Grants flow through public bodies in the US in a vast, complex series of channels

FEDERAL
100% Grantor

STATES
50% / 50%
Grantee / Grantor

LOCAL ENTITIES— NON PROFITS
100% Grantee

HIGHER EDUCATION CITIZENS
100% Grantee

RECEIVES
"Managed grant" money from Federal

PACKAGES
And distributes money to local grantees

STATES AS GRANTEE AND GRANTOR

USES Some of the grant money for State programs

ADDS State dollars to the money received from Federal
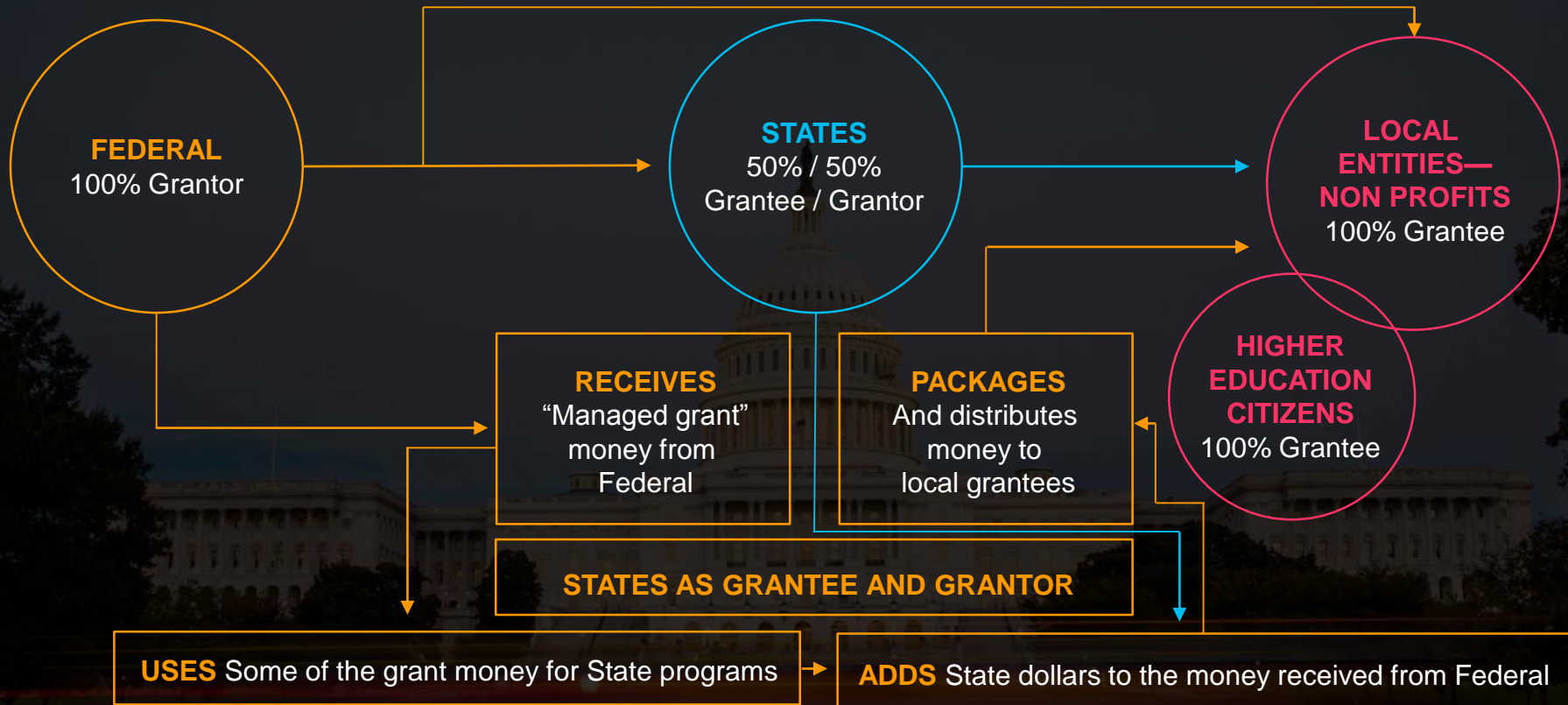
Complexity & rules are keeping money from being spent

"McCaskill, Flake Target EPA's $137 Million in Unused Earmarks"

Source: Congressional Documents and Publications, Oct. 16, 2015

"Combined—Nearly $1 Billion in undisbursed funds in HHS' Payment Management System (PMS) and Automated Standards for Application of Payments Accounts" [1]

Source: House Report 114-264 - Grants Oversight and New Efficiency Act, Delivered by Mr. Jason Chaffetz (R-Utah), from the Committee on Oversight and Government Reform, Sept. 18, 2015

"Expired Grant Accounts Cost Agencies approximately $2 Million (FY 2011)"

Source: House Report 114-264 - Grants Oversight And New Efficiency Act, Delivered by Mr. Jason Chaffetz (R-Utah), from the Committee on Oversight and Government Reform, Sept. 18, 2015

"While the undisbursed grant funds identified by GAO represent significantly less than 1% of annual outlays for grants to state and local governments, **the existence of undisbursed grant funds in expired grant accounts is an indicator of a systemic grants management challenge**; suggesting a lack of coordination between the financial and program management of federal grants."

– Congressional Research Service, Delayed Federal Grant Closeout: Issues and Impact, September 12, 2014

Even well-intentioned rules & management processes are leading to unnecessary costs and unspent funds

How the Drinking Water State Revolving Fund Works, **EPA**

- Congress appropriates funding for the DWSRF.

- **EPA then awards capitalization grants to each state** for their DWSRF based upon the results of the most recent Drinking Water Infrastructure Needs Survey and Assessment.

- The **state provides** a **20% match**.

- States have the option of taking a variety of set-asides. These set-asides help fund state programs and activities to ensure safe drinking water. In total, **states may take up to 31% of their capitalization grant in set-asides**.

- **After taking their set-asides, states place the balance of their capitalization grant, together with the state match, into a dedicated revolving loan fund**.

- This **revolving fund provides loans** and other authorized assistance to water systems for eligible infrastructure projects.

- As **water systems repay their loans**, the repayments and interest flow back into the dedicated revolving fund. These funds may be used to make additional loans.

Even well-intentioned rules & management processes are leading to unnecessary costs and unspent funds

The national figures, compiled by The Associated Press, show that:

Unspent Federal EPA Funds for Drinking Water received 2011-2015

- Alabama's unspent funds: **$5.7 million**—represent **2.8%** of the estimated cumulative $200 million in federal funds Georgia received from 2011 - 2015.

- Georgia's unspent funds**: $24.43 million**— represent **7%** out of **$348.7 million**.

- Tennessee unspent funds**: $30.44 million**— represent **15.67%** of the estimated cumulative **$194.2 million**.

- **The program's focus on providing loans rather than grants** makes it financially sustainable as money gets repaid through water system revenues over time. But **it also discourages projects in some small towns, where officials say they cannot afford to repay loans without raising water bills to unaffordable levels**.

The estimated percent of administrative costs for managing grants is high

Estimates shown is for managed grants.

Block/pass-thru grant administrative costs are significantly lower.

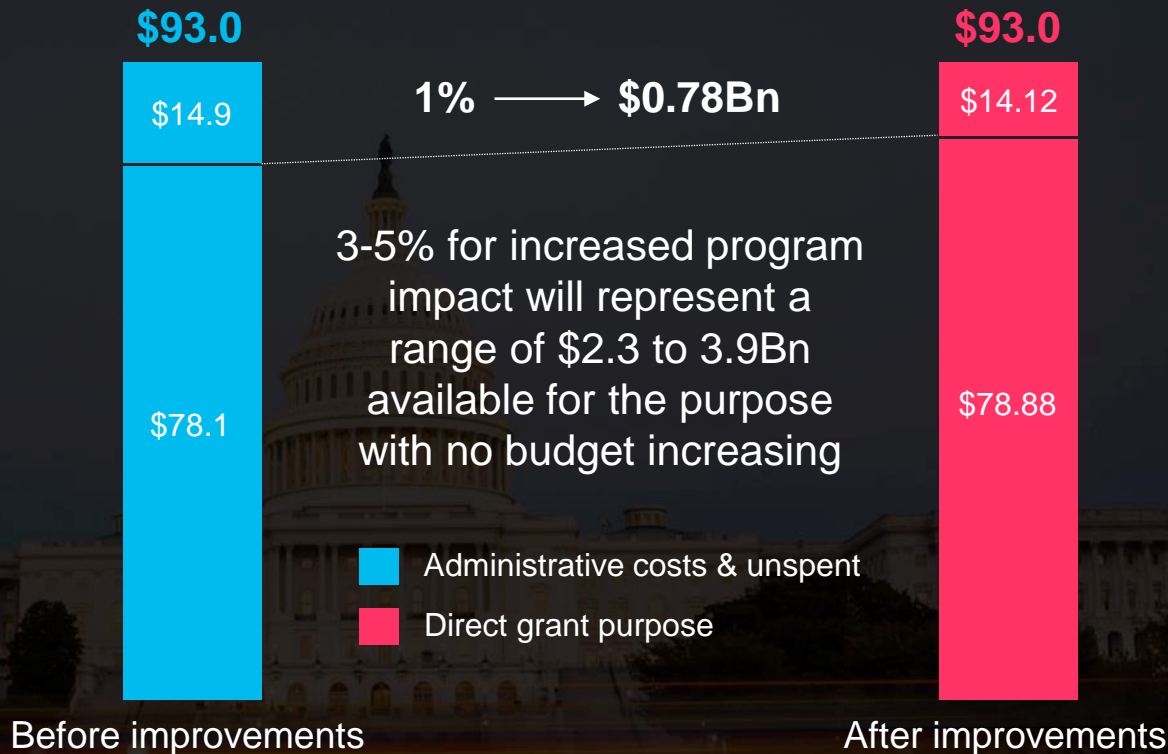| Grantor/Donor Ethnicity	Range of Estimated Administration Costs Over the Total
United States Federal	15% - 20% [1]
Global / Regional Investment Banks	13% - 24% [2]
Foundations	8% - 14% [3]

[1] The administration cost range estimate is based on the United States Government Accountability Office (GAO) Analysis of HUD and HHS Program Regulations, Dec. 2014.
[2] Based on the analysis of a selected group of investment banks and multilateral organizations.
[3] Accenture Research accessed to the audited accounts of 10 of the largest 15 US foundations by asset size and calculated the relative weight of management expenses over the total expenditure.

The result is a substantial increase in $ spent on the grant purpose, WITHOUT AN INCREASE IN TOTAL SPENDING

For every percentage point of improvement in grant purpose, program impact increases by $0.78Bn

$93.0

$14.9

$78.1

1% ⟶ $0.78Bn

3-5% for increased program impact will represent a range of $2.3 to 3.9Bn available for the purpose with no budget increasing

$93.0

$14.12

$78.88

■ Administrative costs & unspent

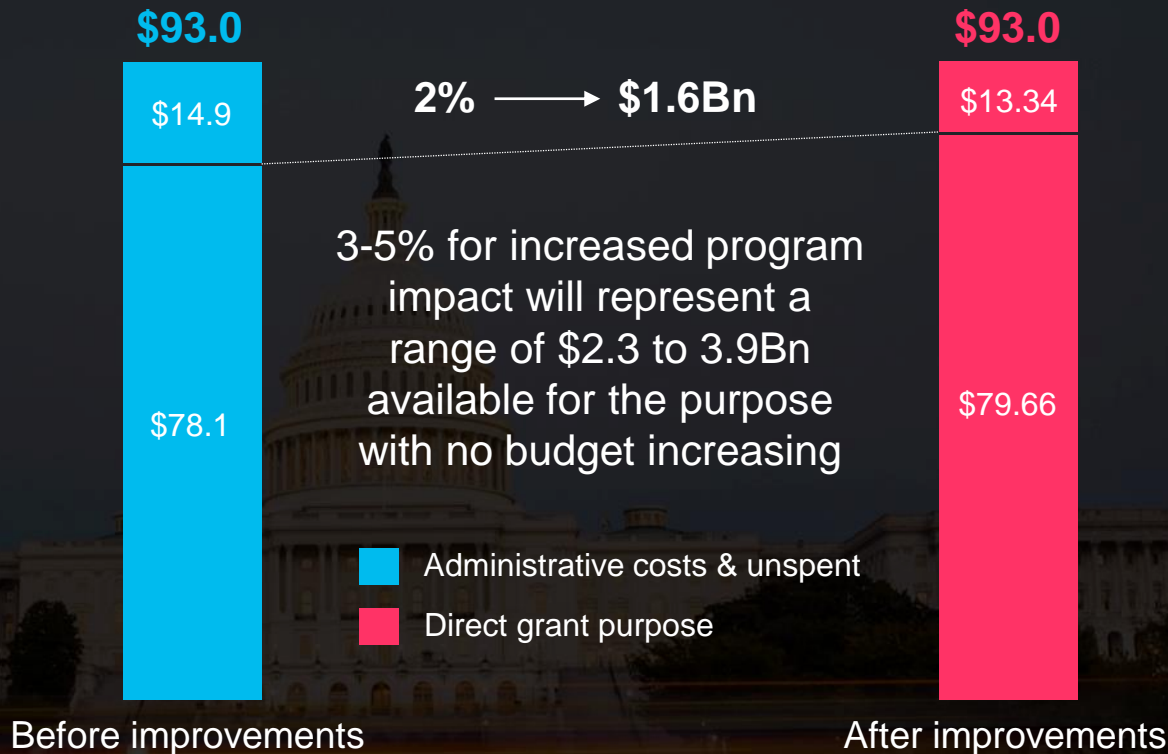■ Direct grant purpose

Before improvements

After improvements

The result is a substantial increase in $ spent on the grant purpose, WITHOUT AN INCREASE IN TOTAL SPENDING

For every percentage point of improvement in grant purpose, program impact increases by $0.78Bn

$93.0

$14.9

$78.1

2% ⟶ $1.6Bn

3-5% for increased program impact will represent a range of $2.3 to 3.9Bn available for the purpose with no budget increasing

$93.0

$13.34

$79.66

■ Administrative costs & unspent

■ Direct grant purpose

Before improvements

After improvements

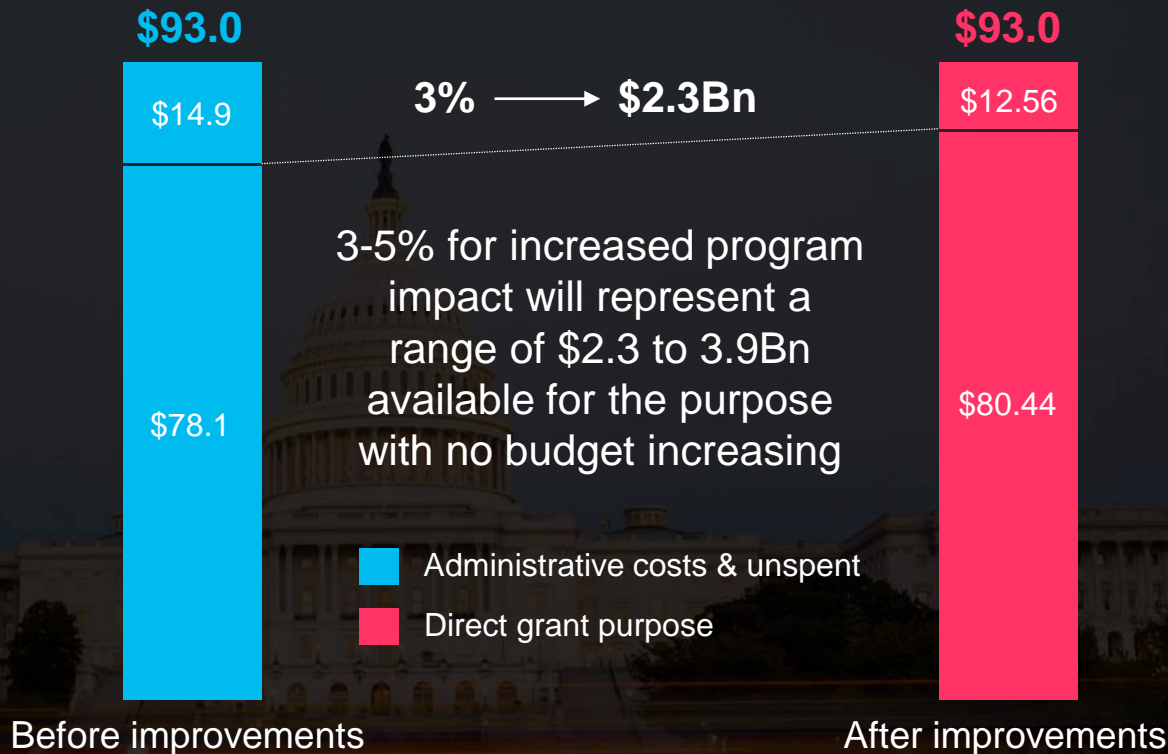# The result is a substantial increase in $ spent on the grant purpose, WITHOUT AN INCREASE IN TOTAL SPENDING

$93.0

$93.0

$14.9

$12.56

3% ⟶ **$2.3Bn**

For every percentage point of improvement in grant purpose, program impact increases by $0.78Bn

3-5% for increased program impact will represent a range of $2.3 to 3.9Bn available for the purpose with no budget increasing

$78.1

$80.44

■ Administrative costs & unspent

■ Direct grant purpose

Before improvements

After improvements

9

Ways to start fixing these problems

Adopt Shared Services principles, if not establish a Grants Shared Services organization

Simplify & standardize the transaction processing aspects:

- Create standard processes that are the same across the entire government
    - Application creation & management
    - Financial transaction processing, accounting & budgeting
    - Reporting

Create a single organization to support all grant program managers in transaction processing aspects:

- Standard processes
- Single set of support systems (application processing, financial management, et al)

Ways to start fixing these problems

Make life easier for recipients, sub-recipients, and the information-seekers

Recipient & Sub-recipient relationship at the center:

- Program SMEs focused on finding & supporting recipients/sub-recipients
- Self-service portal across grant programs for recipients/sub-recipients with a help desk
- Easy for recipients/sub-recipients to find & apply for grants
- Automated, standardized award/amendment application/negotiation/approval processes
- Online progress report submission
- Recipients/Sub-recipients provide their info once, then can apply & manage multiple grants

Transparency for recipients/sub-recipients & public:

- Applications automatically graded, results made available quickly
- Financial & performance data readily available

Grant Accountability and Transparency Act

NATIONAL ASSOCIATION OF STATE COMPTROLLERS

2016 ANNUAL CONFERENCE

CAROL A KRAUS, CPA

Historical Evolution of GATA

- The grantee community started an initiative to remove redundancies and streamline the grant process for the 5 human service agencies

- Based on this initiative, in 2010 P.A. 96-1141 passed requiring recommendations to the General Assembly to address inefficiencies and redundancies, and limiting fraud and abuse, a committee was formed with representatives of the 5 human service agencies and the grantee community to provide the requested recommendations to the General Assembly, this lead to additional Legislation:
  - In 2011, P.A. 97-0558, created the Management Improvement Initiative Committee (MIIC)
  - In 2013, P.A. 98-47, created the Illinois Single Audit Commission (ILSAC) and charged it with researching and providing recommendations to extend the recommendations of MIIC Statewide
  - In 2014, P.A. 98-706 created the Grants Accountability and Transparency Act

Illinois Grant Practices –Start Here

Communication

No uniform business processes and procedures for grant application, contracting, reporting, monitoring, and auditing.

No common grant terminology. Inconsistencies increase administrative costs with no value added.

Debarred or suspended entities' status is not shared among State agencies to prevent fraud and abuse.

Technology

No statewide technology system to manage grants.

Prevalence of redundant, silo databases that are not supported.

Lack of transparency and comparable data regarding grantee performance and tracking.

Resources

Limited staff and resources available for monitoring.

Limited financial resources.

Turnover of grant staff results in gaps in processes.

GATA Guiding Principles

➢ Uniform process throughout the entire grant life cycle by leveraging the Federal Uniform Guidance

➢ Promote cross-sector cooperative efforts – State agency and Grantee input for rulemaking and implementation recommendations

➢ Streamlining business processes – centralization and coordination of grant fiscal, administrative and monitoring activities to promote efficient use of scarce resources

➢ Focus on Program Outcomes

➢ Provide training and technical assistance for State agency staff and grantees

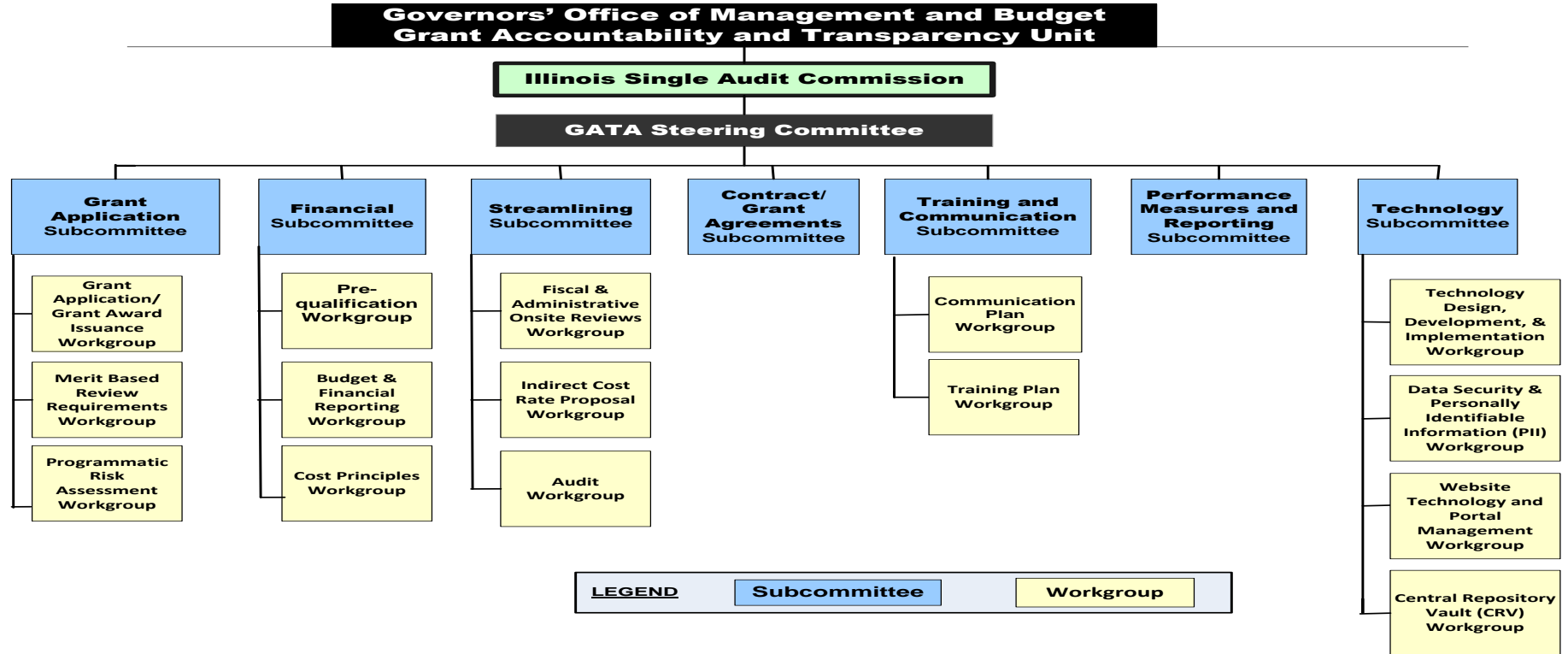*Successful State agency oversight and successful grantees will result in a successful Illinois.*

GATA Framework

➢ GATA created a centralized unit in the Governor's Office of Management and Budget

➢ Formed 7 Subcommittees with over 200 volunteers - 60% representing State agencies and 40% representing the grantee community, each subcommittee had a co-chair from the state agencies and one from the grantee community

➢ Created the GATA Steering Committee charged with reviewing and approving the recommendations of each steering committee to ensure the goals of GATA were met

➢ The Illinois Single Audit Commission provided advise and consent for all GATA Steering Committee final recommendations

GATA Committee Structure

Governors' Office of Management and Budget
Grant Accountability and Transparency Unit

Illinois Single Audit Commission

GATA Steering Committee

Grant Application Subcommittee
- Grant Application/ Grant Award Issuance Workgroup
- Merit Based Review Requirements Workgroup
- Programmatic Risk Assessment Workgroup

Financial Subcommittee
- Pre-qualification Workgroup
- Budget & Financial Reporting Workgroup
- Cost Principles Workgroup

Streamlining Subcommittee
- Fiscal & Administrative Onsite Reviews Workgroup
- Indirect Cost Rate Proposal Workgroup
- Audit Workgroup

Contract/ Grant Agreements Subcommittee

Training and Communication Subcommittee
- Communication Plan Workgroup
- Training Plan Workgroup

Performance Measures and Reporting Subcommittee

Technology Subcommittee
- Technology Design, Development, & Implementation Workgroup
- Data Security & Personally Identifiable Information (PII) Workgroup
- Website Technology and Portal Management Workgroup
- Central Repository Vault (CRV) Workgroup

LEGEND | Subcommittee | Workgroup

GATA Efficiencies – Identifying Common Business Processes in Grant Management

Focuses on options that will result in efficiencies such as:

➤ Centralized Audit report reviews

➤ Centralized Indirect cost rate agreement negotiation and approval

➤ On-site review fiscal & administrative standardization and coordination

➤ Providing training to state agency staff and subrecipients

➤ Illinois Debarred and Suspended List and Stop Payment System

➤ Implementation of performance measures for State grants and GATA

➤ Use of the Central Repository Vault (information warehouse concept)

➤ Grantee portal for registration, pre-qualification and fiscal and administrative risk assessment
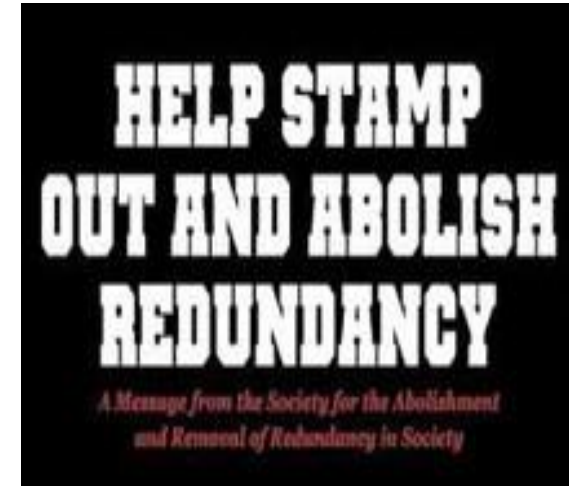
GATA – Streamlining and Standardization Removing Redundancies & Duplication

Example: An analysis of grantees who received grants from two or more of the five human service agencies, and considering 3 required compliance activities – audit report review, and on-site fiscal and administrative review and risk assessment, found that:

➢ Over 350,000 duplicated labor hours (230 FTEs) for State employees at a cost equal to or greater than $33.7 million, and

➢ An estimated 250,000 labor hours (167 FTEs) at an estimated cost of $15 million to State of Illinois grantees responding to the duplicate efforts, as none of the information is catalogued or shared among State agencies

GATA standardization will eliminate the duplication of effort for audit report reviews, Pre-qualification and fiscal and administrative risk assessment, indirect cost rate negotiation, on-site reviews and training

HELP STAMP OUT AND ABOLISH REDUNDANCY

A Message from the Society for the Abolishment and Removal of Redundancy in Society

Grantee Portal – Registration and Pre-Qualification

➢Provides a central point of registration to ensure pre-qualification requirements are met

➢Establishes a unique vendor identification number for each vendor that can be used throughout grant lifecycle

➢Verifications and validations are done through automated data exchange with Dun and Bradstreet, Federal SAM, Federal Excluded Party List, Illinois Secretary of State, Medicaid Sanctions List, Federal Employer Identification Number (FEIN) validation, State of Illinois "Stop Pay" and Debarred and Suspended lists

➢Automatically performs revalidation and reverification at time of Grant Award(s) and prior to any grantee payment

➢Requires grantee recertification on an annual basis to maintain pre-qualification status

➢Includes a base document repository available to all appropriate administrative units and grantee agencies for future monitoring activities

Uniform Policies and Templates

- Pre-Qualification
- Fiscal and Administrative Risk Assessment
- Fiscal and Administrative Specific Conditions
- Programmatic Risk Assessment Framework
- Programmatic Specific Condition Framework
- Notice of Funding Opportunity
- Grant Application
- Budget
- Merit Based Review

- Notice of State Award
- Grant Agreement
- Budget to Actual Reporting
- Financial and Performance Reporting
- Consolidated Year-End Reporting
- Fiscal and Administrative On-Site Review
- Audit Requirements for grantees that do not meet the Single Audit threshold
- Audit Requirements for "For Profit" entities