize they have a vested interest not only in fund development, but in the compliance requirements that help ensure that funding will continue.

- Begin by assuring everyone is well-informed of development's impact and how effective grant reporting will enable the CDFI to operate. For example:

  ➢ What programs does it make possible?

  ➢ What are the implications of not meeting program reporting requirements?

  ➢ What would change were philanthropy to dry up?

Development + Compliance = Mission Impact, cont...

- Can we address the reporting requirements?

- Do we understand the statutory and/or regulatory rules that govern the grant award for which we have been funded?

- When and how should we review the grant award requirements and track progress in meeting milestones established in our award agreement?

- Who is the designated personnel within our organization to manage grants in the post-award phase?

- What is our process to regularly collaborate with grantors to ensure open communication, and address issues as they arise?

DISCUSSION TOPIC

- Do any of these compliance topic areas relate differently to Native CDFIs?

- For example, what might a training on 'risk management' include?

Benefits of Compliance Training

- *Does anyone learn by checklist?*
  Handing out just a list of rules seems pretty risky.

- Lapses happen because employees don't know a certain policy or how it applies to their work.

- Compliance needs to be built into the corporate culture.

- Done right, it's an opportunity to lay the groundwork for a healthy workplace culture, to discuss issues, and to proactively address potential violations before they arise.

How to Create an Effective Training Program
Make it Personal and Interesting

"You might see them as strict compliance regulations, I see them as rough guidelines."

"The way your employees feel is the way your customers will feel. And if your employees don't feel valued, neither will your customers."

- SYBIL F. STERSHIC

How to Create an Effective Training Program, cont…
Make it Understandable

- Make content easy to comprehend.

- Don't use jargon or technical terms that employees may not understand.

- Accommodate different learning styles.

How to Create an Effective Training Program, cont…

Make it Ongoing

- Compliance training shouldn't be a one-time thing.

- Laws and regulations change.

- Even without specific changes, employees need:
  - Regular training and follow-through
  - Reminders of policies, procedures, and best practices

Compliance Training should:

- Be personalized

- Have interesting training content

- Be accessible

- Be offered regularly

ACTIVITY

- How frequently does your Native CDFI conduct training in compliance?

- What specific topics can you recall being addressed?

- Does the training cover both legal and regulatory compliance issues?

- Do you have a handbook that covers all compliance policies? Is it available on your server?

- Has there been a time when a clear violation of corporate compliance occurred, but there was no policy to address it?

- Are there opportunities for staff to give feedback on compliance issues?

# Module 5 Wrap Up and Reflection

- Does your Native CDFI do compliance training?

- Do you feel that it's effective? If yes, what makes it effective?

- If not, how could it be improved?

ACTIVITY

- Divide up into industry-specific CDFIs, such as microenterprise, small business, affordable housing, etc. (5 minutes)

- Briefly discuss how compliance for your borrower might look different than compliance for your organization. Do they face different regulations? Challenges? etc. (10 minutes)

- Based on your understanding of compliance and of your borrowers, develop an outline of a compliance-focused course that you could offer to your borrowers. (15 minutes)

- Share a summary of your groups' discussion with the larger group. (15 minutes)

MODULE 6—Developing Internal Controls

"First rule—what happens in accounting stays in accounting."
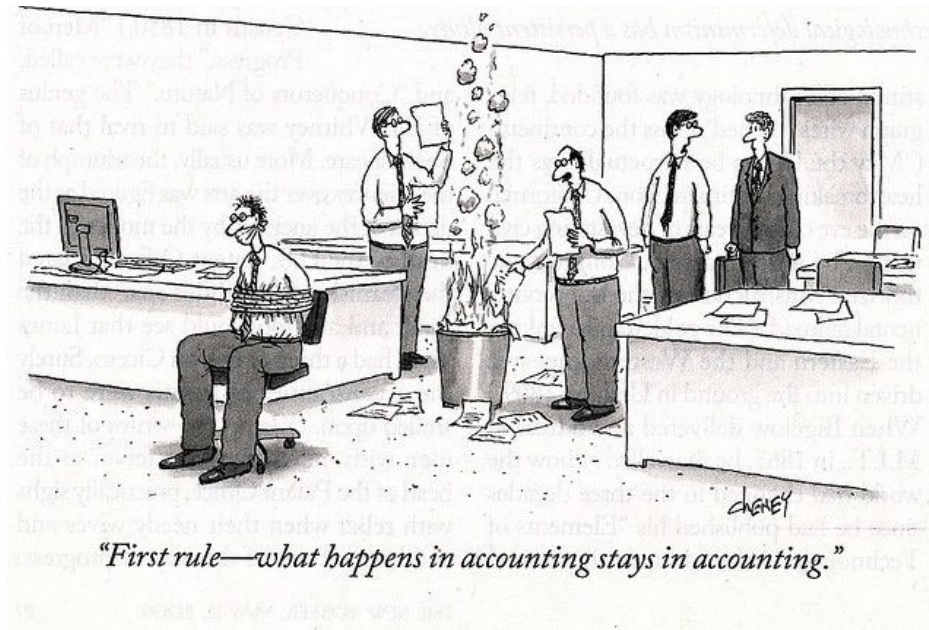
DISCUSSION TOPIC

- What comes to mind when we hear the term 'internal controls?'

- Can you identify some examples of financial management practices?

- Does your position involve using financial management practices?

- How are these practices communicated to staff?

Internal Controls

- All CDFIs have financial management practices in place, often referred to as "internal controls."

- Internal controls are the policies and procedures that protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations, and facilitate effective and efficient operations.

- They relate to accounting, reporting, and to the organization's communication processes.

Definition of Internal Controls

- Financial management practices systematically used to prevent misuse and misappropriation of assets

- Generally described in written policies that specify the procedures and responsibilities

- 3 primary areas that internal controls influence:
  (1) Operations
  (2) Reporting
  (3) Compliance

Examples of Internal Controls

- Require two signatures on a check to prevent one person from having sole authority for writing checks

- Lock the door policy

Principles of Effective Internal Controls

- Benefit rather than restrict management

- Make sense within each organization's unique operating environment

- Woven into day-to-day responsibilities of managers, not stand-alone

- Cost effective

Internal Controls Increase Mission Impact!

- Effective:
  achieve intended results

- Efficient:
  resource use consistent with the agency mission

- Compliant:
  follow laws and regulations

- Reliable reporting:
  prepare accurate and timely information

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Internal Controls Build Trust – Case Study

Mission to Support Disadvantaged Youth

- Audit revealed $20 million dollars of federal funds unaccounted

- U.S. Justice Department froze federal grant funding

- Management team was replaced and national headquarters was moved

- $1.6 million settlement with the DOJ and agreement to institute a strict compliance program

Discussion: What else might destroy trust in a CDFI?

Wasteful spending

Fraud or embezzlement of funds

"Cooking the books" or creating misleading financial reports

Ignoring policies or not having clear procedures

Disregarding regulations

Breaking the law

Categories of Internal Controls

- Entity-level controls

- Information technology controls

- Transaction-level controls

Module 6 Wrap Up and Reflection

- Which category of internal controls is your Native CDFI handling well?

- Which could be improved?

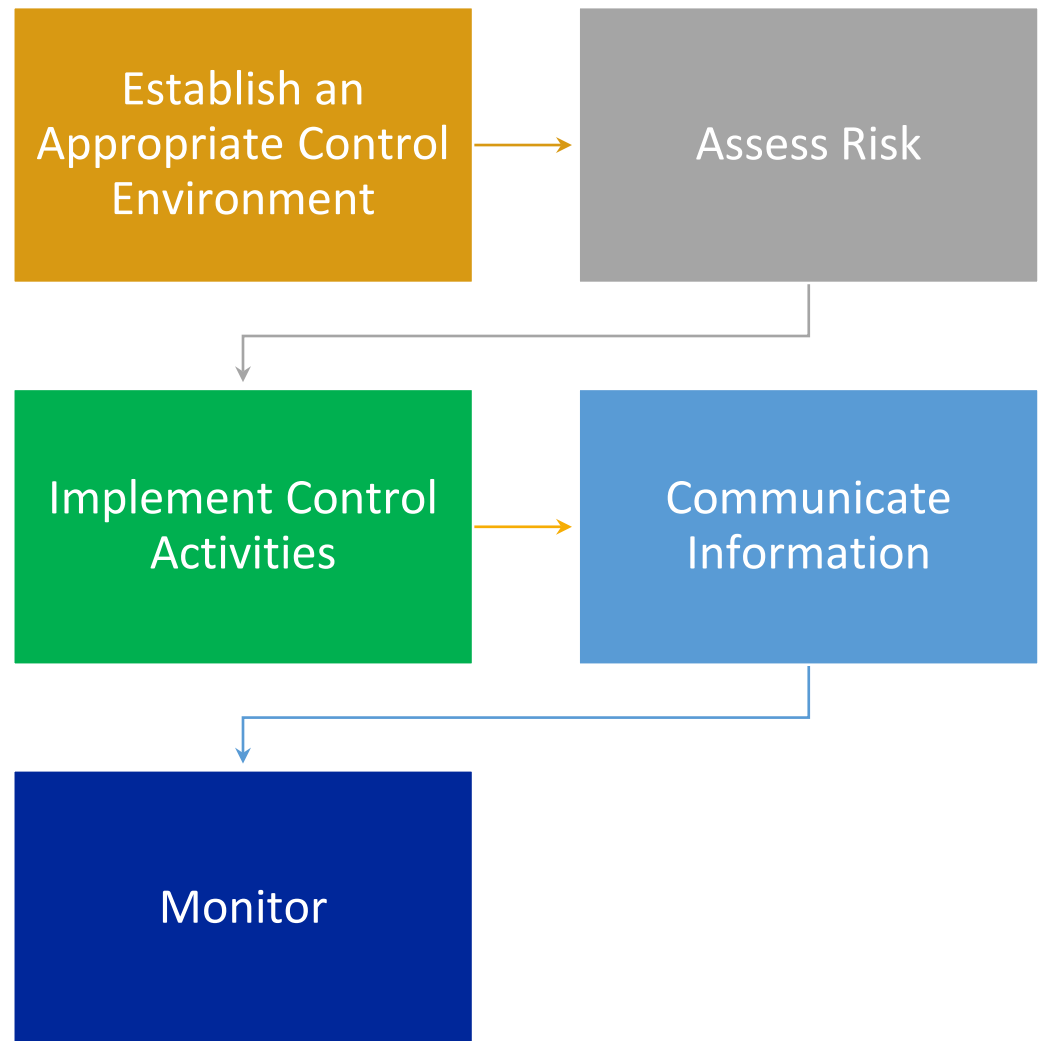- What new internal controls could you implement to improve it?

DISCUSSION TOPIC

Do Native American beliefs and culture influence how Native CDFIs practice and communicate compliance?

COFFEE BREAK

MODULE 7—Implementing Internal Controls

The 5 Interrelated Components of Internal Controls

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┌─────────────────────────┐      ┌─────────────────────────┐
│   Establish an          │  →   │                         │
│   Appropriate Control   │      │     Assess Risk         │
│   Environment           │      │                         │
└─────────────────────────┘      └─────────────────────────┘

┌─────────────────────────┐      ┌─────────────────────────┐
│   Implement Control     │  →   │     Communicate         │
│   Activities            │      │     Information         │
└─────────────────────────┘      └─────────────────────────┘

┌─────────────────────────┐
│                         │
│       Monitor           │
│                         │
└─────────────────────────┘
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Step 1: Establish an Appropriate Control Environment

- Key question
  "What is the structure of responsibility and authority at the organization?"

- All levels of the organization are committed to integrity and demonstrate that in their day-to-day work.

- Requires senior management and the board to set the tone from the top

Step 2: Assess Risk

- Risk assessments:
  - Aid awareness of organizational risks
  - Ensure plans are in place to identify, and analyze risks
  - Lead to mechanisms manage and respond to risks

Food for Thought

- If someone working on your federally sponsored program committed fraud—either financial or some other type—how would you detect it and respond to this risk?

- If you experienced the loss of a major funding source due to grant mismanagement, how would your organization respond to these types of changing and challenging conditions?

Step 3: Implement Control Activities

Procedures for monitoring assets that minimize the likelihood of waste, fraud, and abuse:

- General organization-level controls

- Information technology general controls

- Segregation of duties

- Sarbanes-Oxley Act

- Revenue

- Purchasing and accounts payable

- Reconciling the bank statement

Step 3: Implement Control Activities, cont…

- Define roles in the organization

- Record the organization's personnel policies

- Adopt a conflict of interest policy and code of ethics

- Code of Ethics

Step 4: Communicate Information

- Important to successful grant management and internal controls

- Breaks down silos between the finance team and the program staff

- Coordinates program team reports with financial results

Food for Thought

- If you were rating the flow of information and communication at your organization, where would you rank the quality of the information and level of communication?

Step 5: Monitor

- Monitor and modify

- Proper oversight and assessment of adherence to internal control requirements and whether system is working as anticipated

- Consider:

  - Are program managers reviewing timecards to ensure that employees are not recording paid time off to grant activities?

  - Is the accounts payable clerk reviewing the receipts on expense reports to ensure that they meet the requirements for sufficient documentation and no unallowable costs are charged to the grant?

Getting Everyone on Board with Internal Controls

- Know how money moves through the organization.

- Know what documentation should be kept and be consistent.

- Conduct a "surprise internal audit."

- Annually, assess the control structure and respond to changes.

    - Examples: new staff performing the controls, new employees

Module 7 Wrap Up and Reflection

Is everyone "on board" with internal controls at your Native CDFI? If not, how could you help them understand the importance of your internal controls?

LUNCH BREAK

MODULE 8—Risk Management

Types of Risk

Threat Risk

- Avoid!
- Likely to result in negative consequences, such as legal actions, financial penalties, loss of entity, etc.

Business Opportunities

- Calculated risk
- May result in negative consequences or rewards
- "We need to take the chance of discovering all that we are capable of achieving for our clients."

General Threat Risks

- Internal or external fraud
- Misuse of assets
- Inadequate monitoring or understanding of investments
- Incomplete, unreliable, or improperly reported information
- Damage to reputation caused by a variety of potential factors
- Violation of legal requirements
- Government investigations or audits

Do CDFIs present a greater risk of institutional failure?
Do they present a greater vulnerability to mortgage market downturns?
Are they less efficient than mainstream financial institutions?

The data says...NOPE!

Although...

"CDFIs target their service efforts to poor and low-income communities, which are perceived a priori to be more risky markets for financial institutions to venture,"

research has indicated...

"that CDFIs show no greater risks of institutional failure than similar 'mainstream' peer institutions. Further, given the markets in which CDFIs tend to operate, their overall efficiency and institutional stability is noteworthy."

"Risk and Efficiency among CDFIs: A Statistical Evaluation using Multiple Methods":
https://www.cdfifund.gov/Documents/Risk%20and%20Efficiency%20among%20CDFIs%20Report.pdf

18 Types of Business Risk

1. Competitive
2. Economic
3. Operational
4. Legal
5. Compliance
6. Strategy
7. Reputation
8. Program
9. Project
10. Innovation

Food for Thought

- From your perspective, which of the above risks are most relevant to your Native CDFI? Which are the least relevant? Are there any additional risks that should be added to this list? Jot down some of your thoughts. We'll come back to this a little later.

- Feel free to discuss with your table if you have time.

IMPLEMENTATION TIP: You are already pros at risk rating. You do it every time you underwrite a loan!
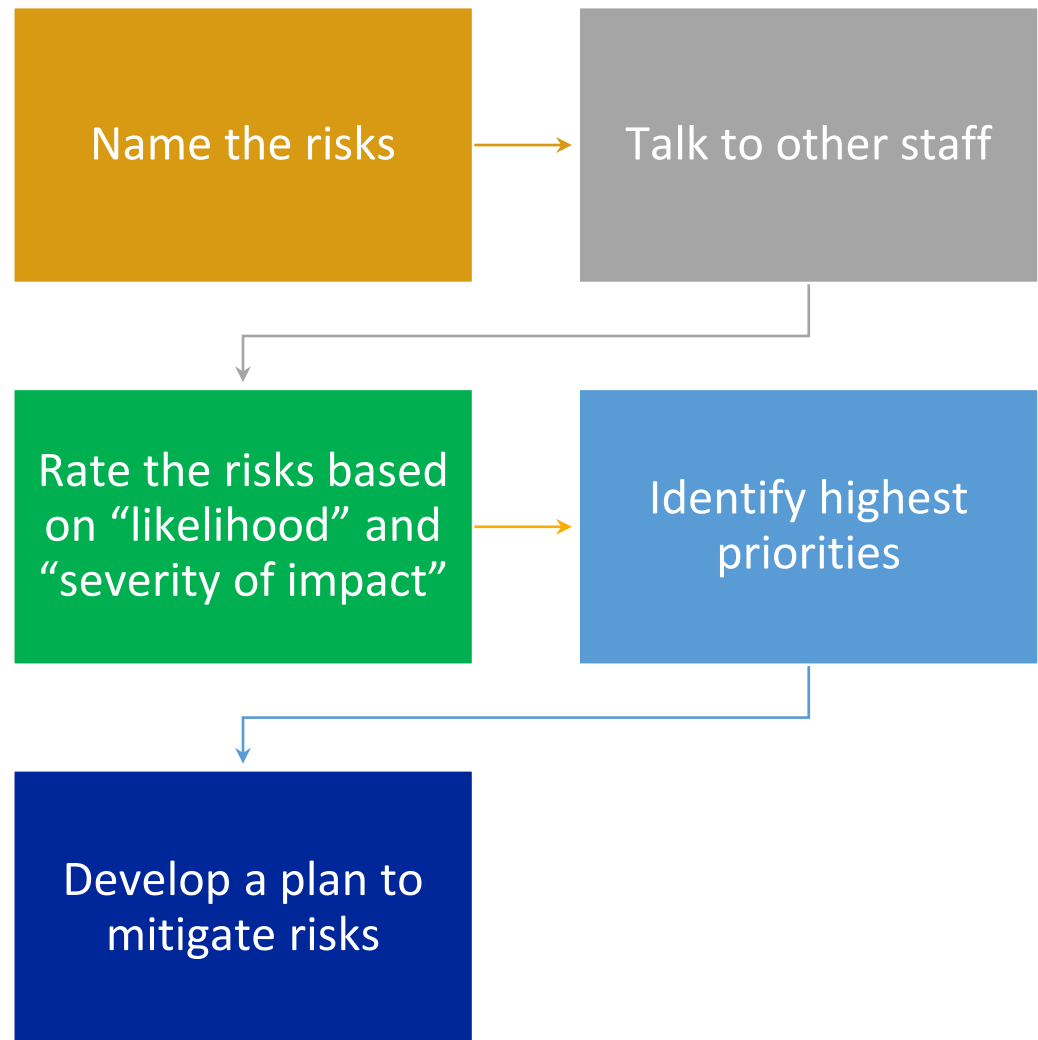
Goals of a Risk Assessment

- To identify, analyze and prioritize legal/ethical misconduct and compliance risks specific to the operations and culture of the organization

- To provide a basis for possible compliance, training, and ethics programs

- To refine or develop risk mitigation and monitoring strategies

- To identify areas where deeper internal reviews would be warranted

- To develop a benchmark for ongoing risk assessment and measurement of the effectiveness of mitigation steps that may be taken

Sounds complicated…how do I do it?

PREPARED BY THE GENERAL COUNSEL

RISK AREAS	LIKELIHOOD	SEVERITY	MITIGATION / AGGRAVATING	TRACKING / REPORTING
LEGAL				
lobbying by foundation (§4945)				
self-dealing (§4941)				
private benefit/inurement (§501(c)(3))				
political campaigning (§501(c)(3))				
foreign corrupt practices act (15 U.S.C. §§ 78dd-1, et seq.)				
excess business holding (§4943)				
grants to individuals outside approved proc (§4945)				
minimum distribution requirement (§4942)				
jeopardizing investment (§4944)				
breach of fiduciary duty / conflict of interest (IL law)				
Sarbanes (whistleblower/document retention)				
OPERATIONAL/FINANCIAL				
improper tax returns				
flow of funds				

Performing a Risk Assessment

Name the risks → Talk to other staff

Rate the risks based on "likelihood" and "severity of impact" → Identify highest priorities

Develop a plan to mitigate risks

Hang in there!

- Prioritize addressing the top 2-3 risks.

- Reassess and reprioritize annually.

- Continue to build on a firm foundation.

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IMPLEMENTATION TIP: Use your risk assessment to answer the CDFI application questions about risk and mitigation strategies.

DISCUSSION TOPIC

Let's look at the risks you identified earlier and do a risk assessment on them as a group. After we prioritize them, we'll brainstorm action steps that could be taken to mitigate the risk. Are there new policies or procedures or internal controls that could be developed?

Module 8 Wrap Up and Reflection

What are the first three risks that come to mind when you think about your organization? How would the lead staff or board member in a different function than yours answer that question?

COFFEE BREAK

MODULE 9—Strategies to Improve Your Compliance Program

DISCUSSION TOPIC

At your table, in the next five minutes, create a list of specific challenges to effective compliance programs that Native CDFIs face.

As a large group, let's list the challenges we came up with and brainstorm strategies for addressing them.

What is the Tone at the Top?

"Tone at the top"

- Defines an open, honest, and ethically correct corporate culture

- Reflects commitment of management and the board of directors

- Key element of an organization's system of controls

- Provides a robust foundation for controls

Video: What is the Tone at the Top?

Seven Steps to Ensure Compliance

1. Identify organizational values
2. Encourage accountability
3. Go beyond "anti" and teach "understand"
4. Teach what you *should* do, not just what you shouldn't

Seven Steps to Ensure Compliance, cont…

5. Eliminate the stigma around difficult topics

6. Offer both manager-and employee-specific training

7. Don't just check the box

Breakout Exercise - Compliance Scavenger Hunt

- **Instructions:**

  Around the room you see two desks. They are cluttered with office supplies, so they look in use. Dividing into two groups, we will ask you to identify specific compliance risks. The team that identifies the most issues will get a prize.

Breakout Exercise - Compliance Scavenger Hunt

- **Answers**:
    - An open loan file with personal information (privacy/confidentiality)
    - A bag from a high-end store, with a note that reads "To my favorite government employee" in easily-readable lettering (gifts & entertainment/conflicts of interest)
    - A candle (fire hazard)
    - A flash drive marked "Financials"(privacy/confidentiality)

Incorporating exercises like these into your compliance training program will build employee engagement and ownership.

Module 9 Wrap Up and Reflection

Which of the seven strategies described above are you already utilizing well? Which could use some improvement?

MODULE 10—Developing an Effective Grants Management System

What is Grants Management?

An integrated system of processes and practices that ensures your organization is:

- Staying in compliance with the terms of the grant

- Following through on all the deliverables

- Submitting reports according to the funder's requirements.

5 Phases of the Grant Cycle

Prospecting

Application

Contracting

Award Period

Closeout

What are the benefits of grants management?

- Avoid Frustration
- Meet Reporting Requirements
- Improve Your Grants Process
- Avoid Compliance and Penalties

DISCUSSION QUESTIONS

Does your Native CDFI have a close relationship with a tribal government that affects its grants management functions? For example, do you rely on tribal government staff to fulfill any grant writing or grant management/fiscal responsibilities?

What features would a grants management system have to have to account for this structure?

4 Cs of Grants Management

Communication

Coordination

Cooperation

Consistency

Grant Management Roles & Accountabilities

- **Grant Writing** - responsible for proposal development submission

- **Grant Management** - responsible for overseeing grant compliance, beginning with managing the grant acceptance process through grant closeout.

- **Program Management** - responsible for implementing the program that the grant funded and meeting program goals and outcomes

- **Grant Reporting** - responsible for programmatic reporting

- **Grant Accounting** - responsible for managing the financial aspect of the grant and completing financial reporting

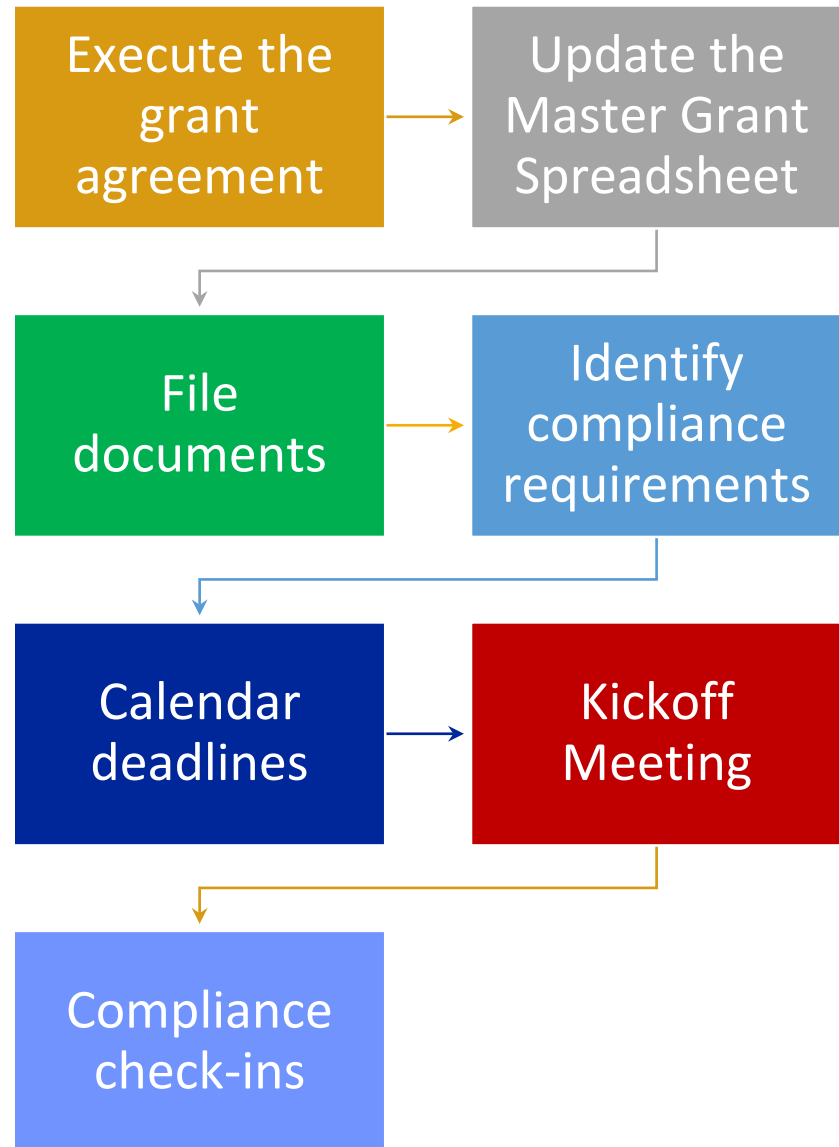**IMPLEMENTATION TIP:** Your grant writer or grant manager should not be responsible for grant reporting.

Grant Management Systems

Master Grant Spreadsheet

Digital Grant Files

Grant Reporting & Compliance Calendar

Grants Management Processes

Execute the grant agreement → Update the Master Grant Spreadsheet

File documents → Identify compliance requirements

Calendar deadlines → Kickoff Meeting

Compliance check-ins

Live demonstration of simple, google drive-based grant management system

Module 10 Wrap Up and Reflection

- What is the most frustrating part of your current grants management system?

- Can you think of three to five things you could do to improve it?

MODULE 11—Best Practices in Meeting the Compliance Requirements for CDFI Fund Awards and Certification

CDFI compliance encompasses...

- Maintaining certification eligibility (7 tests)

- Timely completion of reporting requirements

- Meeting PG&Ms as outlined in the Assistance Agreement

- Maintaining financial safety and soundness

- Timely reporting of material events

CDFI Certification Compliance

You must stay in compliance with the 7 certification tests

- Legal Entity
- Primary Mission
- Financing Entity
- Development Services
- Target Market
- Accountability
- Non-Governmental Entity

And you must submit your Annual Certification Report (ACR).

IMPLEMENTATION TIP: The ACR due date doesn't show up in your AMIS reporting schedule. Be sure to put it on your calendar!

Food for Thought

- Do you know your CDFI Certified Target Market?

- What is it?

Get to Know Your Assistance Agreement

https://www.cdfifund.gov/Documents/Getting%20Acquainted%20with%20your%20FY%202019%20FA%20Award%20Assistance%20Agreement.pdf

Reporting Requirements

Certification

- Annual Certification and Data Collection Report (ACR) – due within 90 days after FYE

All Awardees (TA and FA)

- Financial Statement Audit Report (if applicable) – within 180 days of FYE

- A-133 Single Audit (if required) – within 270 days of FYE

Technical Assistance (TA) Awardees

- SF-425 – Federal Financial Report Uses of Technical Assistance (FY 2018 and older awards) – due within 90 days of FYE

- Uses of Award Report (FY 2015 and newer awards) – within 90 days of FYE

- Performance Progress Report (PPR) (FY 2015 and newer awards) – within 90 days of FYE

What are Material Events?

An occurrence that affects an organization's strategic direction, mission, or business operation and, thereby, its status as a certified Community Development Financial Institution (CDFI), and/or its compliance with the terms and conditions of its Assistance agreement

Certification of Material Events Form

Module 11 Wrap Up and Reflection

Where could you go to get support or answers to your questions on CDFI Fund Compliance Requirements?

LUNCH BREAK

WRAP UP

EVALUATION

OFFICE HOURS