Governor's Office of Crime Prevention and Policy (GOCPP)

Grants Fraud (Risks and Prevention) – Module 5 (Conditions and Compliance)

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OFFICE OF THE GOVERNOR
Wes Moore

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GOVERNOR'S OFFICE OF CRIME PREVENTION AND POLICY

https://gocpp.maryland.gov/

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- Videos of previous training session as well as the slides from this session will be available at https://gocpp.Maryland.gov/grants/.
- In order to receive a Certificate of Completion, all participants must complete the pre-training assessment (https://s.zoom.us/m/b9D6kT7ZS) and the post-training assessment (https://s.zoom.us/m/b9Ea1znbc). You can also access the assessments using the QR codes below:

Pre-Training Assessment

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Conditions and Compliance

Module 5

Learning Objectives

- **Understand** the framework of General and Special Conditions for Maryland GOCPP grants.
- **Identify** key areas of compliance required by GOCPP.
- **Learn** about the recent update to the de minimis indirect cost rate (SB 127).
- **Recognize** the implications of this change for GOCPP grantees.
- **Access** resources for navigating GOCPP grant requirements.

Grant Conditions: The Rules of Engagement

- Grant conditions are the essential terms that define your responsibilities when accepting and managing GOCPP funds.

- **Purpose:**
  - Ensure proper stewardship of funds.
  - Promote accountability and transparency.
  - Achieve program objectives.
  - Mitigate risks, including fraud.

- **Two Main Types:**
  - **General Conditions:** Standard rules applicable to all or most grants.
  - **Special Conditions:** Specific to a particular grant award or project.



General Conditions: The Universal Rules

- General Conditions represent the standard set of regulations that apply across most GOCPP grant awards.
- **Where to Find Them:** Typically included in the grant agreement package or referenced in the GMS (Grants Management System) portal.
- **Why They Exist:** Ensure consistent compliance with overarching state and federal regulations (e.g., 2 CFR Part 200 - Uniform Guidance for federal funds).
- **Key Areas Covered:** Financial management, reporting, procurement, recordkeeping, personnel, and audit requirements.

Key General Condition 1: Compliance with Laws & Regulations

- A fundamental requirement is strict adherence to all applicable federal, state, and local laws and regulations.

- **Examples:**
  - **2 CFR Part 200 (Uniform Guidance):** For federal pass-through funds (most GOCPP grants).
  - Maryland State Finance and Procurement Article.
  - Civil Rights Acts.
  - Americans with Disabilities Act (ADA).
  - Environmental regulations.

- **Implication:** Ignorance of the law is not an excuse for noncompliance.



Key General Condition 2: Financial Management Standards

- Grantees must maintain robust financial management systems that meet both federal and state standards for accountability.
- **Key Aspects:**
  - **Accurate Records:** Complete and correct financial data.
  - **Internal Controls:** Effective systems to safeguard assets and ensure reliability (as discussed in Module 3).
  - **Accountability:** Clear audit trails for all expenditures.
  - **Allowability:** Ensuring all costs charged to the grant are permissible.
  - **Timeliness:** Prompt recording of transactions.
- **Impact:** Directly prevents financial fraud and misuse of funds.



Key General Condition 3: Record Keeping & Retention

- Maintaining accurate and complete records for specified retention periods is crucial for demonstrating proper use of funds.
- **What Records?** Invoices, receipts, payroll records, timesheets, contracts, performance data, participant lists, communication with GOCPP.
- **Retention Period:** Typically, 3 years after the submission of the final expenditure report but check specific grant terms (often longer if there are audit findings).
- **Importance:** Crucial for audits, monitoring, and demonstrating compliance. Lack of records is a major audit finding.

Key General Condition 4: Reporting Requirements

- Timely and accurate submission of financial and programmatic reports is mandatory to keep GOCPP informed of your grant's progress.

- **Types of Reports:**
  - **Financial Reports:** Detail expenditures, drawdowns, and unspent balances.
  - **Programmatic Reports:** Describe activities, progress towards objectives, and outcomes.
  - **Progress Reports:** Interim updates on project status.
  - **Closeout Reports:** Final summaries of financial and programmatic activity.
  - **GMS System:** GOCPP utilizes a Grants Management System (GMS) for most reporting.

- **Implication:** Late or inaccurate reports can lead to payment delays or grant suspension.



Key General Condition 5: Audit Requirements

- Your grant may be subject to various audits, emphasizing the need for meticulous record-keeping and compliance readiness.
- **Single Audit (Uniform Guidance):** Required for nonfederal entities that expend $1,000,000 or more in federal awards in a fiscal year.
- **State Audits:** GOCPP may conduct its own monitoring visits or audits.
- **Purpose:** To ensure compliance with grant terms, financial accuracy, and internal control effectiveness.
- **Preparation:** Maintain organized records and be ready to provide documentation.

Key General Condition 6: Procurement Standards

- Adhering to specific procurement standards ensures fair, open, and transparent purchasing of goods and services with grant funds.

- **Key Principles (from Uniform Guidance):**
  - **Competition:** Encourage full and open competition.
  - **Documentation:** Maintain records of procurement history.
  - **Cost & Price Analysis:** Ensure reasonable pricing.
  - **Conflict of Interest:** Avoid actual or apparent conflicts.
  - **Vendor Selection:** Based on qualifications and price.

- **Impact:** Prevents bid-rigging, kickbacks, and ensures best value for grant funds.

Key General Condition 7: Personnel Standards

- Proper personnel standards, including accurate time and effort reporting, are essential for legitimate charging of staff costs to grants.

- **Key Aspects:**
  - **Time & Effort Reporting:** Accurate documentation of time spent on grant activities.
  - **Salary Caps:** Adherence to any federal or state salary limitations.
  - **Background Checks:** For staff working with vulnerable populations.
  - **Non-Discrimination:** Compliance with equal opportunity laws.

- **Impact:** Prevents ghost employees and ensures proper allocation of personnel costs.

Key General Condition 8: Subrecipient Monitoring

- If you pass funds to subrecipients, you, as the prime grantee, are responsible for monitoring their compliance with all grant terms.

- **Key Responsibilities:**
  - Perform a risk assessment of the subrecipient.
  - Include proper terms and conditions in the subaward agreement.
  - Monitor subrecipient activities and financial reports.
  - Ensure subrecipient audit compliance.
  - Take appropriate action on noncompliance.

- **Impact:** Prevents subrecipient fraud and ensures overall grant compliance.

Special Conditions: Project-Specific Rules

- Beyond the general rules, Special Conditions are unique requirements tailored specifically to your individual grant award.
- **Where to Find Them:** Explicitly stated within your individual GOCPP grant award document.
- **Importance:** These are *equally binding* as General Conditions and must be carefully reviewed and understood.
- **Examples:** Can include specific deliverables, budget restrictions, or unique reporting frequencies.



Examples of Special Conditions (Illustrative)

- These examples show how Special Conditions can impose very specific requirements on your grant.

- **Illustrative Examples (Will Vary by Grant):**
  - "Grantee must achieve 80% participant retention by month 6 of the project period."
  - "Funds allocated for 'Equipment' may not exceed $10,000 without prior written approval from GOCPP."
  - "Grantee must submit quarterly progress reports by the 15th of the month following the end of each quarter."
  - "Specific personnel qualifications are required for the Project Director (e.g., Master's degree in Social Work)."
  - "Grantee must provide 25% nonfederal cost-share/matching funds, documented by [specific method].“

- **Key:** Always read your specific grant award carefully!

Focus on Indirect Costs: The Overhead Challenge

- Let's now turn our attention to indirect costs, which cover the essential overhead expenses of your organization.

- **Direct vs. Indirect:**
  - **Direct Costs:** Directly attributable to a specific grant (e.g., program staff salaries, project supplies).
  - **Indirect Costs:** Shared costs that support multiple programs.

- **Importance:** Proper accounting for indirect costs is crucial for financial compliance and full cost recovery.

2 CFR Part 200 (Uniform Guidance) & Indirect Costs

- Federal grants, including those passed through GOCPP, follow the specific rules for indirect costs outlined in 2 CFR Part 200.

- **Key Principles:** Costs must be:
  - **Allowable:** Permitted by the grant terms and regulations.
  - **Allocable:** Directly benefit the specific grant.
  - **Reasonable:** Prudent person test.

- **Methods for Recovery:**
  - Negotiated Indirect Cost Rate Agreement (NICRA) with a federal agency.
  - **De Minimis Indirect Cost Rate.**

The De Minimis Indirect Cost Rate: A Simpler Option

- The de minimis rate offers a streamlined method for certain organizations to recover indirect costs without needing a complex negotiated rate.
- **How It Works:** A fixed percentage applied to a Modified Total Direct Cost (MTDC) base.
- **Benefits:** Reduces administrative burden for smaller organizations or those without complex accounting systems.
- **Previous Rate:** Historically, 2 CFR Part 200 allowed a 10% de minimis rate.

Maryland's Update: SB 127 (Effective July 1, 2025)

- A significant update for Maryland grantees is the change to the de minimis indirect cost rate, increasing it to 15% starting July 1, 2025.
- **Legislation:** Senate Bill 127 (SB 127)
- **Effective Date:** July 1, 2025
- **Key Change:** Updates the de minimis indirect cost rate from 10% to 15% for state agencies and pass-through entities.
- **Why the Change?** Acknowledges the rising overhead costs faced by organizations and aims to provide more equitable cost recovery.
- **Impact:** A significant positive change for many grantees, allowing them to recover a larger portion of their legitimate indirect costs.

GOCPP's Adoption of the 15% Rate

- Confirming this change, GOCPP has officially adopted the new 15% de minimis indirect cost rate for eligible subawards effective July 1, 2025.
- **Source:** Governor's Office of Crime Prevention and Policy (GOCPP)
- **Documentation:**
  - GOCPP Grants Management System (GMS) Applications Instructions (Page 18, January 25 version).
  - GOCPP General Conditions (for subawards effective July 1, 2025).
- **Confirmation:** GOCPP has officially adopted the increased 15% de minimis indirect cost rate, aligning with SB 127.
- **What this means for you:** If your organization is eligible and chooses to use the de minimis rate, you can now claim 15% of your Modified Total Direct Costs (MTDC) for indirect costs on GOCPP grants effective July 1, 2025.

Implications for Grantees: What This Means for You

- This increase means eligible grantees can now recover a larger portion of their indirect costs on new and modified GOCPP grants.
- **Budgeting:** When preparing new grant applications or budget modifications for grants effective July 1, 2025, you can budget for the 15% rate.
- **Eligibility:** Still applies to organizations that *have never had* a federally negotiated indirect cost rate. If you have a current NICRA, you must use that rate.
- **MTDC Base:** Remember the rate is applied to Modified Total Direct Costs (MTDC), which generally excludes capital expenditures, flow-through funds, and certain other direct costs.
- **Action:** Review GOCPP's latest guidance carefully for specific application instructions.

Calculating De Minimis Indirect Costs (Example)

- Let's walk through an example to see how the new 15% de minimis rate will impact your indirect cost calculation.
- **Scenario:** A GOCPP grant (effective July 1, 2025) with $100,000 in eligible Modified Total Direct Costs (MTDC).
- **Calculation (Old Rate):**
  - $100,000 (MTDC) x 10% = $10,000 in indirect costs.
- **Calculation (New Rate - Effective July 1, 2025):**
  - $100,000 (MTDC) x 15% = $15,000 in indirect costs.
- **Difference:** An additional $5,000 in recoverable indirect costs for this example.

Importance of Compliance with Conditions

- Strict adherence to all grant conditions is non-negotiable for ensuring accountability, program success, and your organization's reputation.

- **Why Adherence Is Critical:**
  - **Legal Obligation:** Grant agreements are legally binding contracts.
  - **Financial Integrity:** Ensures funds are used as intended and accounted for properly.
  - **Programmatic Success:** Compliance supports effective program delivery.
  - **Reputation:** Protects your organization's standing with GOCPP and other funders.
  - **Future Funding:** A strong compliance record increases eligibility for future grants.

- **Proactive Approach:** Integrate compliance into daily operations, don't wait for an audit.

Consequences of Non-Compliance

- Failure to comply with grant conditions can lead to severe repercussions, including financial penalties and loss of future funding.

- **Potential Repercussions:**
  - **Disallowance of Costs:** Requirement to repay funds.
  - **Grant Suspension or Termination:** Loss of current funding.
  - **Withholding of Payments:** Delays in receiving funds.
  - **Negative Audit Findings:** Can impact future funding.
  - **Debarment:** Inability to receive future federal or state grants.
  - **Reputational Damage:** Loss of trust from funders and the public.
  - **Legal Action:** In severe cases of fraud or gross negligence.

- **Key:** Understanding and adhering to conditions is paramount to avoid these severe consequences.

Resources for GOCPP Grantees

- Fortunately, GOCPP provides a variety of resources to help you navigate and comply with all grant requirements.

- **Key Resources:**
  - **GOCPP Website:** www.gocpp.maryland.gov (Look for "Grants" sections).
  - **GOCPP Grants Management System (GMS):** Your portal for applications, reporting, and grant documents.
  - **GOCPP Grants Management Manual/Instructions:** Detailed guidance on policies and procedures.
  - **Your GOCPP Grant Manager:** Your primary point of contact for specific grant questions.
  - **2 CFR Part 200 (Uniform Guidance):** The authoritative source for federal grant regulations.

- **Recommendation:** Regularly check the GOCPP website and GMS for the latest updates and guidance.

Module Summary & Key Takeaways

- To summarize, understanding GOCPP's General and Special Conditions, especially the new 15% de minimis indirect cost rate, is vital for successful grant management.

- **Recap:**
  - GOCPP grants are governed by both universal General Conditions and project-specific Special Conditions.
  - Key compliance areas include financial management, reporting, procurement, and subrecipient monitoring.
  - Maryland SB 127 (effective July 1, 2025) increases the de minimis indirect cost rate from 10% to 15%.
  - GOCPP has adopted this 15% rate, a significant benefit for eligible grantees.
  - Strict adherence to all conditions is vital to avoid severe consequences and ensure successful grant outcomes.

- **Action Item:** Review your current GOCPP grant agreements and familiarize yourself with the latest GMS instructions, especially regarding the new indirect cost rate.

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Presentation slides and videos are edited for brevity, and reflect changes to 2 CFR 200 effective 10/1/24. Also, refer to the March and May 2025 training materials on the Grants Lifecycle from pre-application through closeout.

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Disclaimer: This presentation is intended for general education and informational purposes only to help subrecipients manage the life cycle of a GOCPP subaward. For more information specific to your subaward, please contact your GOCPP grant manager and/or review conditions available in the Grants Management System(GMS). Please email gocppgrants.admin@maryland.gov to answer any questions regarding this training content.

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on Facebook and X
#ASaferMD

Grants Management System - Technical Support:

support@goccp.freshdesk.com