



**New Century Series
Resource Paper #19**

**Grants Management:
The Zen of Prevention, Preparedness,
Response, and Recovery**

By
Elizabeth T. Gombash

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Dear CRD colleagues,

One of the most important positions in resource development at our community colleges is that of the grants professional. Grants professionals are critical in the identification of funding opportunities for our colleges. They provide the leadership needed to ensure that the collaboration of faculty, staff, administration, and vital community support comes together to write a successful proposal. And, on top of writing grants, grants professionals are often charged with managing and ensuring compliance with funding agencies regulations for those successful grants at their institutions.

The Council for Resource Development is pleased to offer you the New Century Resource Paper #19: Grants Management: The Zen of Prevention, Preparedness, Response, and Recovery. This informative paper offers grants professionals the tools needed to provide grants professionals in order to better manage successful grants as well as great information on compliance issues.

CRD would like to extend our sincere appreciate to the author of this paper, Elizabeth T. Gombash, of Valencia Community College in Orlando, Florida. Liz is an extremely successful grant professional and her sage advice is greatly welcomed.

For more information about CRD and CRD's publications, visit www.crdnet.org.

On behalf of the Board,

A handwritten signature in black ink, appearing to read "Debra J. Wilson". The signature is fluid and cursive, with a large loop at the end.

Debra J. Wilson
CRD 2010 President

Grants Management: The Zen of Prevention, Preparedness, Response, and Recovery

By
Elizabeth T. Gombash

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When you began your career planning, did you firmly identify grant writing as your career goal? For most of us, the answer is “no”: the grant writing function simply “fell” into our laps based on timing, opportunity, and/or circumstance. Grant writing training was hit-or-miss, and learning often took place on-the-job: perhaps you were lucky enough to attend a Council for Resource Development conference to learn about grant opportunities early on, or you may have sought out a more experienced mentor who shared with you valuable advice about competition strategy.

These days, you are likely feeling the heat of Federal grants management, and those flames are getting bigger. Compliance functions may be falling into your lap. Even if your official responsibilities up to this point have been grant writing, the minute a major grants management problem arises, or a reporting question appears, or a grant auditor comes to call, you could very well be expected to play a significant role in addressing the situation.

Whether you are new to the field or a seasoned professional, this resource paper is designed to provide grant writers with an overview of how to approach the most common grants management/compliance issues.

THE ZEN OF GRANTS MANAGEMENT

So where do you start? One way to fight the fire is to aim for an internal controls system that parallels the four phases of emergency management, but with a “twist of zen.”

Grants, emergency management, and zen may at first sound like an odd combination, but consider the possibilities. On our campuses, we accept responsibility for the safety of our students, staff, and visitors by developing proactive plans to deal with emergencies such as fires; these emergency management plans include strategies and tactical steps to deal with the “lifespan” of an emergency: Prevention, Preparedness, Response, and Recovery. We have an obligation to treat grants similarly. Grants management plans, like a plan to reduce the risk or impact of a fire, should be comprehensive in design and detail: policies should support procedures designed to prevent noncompliant activities from occurring; trained staff should be prepared to address grant problems as they are identified; the institutional environment should support and encourage prompt and reasonable responses to problems that do arise; and staff should apply their knowledge to develop effective recovery steps if problems cause damage.

Grant stakeholders who achieve grants management zen can influence positive outcomes resulting from implementation of the grants management plan. Simply knowing the grant rules and regulations is not enough to achieve zen – as they administer their grants, stakeholders will be more inclined to make the right choices as they contemplate day-to-day decisions if they apply a sense of increased enlightenment (i.e., ability to accurately interpret the rules and regulations, not just read them) and intuition (i.e., a sense of comfort in believing that your decisions are based on sound thinking). It is development of this individual zen that collectively contributes to your increased institutional capacity, sustainability, and ability to address compliance matters both large and small as they arise.

To achieve a state of grants management zen, look no further than the eternal wisdom of ancient Chinese proverbs.

**“One cannot refuse to eat just because
there is a chance of being choked.”**

Grants continue to serve as valuable external resources that help our institutions provide needed programs and services to support student learning. Federal agencies disburse approximately \$500 billion in grants each year, accounting for nearly 20% of Federal expenditures. (Muller, p. 26) An additional \$787 billion became available in FY2009 through Federal stimulus dollars awarded under the American Recovery and Reinvestment Act (ARRA).

Grants management risks should not scare you away from pursuing grants altogether, nor should you ignore them and hope to fly under the audit radar. In these days of accountability and transparency, many people are watching, including:

1. the program officer who monitors project progress and may conduct site visits that lead to audits;
2. the grants officer who signs off on your award and subsequent prior approval requests;
3. the Office of Inspector General (OIG), with auditors who conduct financial and programmatic audits of agency programs and investigators who respond to accusations of fraud from whistleblowers;
4. the Government Accountability Office (GAO), a non-partisan group of auditors, investigators, and subject matter experts that advises Congress and agencies on how to make government work better by determining if internal controls are adequately in place; and last but not least
5. the general public, the media, and public watchdog organizations, who can now access institution-specific grant information through websites such as expectmore.gov and recovery.gov.

Grant writers must understand that prevention begins during the Pre-Award (development) phase of the grants lifecycle, not when the award notice is received. When you submit your grant applications, and when you subsequently accept grant dollars, you legally commit to doing what you proposed, and to complying with grant terms and conditions, which include a host of program-specific and cross-cutting rules and regulations. The damaging consequences of grantee noncompliance are well documented in OIG reports and subsequently all-too-often in the media.

Considering grants management when developing the proposal can protect your institution from compliance headaches during the Post-Award period. Building in strategies that avoid or anticipate compliance challenges should not impact the competitiveness of the application, since the readers are usually sold on factors predominantly unrelated to grants management, such as an innovative idea, extensive research, effective planning, and responsiveness to application guidelines.

You should have a strong internal controls system in place from Day 1 of a grant. If you believe that your internal controls are inadequate, or if you are not sure if your organization can manage grant funds properly, then make a commitment to put your house in order before you submit a grant application. (Gombash, pp. 4-5)

“Clear conscience never fears midnight knocking.”

Adopting a preventative approach to grants management and being prepared to address problems when they inevitably arise can eliminate a lot of sleepless nights. Having an effective internal controls system in place increases the institution’s ability to respond promptly and effectively to identified programmatic and fiscal issues that may

or may not require prior approval from the funder for recovery to occur. It is better to take action yourself before the funder imposes suspension or termination actions due to your institution's material failure to comply with the terms and conditions of an award. Repeated offenses could result in being labeled a high risk grantee, which can have heavy undesirable financial and other consequences. (Gombash, pp. 4-5)

The Annual Compliance Supplement to OMB Circular A-133 is aimed at auditors who perform independent audits as required by the Single Audit Act, but the Compliance Requirements and Internal Control sections offer useful guidance to grantees by specifying objectives pertaining to key program and financial compliance areas (e.g., program eligibility, allowable activities and costs, matching, reporting, and subrecipient monitoring). In addition, OMB Circular A-123 provides guidance on how to be a good steward of Federal funds by establishing, assessing, correcting, and reporting on internal control.

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

1. Effectiveness and efficiency of operations,
2. Reliability of financial reporting, and
3. Compliance with applicable laws and regulations. (GAO Green Book)

Although A-123 is designed to provide guidance to Federal agencies, its principles apply to grantees as well. The Circular clearly states that Management is responsible for developing and maintaining internal control activities that comply with the following five standards:

1. Control Environment – How does Management clearly demonstrate its commitment to competence in the workplace? Does Management's leadership set values of integrity and ethical behavior in the institutional culture?
2. Risk Assessment – How does Management proactively identify internal and external risks that may prevent the organization from meeting its objectives? Are these identified risks analyzed for their potential effect or impact?
3. Control Activities – Does Management have comprehensive policies, procedures and mechanisms in place to help ensure that objectives are met?
4. Information and Communications – Is relevant, reliable, and timely information communicated to relevant personnel at all levels within the organization and with outside organizations as well?
5. Monitoring – Is the effectiveness of internal control periodically assessed in the normal course of business? Are identified deficiencies reported, identified, evaluated, and corrected using a systematic process for addressing deficiencies? (A-123)

It is valuable to understand how the Federal agencies monitor grantees when developing a grants management plan for your institution. The National Science

Foundation (NSF) provides insight into the scrutiny that is applied to grant recipients through its monitoring activities, which are used as a model for other Federal agencies.

At NSF, monitoring is divided into two levels: baseline and advanced. Baseline monitoring is applied to all grantees and includes highly automated actions such as screening and processing cash requests and financial reports, outreach, and expenditure transaction testing for compliance (targeting all high risk awards and a selected sample of low/medium risk awards). Occasionally, baseline monitoring may result in the identification of an exception that requires staff intervention, investigation, or advanced monitoring. Advanced monitoring activities are carefully prioritized and planned based on NSF's annual risk assessment model. Activities include the assessment of grantee regulatory compliance and the evaluation of awardee performance through desk reviews, site visits, and business systems reviews. Identification of problems during this process may result in referral to the OIG for an in-depth audit. Between FY2005 and FY2008, NSF's advanced monitoring activities covered 81% of all funds awarded, with the number of site visits conducted increasing by 50%, and the number of desk audits increasing from 0 to 135. The total number of awardees exposed to advanced monitoring increased by nearly 2,000%. (Santonastasso, Rissi, and Austin, pp. 7-13)

As part of their own risk-based internal control systems, Federal agencies are paying particularly close attention to new and inexperienced grantees. A study by Practical Strategy LLC, a policy and management consulting firm, identified new grantees as a risk factor; the other risk factors included large grants; large grants in relation to a grantee's budget; prior unsatisfactory performance; history or indication of management problems; and financial instability or turnover. (Muller, p. 34) As part of its efforts to effectively oversee its award portfolio, NSF identifies and mitigates a broad array of risks, which includes a review of the financial management capabilities of new and potential awardees prior to issuing an award. However NSF particularly targets the risks associated with institutions that have less experience managing Federal awards. (Santonastasso, Rissi, and Austin, p. 6)

Establishing and consistently following comprehensive policies and procedures is critical to internal control preparedness. Every institution has a different culture as well as different systems, so internal controls must be "customized" to meet the specific needs of your institution. To prevent audit exceptions, at a minimum, policies and procedures must be in writing, and steps must be taken to ensure that staff understand, accept, and deliver on the roles and responsibilities that are assigned to them based on these policies and procedures. This depth of understanding should include staff knowledge of the individual and institutional consequences associated with noncompliance, and management must be consistent in its willingness to identify any weaknesses in the internal controls system and to enforce compliance. Because lack of written documentation remains one of the most common audit findings, the internal controls system must have mechanisms in place to ensure that timeliness is prioritized and a proper audit trail is maintained.

Financial management standards are particularly important in an internal controls system. In accordance with 2 CFR 215, not only must the financial management system provide for effective internal controls that will assure accountability for grant and sub-grant cash, but it also must generate detailed accounting records that are supported by appropriate source documentation (e.g., canceled checks, bills, payroll, time and effort records) and be capable of comparing budgeted vs. actual expenditures for each grant award received so that financial data may be related to performance and productivity data. This relationship between financial and programmatic aspects of a grant is necessary so that expenditures may be reasonably tied to the outcomes of authorized project activities. The project director and Finance office are jointly responsible for monitoring drawdown of funds, match, obligations, and expenditures. (Flood, p. 15-23)

“Listen to all, plucking a feather from every passing goose, but follow no one absolutely.”

Teamwork is critical throughout the grant lifecycle; it minimizes duplication of effort, contributes to a system of checks and balances, and encourages efficient use of resources. Grants are complex animals that require unique sets of knowledge and skills in diverse areas such as fund accounting, contract law, compliance auditing, policy development, research, planning, persuasive writing, budget planning, budget spending, and verbal and electronic communication. It would be rare to find one individual who possesses high-level strengths in all these areas, so it is important to build upon and use the individual strengths of your team.

Even if you believe that you have comprehensive grants management policies and procedures in place, you need a well-trained and committed team of people to implement those policies and procedures. Because grants come and go, and because grant regulations continuously evolve, to maximize your ability to prevent, prepare for, respond to, and recover from compliance matters you need to continuously inventory your institution’s collective grants management knowledge and skills. Identify the gaps in your inventory, then identify ways to fill them by bringing in grants management consultants, attending or delivering grants management training workshops, and/or subscribing to reliable grants management information resources. The more up-to-date staff knowledge and skills are, the greater the likelihood of compliance.

Close collaboration between the Finance office and the project director is needed for successful financial management of grant funds. Many grant award budgets are expressed in broad general categories of costs, while in contrast most accounting systems are based on detailed charts of account with detailed account functions, codes and titles. A well-trained grants accountant can assist the project director with the “translation” of the budget from the proposal to the accounting system. (Flood, pp. 9-10)

Teamwork is especially important when preparing for and responding to funder site visits and audits. If you subscribe to the philosophy that many individuals contribute to the institution's collective knowledge base, sharing the responsibility of preparing for and responding to something as potentially game-changing as a site visit or audit distributes the burden. For organizational purposes it is valuable to have a single individual to serve as the lead coordinator, however different individuals can play targeted roles in responding to specific questions or requests. Working as a team can also be valuable when dealing with recovery after a site visit or audit: the inclusion of different perspectives will ensure that any findings are addressed comprehensively.

“Teachers open the door. You enter by yourself.”

Professors are not the only people who teach at our institutions; grant department staff play a critical role in opening the door to compliance by teaching administrators, faculty, and staff how to manage their grants.

It is the project director who is ultimately responsible for grant administration. To help project directors and others involved in grants to prepare to implement a successful project, walk them through the approved proposal. Point out timelines, expected outcomes, spending plans, and other factors that influence success. This approach is essential for those who did not participate in the proposal development process, but even those who were involved in the development of the proposal benefit from a Post-Award refresher.

Integrate grants management information as you review the project activities, so that the project director and staff understand the context of the information being shared and the specific role that they will play in each task. Be thorough and patient, because their learning curve may be significant – things that are second nature to you may be totally unfamiliar to them. Spending questions? Review the approved budget, which is in essence the first spending plan, as well as the four factors of the test of allowability from 2 CFR 220, and Expanded Authorities/prior approval requirements from 2 CFR 215. Reporting requirements? Invest significant time in explaining how evaluation is not an after-thought and how reporting is data driven. Matching? Review the five matching criteria in 2 CFR 215. Subrecipient? Discuss the subrecipient agreement and monitoring process. Time and effort? Provide a copy of your time and effort documentation form and explain how to complete and submit it each month in accordance with 2 CFR 220.

Then, just like the many professors who walk the halls of our campuses, make sure you encourage your students to contact you during office hours just in case they forget what you've said or need additional clarification.

“A spark can set a fire that burns the entire prairie.”

After you accept a grant, it is not unusual to encounter circumstances that require minor adjustments along the way. Serious problems should be rare if you do your due diligence during the Pre-Award and Post-Award phases. Upon discovery of a problem, your organization’s internal controls recovery process should include not only how to promptly and reasonably address the problem, but also how to best prevent and reduce continuing risk to your institution. (Gombash, p. 5)

The key to effective response and recovery is to not fear the discovery of problems; to not sweep problems under the rug when they are discovered; to promptly implement a correction plan; and to consider the potential broader implications of even the smallest piece of burning ash.

Previously-mentioned GAO reports have offered a variety of findings that exposed deeper and wider internal controls problems – they serve as helpful warning signs as you consider your institutional Prevention, Preparedness, Response, and Recovery practices:

1. A poor “tone at the top” and attitude by grantee management toward maintaining adequate financial and program records.
2. Management lacks understanding of the requirements in the grant agreement.
3. Grantee requests assistance from Agency to resolve problems.
4. Employees are generally disgruntled.
5. Top management is unaware of actions taken at the lower level of the organization.
6. The organizational structure is inefficient or dysfunctional.
7. The program is understaffed and/or workload has drastically increased, and staff are having difficulties handling operational workload.
8. Employees are unaware of policies and procedures, but do things “the way they have always been done.”
9. Inconsistencies with reported grant information.
10. Grantee has slow or fast drawdowns.
11. Key documentation is often lacking or does not exist.
12. Recording of time charges that do not appear to be logical or correct.
13. Questionable travel expenses lack adequate documentation.
14. Grantee cannot readily provide project information.
15. Staff are frustrated by requests for information because it is time consuming and difficult to provide the information.
16. Management does not have reasonable assurance that the information it is using is accurate.
17. Management was not aware of problems until a big problem occurred or until another outside party brought it to their attention.

To achieve zen, many promising practices are offered by the Domestic Working Group Grant Accountability Project:

1. Provide grants management training.
2. Consolidate information systems.
3. Coordinate programs with similar goals and purposes.
4. Link grant ideas with goals.
5. Assess capability to account for funds.
6. Ensure results through performance monitoring.
7. Monitor subrecipients as a critical element of grant success.
8. Identify ways to improve program performance.

Grants management/compliance is a broad and complex issue that cannot be sufficiently captured in a single paper, so follow-up research is definitely recommended after you have finished reading this paper. This paper is intended solely to provide general information and does not constitute legal advice, so you are encouraged to consult with legal counsel familiar with your particular circumstances before taking any action based upon any information in this paper. Good luck, and I wish you much success in your efforts to achieve grants management zen!

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ABOUT THE AUTHOR



Elizabeth Gombash is Assistant Vice President for Resource Development at Valencia Community College in Orlando, Florida. Liz has over 20 years of pre-award and post-award grant experience, achieving an average grant funding rate of over 80%, and generating nearly \$70 million in grants while working as a grant writer at Valencia, and in more recent years as a grant writing consultant for other institutions of higher education.

Liz is a popular speaker on the topics of grant development and management at many conferences and workshops throughout the nation. She is a former board member of the Council for Resource Development, and recently completed service as Vice President on the national board of the National Grants Management Association. Liz's professional affiliations also include the American Association of Grants Professionals and the National Council of University Research Administrators. Prior to entering the field of higher education grants, she worked as a classroom teacher, as well as a grants management specialist for the Federal government. She earned her M.Ed. from the University of Central Florida and her B.S. from the University of Maryland, College Park.

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