

GATA Framework for a Grantee Fiscal Agent Function

9/21/17

In accordance with GATA legislation (30 ILCS 708 (a)(4)), criteria that may necessitate grantee use of a fiscal agent and criteria for becoming a fiscal agent are communicated under this framework.

Fundamental to this framework is the definitional distinction between a Fiscal Agent and a Fiscal Sponsor. A Fiscal Agent is much more limited in scope than a Fiscal Sponsor.

- A Fiscal Agent is as an entity contracted to perform fiscal responsibilities on behalf of a related party. A Fiscal Agent is utilized for technical, regulated financial matters to allow the organization to focus on other operational core competencies such as program execution and service delivery.
- A Fiscal Sponsor assumes legal accountability, fiduciary oversight, fiscal management and other administrative services of a related party. Terms of a Fiscal Sponsorship vary by funding source and project scope. Funding terms may require grant funds be award to a 501(c)(3) tax exempt organization. In a local government context, the funder may mandate a specified entity or type of entity as the Fiscal Sponsor to assure execution of grant terms and adherence to grant restrictions.

Fiscal Agent

Organizations that lack financial and administrative knowledge, expertise or capacity to perform these highly regulated functions benefit from a contractual agreement for professional Fiscal Agent services. There must be a defined reporting relationship between the Fiscal Agent and the organization's authoritative representative or governing body. Delegation of fiscal responsibilities to a Fiscal Agent does not remove the organization's accountability for the Fiscal Agent's performance.

An organization must internally assess its financial needs and current operations. The scope of the needs dictate the terms of the Fiscal Agent contract. Responsibilities may include but are not limited to bookkeeping, payment processing, financial reporting, taxation matters, onsite monitoring, audit responses, preparing an indirect cost rate proposal and applying indirect cost rates. A fiscal agent can perform a specific task, such as preparing a cost rate proposal, or provide a broader scope of services for a specified award(s) or for the organization's overall operations.

The duration of the grantee / Fiscal Agent relationship also depends on the organization's needs. If qualified internal staff exist, the Fiscal Agent need may be temporary to establish a foundation for financial and administrative compliance. If the organization does not have fiscal capacity, a longer term Fiscal Agent function can fulfill compliance requirements.

The roles and responsibilities of a Fiscal Agent should be clearly defined in a written, signed contract that specifies agreed upon price or fees and services. The Fiscal Agent function is an allowable expense that can be paid with grant funds, unless statutorily limited or restricted. Consequences for non-compliance are significant and could include a loss of current and future grant funding and a disallowance of previously paid expenses. A qualified Fiscal Agent positions grantees for compliance.

Conditions Where a Fiscal Agent May Be Needed

An organization may need to engage a Fiscal Agent if the organization lacks the financial or administrative capacity to execute required financial transactions in accordance with generally accepted accounting principles and fund management regulations. Consider a Fiscal Agent if:

- The fiscal and administrative Internal Control Questionnaire (ICQ) resulted in high risk specific condition(s) being assigned to your grant awards which could result in material noncompliance;
- The organization was unable to successfully negotiate an indirect cost rate proposal;
- The organization received a repeat audit finding(s) or a modification of audit opinion that indicates a material weakness in fiscal or administrative function which could result in material noncompliance or a misstatements of financials;
- The organization is determined to have real or potential insolvency;
- State agency monitoring (onsite or through a desk review) indicates insufficient separation of financial responsibilities or other findings related to financial operations; or
- The organization is not current in financial reporting (e.g., periodic financial reports under the terms of the grant agreement, taxes, year-end statements, invoice / billing processing).

Minimum Qualifications of a Fiscal Agent

To be effective and compliant with financial administration of federal, federal pass-through and/or state grants, a Fiscal Agent should meet the following minimum qualifications:

- Have applied knowledge of Federal Uniform Guidance (2 CFR 200) within the last 12 months;
 - Understand the minimum requirements applicable to the organization as state in 2 CFR 200;
 - Understand record retention and audit documentation as stated in 2 CFR 200;
- Participated - within the last 12 months - in financial and administrative grant management training and webinars offered by the Grant Accountability and Transparency Unit (GATU) available at www.grants.illinois.gov or another continuing education sponsor;
- Have three years of experience in grant accounting and fund management through an automated accounting system;
- Have experience in a liaison capacity with internal and external auditors or have conducted audits in accordance with Generally Accepted Government Auditing Standards within the last three years; and
- Disclose all current and pending contracts with other parties that could provide a real or potential conflict of interest.

It is strongly encouraged that the Fiscal Agent be a registered, Certified Public Accountant (CPA). A licensed CPA designation is preferred. If the individual is a licensed or registered CPA, it is suggested that the person meet the Government Auditing Standards Continuing Professional Education requirements.