

GRANT MANAGEMENT BEST PRACTICE

FOR GRANT GIVING



Grant management best practices

This document provides best practices across the phases of the grant lifecycle from the grantor perspective in the context of the United States and Australia. Executives, grant program designers, grant policy makers and grant administration teams from government agencies or non-government organisations can make use of the suggestions in this document when designing or re-engineering the grant management business process to meet the organisation's requirements. The document can also be used as an indication of required features if the executives or grant management team is in the process of selecting or preparing to implement a grant management solution.

Key findings

- Grant administrators have difficulty maintaining efficiency throughout the complex grant management cycle
- Ensuring accountability, transparency and fairness of grant management is resource intensive, but paramount.
- Undefined or unclear objectives and performance measures are detrimental to a grant program's success.

Recommendations

- Rigorously plan every process involved throughout the grant lifecycle to ensure administrative efficiency.
- Effective communication internally and externally dramatically increases your prospects for a successful program. Communication planning includes creating a simple and clear definition of your objectives and performance measures, liaising with stakeholders, and marketing your program.
- Utilising a grant management solution will simplify your business processes, automate actions, and reduce risk by ensuring oversight of grant-related activities.

Definition of best practice

A procedure that has been shown by research and experience to produce optimal results and that is established or proposed as a standard suitable for widespread adoption.



Part 1: Getting grant management right

Grant administration is a core mission function for many agencies. In the 2019, the U.S. federal government will provide \$703 billion in funding to state and local governments, funding an average of 20% to 30% of the programs delivered at the state and local level (according to the US Congressional Research Service¹). In Australia, more than A\$15 billion was granted in the 2019-20 financial year as reported through GrantConnect, the Australian Government whole-of-government, centralised, web-based, grant information system².

Grantors face multiple challenges to prepare, award and administrate grants efficiently and ensure that the desired programmatic goals are accomplished through grant-funding mechanisms. Some grants require the organisation to match awarded funds, which can present further risk to project success. Consequently, resources may not be fully leveraged to achieve the desired outcomes. In some cases, one grant funding source can be dispersed across dozens of sub-recipients after the funding has been initially granted. Reporting against these programs becomes challenging requiring grantors to track financial, programmatic and project management datasets across multiple entities, and then collate that data to measure project success. This can lead to significant investments in resources to administrate grants for grantors.

“Government organizations of all sizes increasingly recognize that such a substantial portion of state and local revenue streams requires an enterprise-class solution to manage it effectively, and are turning to grant management solutions to administer these vital funding streams. (Gartner)³”

Getting grant management right is critical for grantors to ensure important programs such as research, social services and infrastructure continue and the dollar investments made achieve the programmatic support and outcomes desired as a result of the funding. Historically, grantor processes have been managed by state and local governments through an amalgamation of solutions such as ERP software, custom-developed applications and even spreadsheets. These solutions have typically been focused on compliance activities and financial management of grants, with little focus on ease of use, transparency or managing performance outcomes. As a result, there have been missed opportunities for grantees to fully draw down available funds. For example, in the U.S, a 2015 Government Accounting Office report revealed that \$994 million in funding remained in expired grant accounts in the Payment Management System, managed by the Department of Health and Human Services. In some cases, jurisdictions have been required to reimburse funds originally granted due to noncompliance in the use of the funding or in meeting the reporting requirements. Our clients have reported that financially focused reporting systems leave much to be desired when it comes to easily and accurately tracking and allocating expenses to specific grant programs. This has resulted in underreported expenses — and, therefore, reimbursements — and even misappropriation of grant funding in some cases.

¹ CRS, Federal Grants to State and Local Governments: A Historical Perspective on Contemporary Issues, 22 May 2019

² Grant Connect, Australian Grants Information System, at <https://www.grants.gov.au/>

³ Gartner, Consider Four Key Factors When Selecting a Grant Management Solution, Alia Mendonsa, 22 July 2019

Getting grant management right requires a thorough understanding what is required in each phase and how to apply efficiently in practice. The following sections of this document will highlight the best practices in the industry in every phase of the grant lifecycle. These key considerations will help executives and grant management team to design the framework for grant programs or further optimize the existing process.



Part 2: Grant life cycle



We have developed our Grant Management Best Practice on the Grant Management Life Cycle illustrated in the Gartner "Market Guide for State and Local Grant Management Solutions".⁴

Grant Management Life Cycle

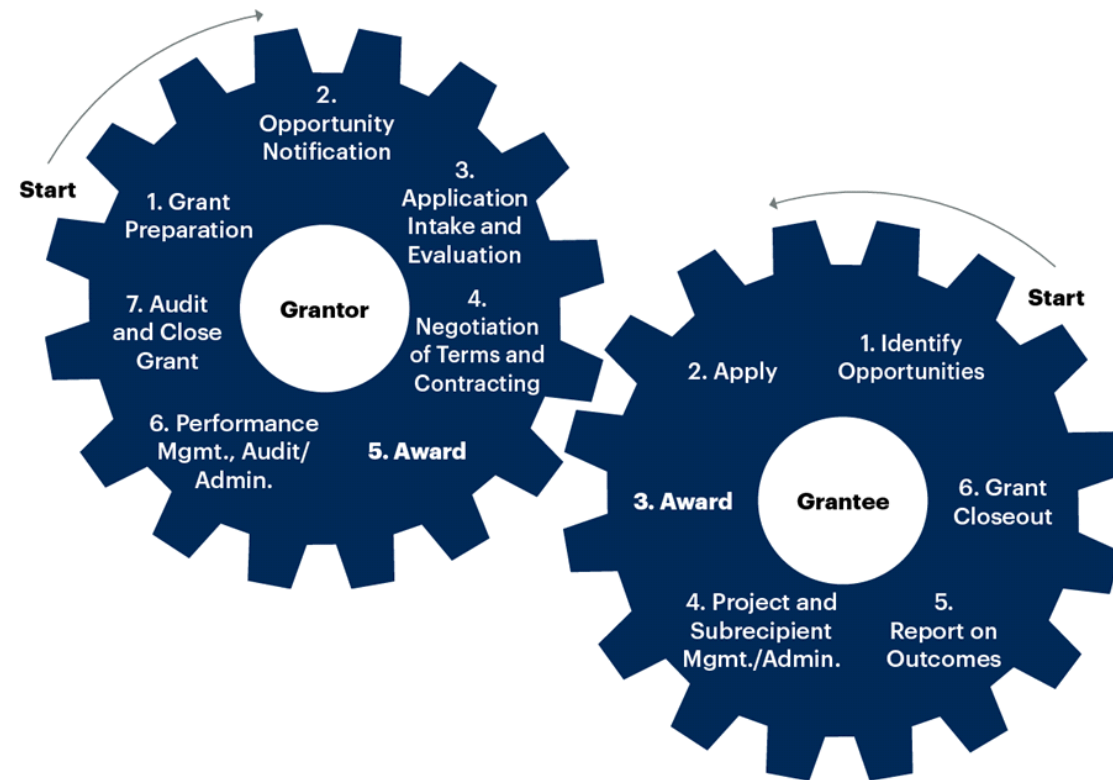


Figure 1 Grant Management Life Cycle
Gartner, Market Guide for State and Local Grant Management Solutions,
Alia Mendonsa and Apeksha Kaushik, 6 October 2020

Our Grant Management Best Practice document builds on this framework, stepping through each stage of the grantor process, highlighting the considerations we have observed to be key to running a successful grant program.

Part 3: Grantor process

⁴Gartner, Market Guide for State and Local Grant Management Solutions, Alia Mendonsa and Apeksha Kaushik, 6 October August 2020

Grant preparation

In this early stage of the grant management process, the grant program is being established and planned. It could be a new grant program or continuation of an existing one. Ideally the goals of the program should be aligned to the core mission of the organisation. However, in some situations a grant program may be established to trigger innovation and focused attention on solving a specific problem. As such, the distraction of resources and diversion of funds comes at the cost of advancing that mission and goals. Key considerations in this phase:

- **Develop simple, clear, easy-to-understand performance measures:** These measures will be used to monitor performance of the grant program during the life cycle of the grant. They can be qualitative or quantitative and should be comparable over time as they will also be used to evaluate the program as a whole and compared with other programs as well.
- **Define clear roles, responsibilities:** Clear roles and transparency in the grant program governance are imperative. In bigger organisations, separation of duties between different process stages such as eligibility checking, decision making or grant offering may be required to minimize the risk of fraud and collusion.
- **Select the most appropriate process model and plan for assessment:** A grant program can be competitive or non-competitive depending on the requirements. Assessment is usually required for competitive grants and should be unencumbered from political bias or other influence. The planning of assessment should answer the following questions:
 - Will the assessment be descriptive?
 - Will there be any scoring involved? If yes, what scoring system and criteria will be used?
 - How many rounds of assessments will be required?
 - Who are the assessors?
 - Will there be assessment by a panel or committee?
- **Decide on payment plan for successful applicants:** Depending on the program, the requirement for payment plan may vary. There are several options including:
 - Lump sum payment: fixed amount granted to the recipients
 - Budget basis: payment based on the recipients budgeted cost
 - Standard percentage: agreed percentage of cost being funded
 - Flexible: payments are made based on milestones achieved
 - Matching: payment matches recipients' other funding source/ or contribution
- **Develop comprehensive grant guidelines:** Grant guidelines will be accessible by applications, therefore should include all necessary information that applicants need to know about the grant program, including program objectives, funding amount, eligibility criteria and assessment process, as well as application timeline. Unclear grant guidelines and eligibility detract from an applicant's ability to determine eligibility, indicating that the desired outcomes of the grant program aren't fully understood or articulated well. If grant guidelines for eligibility aren't clear, applicants may reply when not eligible or might not apply when they actually are eligible. This detracts from the intended

purpose of the grant by either overwhelming reviewers with ineligible proposals or dissuading response, leading to less organisations taking advantage of the program.

- **Develop effective communication plan:** Communication will affect an organisation's ability to determine their eligibility, develop and articulate a proposal and ultimately lead to lost opportunity for potential recipients. This undermines the intention of the grant program. The plan therefore should consider the stakeholders, the information, means of communication and the time of communication throughout the process. Funding announcements which inform applicants about the outcome of their applications may be sensitive and requires timeliness in communication.
- **Identify and document potential risks and strategies/procedures:** Risks may arise across different phases of grant and program, e.g. mismanagement, overrun of costs and timelines or failure to meet the intended objectives of the program. Under reported and therefore unmitigated risk to a grant program is a missed opportunity for intervention that could get a troubled program back on track. By identifying risk and mitigation strategies and procedures upfront, a grantor organisation can quickly intervene to redirect a program before it fails. Poorly performing programs that are unchecked will ultimately result in poor grant program outcomes and limit a program's ability to contribute to achieving organisational mission.





Notification of opportunities

In this phase, grant opportunities are officially announced or published either to the public or to an invited group of people. It is important to promote opportunities to attract a high level of interest from prospective applicants. The grantor needs to ensure that same information package is provided to all prospective applicants. Consistency of information distribution in the grant application process ensures the integrity and fairness of the grant program and its founding organisation.

Application intake and evaluations

This phase starts with the submission of applications. The applications are then retrieved and processed by the grantor based on the selected process model and assessment plan (if applicable).

Application submission

The application submission process should be easy and straight forward to increase the submission rate, particularly with respect to research and innovation-oriented programs. Encouraging the highest

number of submissions possible encourages innovative concepts. If questions or requirements are unclear or arduous reporting is required upfront, grantees are more likely to abandon the application submission process. Consider the following:

- Include a “Before you begin” note for the applicant to list information applicants should have on hand before beginning the application process.
- Select or enable the submission system to allow applicants to save and come back to their application prior to submission, ideally until the closing date of the grant opportunity. The submission system should also send out receipts upon submission and provide the possibility for applicants to track the progress of their application.
- Ensure that the application templates align with the program guidelines and assist the applicants in accurately completing their application. Application templates should collect all information required to assess the application and understand how funds will be expended. The questions and fields should direct and assist applicants to provide relevant information for each selection criteria. Using helpful guidance notes and mandatory field indications will assist applicants and improve the quality of data entered in the application.

Receiving and processing applications

Receiving and processing of applications should be unified and adhere to the target timeline for grant processing. This process should be transparent to ensure integrity in the decision-making process with appropriate levels of control to ensure effective proposal evaluation, while also minimizing bureaucratic process that can delay funding. Key considerations in this phase:

- **Include initial screening for eligibility for all applications:** This process filters out applications which do not satisfy the eligibility criteria for a program, reducing time and effort in processing ineligible applications.
- **Provide assessors with enough details for assessments:** The assessment templates should include an outline of the scoring system to be used, instructions for the assessors, and clear assessment criteria including clear weighting for the criteria. For some grants, declaration of conflict of interests by assessors may be required and should be recorded formally.
- **Deal with assessments promptly:** Assessors and grant officers should be reminded about upcoming deadlines to avoid delays in grant processing.
- **Implement delegation in making decision:** Delegation allows officers with adequate experience or qualifications to make decisions, which promotes trust within the team as well as reduces the workload on a single decision maker. An example is to have more officers being able to approve applications but define a financial limit such that only senior officers can approve applications above a certain funding amount.
- **Fully document funding recommendations and decisions:** Good record keeping ensures transparency of grant processing and helps with risk assessment and audit activities.

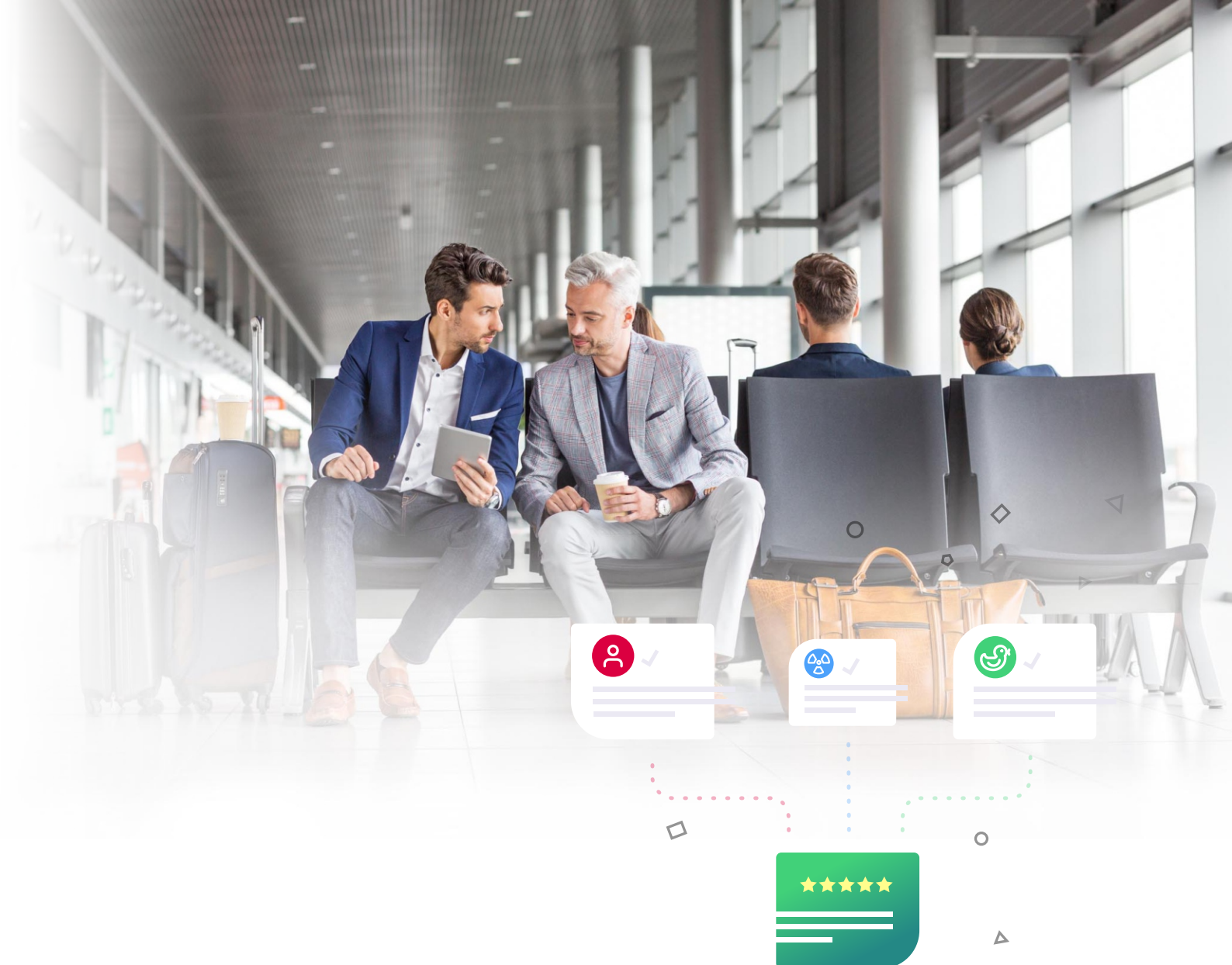
Negotiation of terms and contracting

The objective of this stage is to set out a funding agreement between the grantor and grantee. The grant contract establishes the operating guidelines, conditions of funding, expectations, and consequences for failure to adhere to the program contract. It establishes clarity for both the grantor and grantee about their roles and responsibilities. Not engaging in a thoughtful contracting process will create ambiguity regarding each party's roles and responsibilities, operating basis, timelines, and financial commitments and recourses in participating in the program. This introduces unnecessary risk for both parties and can undermine program goals. Following are some key considerations for drafting funding agreements:

- **Include appropriate controls and accountability mechanisms to enable the grantor to ensure the funding is spent appropriately and the project progresses according to the proposed plan.** For example, consider acquittal process to be part of the agreement to ensure grantees' compliance with grant program financial undertakings. This process requires grantees to prepare acquittal statements and acknowledge that grant funds have been utilised according to the funding agreements. Acquittal statements can also be used for auditing and risk assessment purposes.
- **Include a clear mechanism for managing issues and monitoring as condition of the grant.** For example, consider reclaiming grants to be part of the agreement in case grantees are not compliant with the grant agreement. The level of recovery may be in part or whole. A regular need to reclaim grants may indicate that the grant program may not be achieving its objectives, or there may be some issues with the assessments and decisions process.
- **Set out the payment schedule, which should align with the selected payment plan.** For simple one-off projects, a one-off payment when the project commences or completes may be appropriate; while for more complex projects, payments may be made in a schedule and paid out regularly depending on the progress of the project.
- Signed by both parties prior to the commencement of the term of the grant and any payments are made

Award

In this stage, the grantor provides a written response to both successful and unsuccessful applicants. It is important to notify applicants in a timely manner, according to the grant program guidelines, to reinforce impartiality and respect the time investment of all applicants in applying. Give them closure on the outcome whether or not they were successful in receiving funding. Some programs may require that all applicants receive the outcome for their applications at the same time to avoid objections to the process and outcome.



Administration and performance management

This is the stage of grant administration that ensures all the resources, effort and money invested in the program leads to the desired objectives in support of mission. Failure to do so effectively is to introduce organisational risk and underperformance. To be cost-effective, the extent and frequency of monitoring should take into account the size of the grant and the associated risks. For example, if small amounts are involved and no special circumstances exist, it may be more effective to monitor the grant scheme or program. In contrast, monitoring individual grants on a regular basis may be required in the case of large funding amounts or complex programs to make certain that the grants progress as expected. Key considerations in this phase:

- Establish performance measures designed at the grant preparation phase and milestones in the funding agreements for each grant
- Use standard reporting template to make sure that data required for monitoring are set out clearly and make reporting easier for grantee
- Ensure that performance targets and milestone reporting deadlines are achieved, i.e. send out reminders to grantees before due date, track if there are any outstanding performance reports, etc.

Audit and close grants

In this phase, the program stakeholders make sure that all financial and reporting requirements are being met, and the grant life cycle comes to an end. This stage usually involves submission of the final reports and review activities to ensure the grants can be closed out.

Clearly list that outstanding requirements at this stage, and ensure the financial data is sufficient for reconciliation in support of financial transparency goals of the grantor and grantee in how funds were spent. This ensures financial compliance with the intended purposes of the grant and that expenditures are in direct support of the funded program. Key considerations in this phase include:

- Review performance and final reports timely and take corrective action where required to enact early interventions and ensure a grantee achieves their intended program goals and outcomes.
- Implement an acquittal process in which grantees are required to submit financial receipts. With this, in case of a suspicion of mishandling, a more comprehensive audit can be performed.

Funding program evaluation

The objective of funding program evaluation is to assess various aspects of the program, including the extent to which the objectives and priorities of the programs are delivered, the extent to which the outcomes are achieved at reasonable cost and time, and how well the grant program was administered. The process should be evidence-based to objectively review the success of the program. The result of the evaluation will provide a guide for future directions in a program. Key considerations:

- **Plan the way evaluation could be conducted when designing a funding program:** The plan should be proportionate to the scale, complexity and risk of the grants program.
- Make sure that data collected throughout the grant program can be used as evidence for the evaluation.
- Ensure that evaluation data is utilised for learning and better decision making. E.g. Produce a report on findings with suggestions on improvements to accountable bodies for transparency and information sharing.



Part 4: Selecting the right grant management solution

Understanding each of the key phases of the grant lifecycle is fundamental in scoping requirements for a grant management solution. A thorough analysis of process, data and stakeholder needs will result in a clear understanding of business requirements, which can be translated into desired functionalities. If a thorough needs identification is not conducted, it can result in unclear functional requirements which can lead to solution dissatisfaction, costly work-arounds and inefficiencies, and substantially reduced value delivered against your grant management application investment - all of which detract from achieving program objectives.

COTS built-to-purpose grant management applications, often delivered in a SaaS model, are now the predominant market offering in a crowded marketplace, with numerous solutions available. (Gartner)⁵

The requirements for the grant solution may be complex when the funding organisation manages multiple funding programs with varied requirements. Whilst COTS solutions are highly configurable to meet varying approval and management workflows, organisations should seek to align its workflows to the greatest extent feasible with those available in a COTS solution and avoid (sometimes) costly customisations. COTS solutions typically offer best practice configurations allowing organisations to comply with relevant standards and implement efficient and effective processes immediately. Aligning business processes with the flexible configurations that are pre-built ensures that the organisation adheres to best practices while keeping implementation costs down.

⁵ Gartner, Market Guide for State and Local Grant Management Solutions, Alia Mendonsa and Apeksha Kaushik, 6 October August 2020

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Ahead of its time

OmniStar Grants is an industry leading, cloud-based, end-to-end grants management solution built in consultation with industry over the last 15 years that can be personalised and adapted to suit organisational objectives.

Gartner, the world's leading research and advisory company, has developed a model for best practice grants management. OmniStar's configuration matches this model exactly, from application submission through to acquittal and project closure. Whether from the point of view of executives, grant program designers, grant policy makers or grant administration teams, and from government agencies to corporates, SMEs and not-for-profits, OmniStar gets grant management right by setting the standard on how grants' solutions should support grant management processes, ensuring decisions can be informed by real facts and in real time.

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