



Ushering in a New Era for Grants Management via a Customer-centric Approach





Ushering in Change

Grant funds are meant to lend quick help to constituents and communities in need. Too often procedural delays get in the way. In today's environment, the demand for transparency and accountability in the process of managing and monitoring grants has never been higher. Federal grants account for one-fifth of the U.S. budget and under the new economic stimulus package—the American Recovery and Reinvestment Act (ARRA) of 2009—the volume of federal grants and associated funds are increasing significantly.

As agencies work tirelessly to manage and account for the grants they award, state and local government agencies encounter multiple obstacles ensuring these funds are properly appropriated and accounted for. Issues agencies encounter can include:

- Complex Transparency and Compliance Reporting Requirements
 - o Multiple disconnected systems
 - o Limited visibility to information across the organization
 - o Single-purpose siloed legacy systems
- Difficulty Achieving Accountability and Financial Control
 - o Undocumented standards
 - o Unclear expectations
 - o Fragmented policies
 - o Inadequate funding directives
- Challenges Providing High Quality Customer-centric Service
 - o Budget Constraints
 - o Reduced government staffing levels
 - o Inadequate workload management capabilities
 - o Limited collaboration and correspondence tools

However, agencies have an opportunity to overcome these hurdles by adopting a new approach to grants management—a collaborative, end-to-end, customer-centric approach that enables government and grant recipients to focus on maximizing the performance and impact of the grant, rather than administration activities. With more focus on their grant recipients, agencies can anticipate and address issues early in the grant life cycle, streamline processes by clearly defining requirements and setting expectations, align grant activities with the organization's core mission and program goals, and reduce the backlog of grant recovery cases.



A Call to Action

“What is required of us now is a new era of responsibility...” This was part of the call to action issued by President Barack Obama in his inaugural address. This sentiment is being echoed across the country, from leaders of big government agencies in Washington to individual taxpayers at home—all wanting to know: What return are we getting for our investment of tax dollars in federal, state and local government grants? How do we know our money is being spent wisely?

Grants accountability involves several dimensions (e.g. legal, financial, and performance issues, explains Timothy J. Conlan, Professor of Government and Politics in the Department of Public and International Affairs at George Mason University. In Conlan’s report on Grants Management in the 21st Century, prepared on behalf of the IBM Center for The Business of Government¹, grantors have a fiduciary responsibility to taxpayers to ensure that state or federal funds are not: diverted for corrupt or illegal purposes, spent in racially or other discriminatory ways or wasted on inappropriate or excessive expenditures.

According to Conlan, financial accountability is easiest to maintain when funds are provided in distinct, single activity grants that are programmatically distinct from state and local activities. Such programs create their own problems of complexity and coordination, but the lines of accountability are relatively direct and straightforward. In contrast, accountability becomes more difficult when federal, state, and local funding streams are intermingled. This is particularly true when funds are provided in broad-based grants that supplement existing state and local services and activities.

Further complicating financial accountability, says Conlan, is the fact that many grants supplement recipients’ existing activities while seeking to stimulate new approaches and services. Grant funds can become intermingled with recipients’ own source funds in ways that can greatly complicate federal accountability. The fungibility of revenues complicates matters further, as grant monies may simply replace part of what recipients would have spent on their own.

This complexity, combined with the pressing need for accountability, requires quick, innovative ways to implement transparency measures without breaking the bank. State

¹ Timothy J. Conlan, *Grants Management in the 21st Century: Three Innovative Policy Responses (October 2005)*
<http://www.businessofgovernment.org/pdfs/ConlanReport.pdf>



and local agencies have long had to deal with both process and technology inefficiencies, hampering their ability to manage and monitor grant awards and the recipients putting those grants to work. For example, grantors frequently lack documented and consistent grant-related policies. Reporting and monitoring requirements, and even nomenclatures, vary from department to department within a single state or local governmental agency. As a result, grant recipients don't always receive consistent information about expectations and may not understand how to execute their awards properly. Many grant recipients are operating with numerous grants administered by different agencies with different requirements. Problems arise when grant recipients lack the time and resources necessary to obtain answers to routine questions in the process of carrying out the grant program.

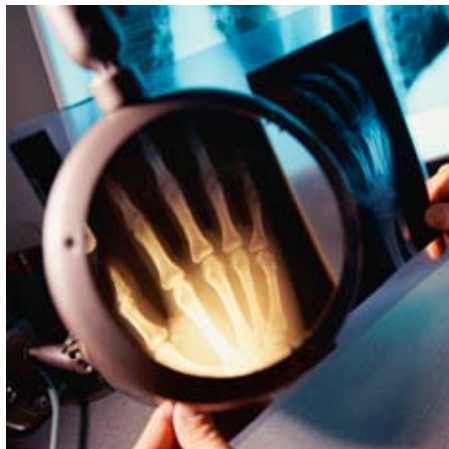
Another issue is the lack of a unified technology system to manage grants. Without a standard system, individual departments have no choice but to develop their own, often redundant, databases in the absence of a central repository. Besides creating additional administrative burdens, this practice makes it difficult to monitor the status of grant recipients and impedes departments' ability to share information.

State and local governmental agencies are chronically understaffed, with limited human and financial resources. They simply cannot monitor each and every grant to the same extent and in the same way. Despite their best efforts, agencies do not have an easy way to differentiate between grant recipients with high and low risks of failure—or to identify the recipients for whom extra attention early on would help prevent minor issues from becoming big concerns later.

A New Approach

In an effort to be more innovative and effective in grants management, state and local governments are taking a different approach—one that incorporates many of the same customer service elements found in the private sector. This involves a paradigm shift in the focus of grants management. Not simply as administration, but rather as a mechanism to enhance delivery of outstanding customer service. Assisting grant recipients in execution and ensuring valuable as well as needed services are delivered to constituents.

To this end, monitoring is a vital process that must take place from the beginning of the grant cycle through its end—a timeframe which could span years. When monitoring



takes place only on the back end, misspent funds or grantee issues are not identified until all funds have been distributed or very late in the process, when punitive action might be required. By emphasizing collaboration and taking a more customer-focused approach, governmental agencies effectively eliminate these issues by building a grantor-grantee relationship that emphasizes open lines of communication.

State and local government agencies that perceive grant recipients as customers and take a collaborative approach can also reduce or eliminate many of the bottlenecks that traditionally interfere with effective grant management and monitoring. This “customer-centric” approach may provide agencies with advantages, such as:

- Informational tools and effective vehicles for communicating expectations to grant recipients throughout the grant life cycle
- Standardized reports that improve efficiencies, set clear goals and performance criteria for grant recipients, allow for comparative analysis, and provide a means for consistent evaluation of performance measures
- Standard report-tracking methods that allow issues to be identified earlier in the grant life cycle and remove barriers to information across the organization
- A risk-based monitoring tool driven by program requirements and characteristics of grant recipients, and yields monitoring activities that make sense for each individual grant
- A formal agency monitoring plan that allows for the flexible and efficient use of resources to improve customer service, communication, and timeliness in addressing potential problems
- Performance metrics that demonstrate the grant funds are providing tangible value to taxpayers, either by enabling cost savings or by providing other measurable public benefit to demonstrate program effectiveness
- A proactive means to engage the grant recipient as the “customer,” leading to improved customer service on the part of the agency, a better understanding of compliance requirements on the part of the recipients, and effective communication and resolution of issues between both parties
- A transparent, understandable, and constructive grants management process enabling both grantors and grant recipients to succeed by meeting grant requirements



Leading the Way

One recent example of a Crowe Horwath LLP (Crowe) client that implemented a customer-centric approach to grants management and monitoring is a state agency, which administers and oversees approximately 10,000 commerce and economic opportunity grants in process at any time, manages various economic and workforce development programs, services, and initiatives and leads the state's economic development process in partnerships with businesses, local governments, workers and families.

Working with a team from Crowe, this agency has taken significant steps toward its goal of improving the grants management and monitoring processes with limited resources, as well as improving compliance with regulatory and other requirements. The agency has established a centralized Accountability Office (AO) to oversee monitoring of and reporting about grant recipients, measuring performance, and managing the agency's administrative and fiscal control environment. The AO employs a standard approach to grants monitoring with an emphasis on accountability, and serves as a resource to agency staff members who monitor or administer grants and other fund disbursement programs throughout the grant life-cycle (see phase 1-6 in chart on page 7). This new approach is customer-centric and aims to bring success to grant recipients, the agency, and the state by holding accountable each participant in the grant process. Using a risk-based approach, the AO strives to increase the transparency of the department's monitoring functions while maximizing efficiencies in resource management.

Under this new paradigm, the agency has worked to improve communications and expectations among the agency and grant recipients. The agency introduced a welcome package for grant recipients to set expectations and communicate concisely the grant goals and requirements. The welcome package contains an introduction letter, grant program contact information, agency program goals and objectives, performance measures, deliverables and deadlines.

In addition, a new AO Web-site offers grant recipients a convenient channel for quickly obtaining answers to many of their questions. The site contains grantee resources and contacts for assistance throughout the grant life cycle, including information about the AO; an overview of the grant process; a jargon-free explanation of contractual obligations; details about the agency's monitoring and reporting requirements; documentation guidelines; information about the non-compliance process; frequently asked questions and answers; and links to helpful resources.

Advantages of a Customer-centric Approach to Grants Management

<p>Phases 1 through 3: <i>Preparation, Notification, Intake</i></p>	<p>The differences between the traditional and a customer-centric approach to grant monitoring can be seen at each stage of the grant life cycle. For most state and local agencies, the life cycle of a typical grant progresses through six phases:</p> <p>Traditional approach: An agency posts a grant and invites applicants to apply for it. Customer-centric approach: Agency staff members enter grant and request-for-proposal (RFP) information into an online data base. Applicants respond to the RFP by submitting information through a secure, online portal. The application process also includes an online questionnaire that helps the agency establish a profile for each applicant to use going forward for monitoring.</p>
<p>Phases 4 and 5: <i>Evaluation and Negotiation</i></p>	<p>Traditional approach: Agencies notify grant recipients of awards via mail, sending copious legal documents. Customer-centric approach: Agencies send recipients a plain-language grant agreement and a welcome package containing grant requirements, contact information, and compliance requirements in simple, user-friendly language.</p>
<p>Phase 6: <i>Administration</i></p>	<p>Traditional approach: Efforts to review and evaluate grantee progress can be hit-or-miss. In some cases, agencies collect too little information; in others, different departments from the same agency overwhelm grant recipients with redundant and overlapping information requests. In the daily struggle to manage paperwork, agencies have little time to offer grant recipients assistance to comply with requirements. Agencies evaluate performance only at the end of the grant term, and as such have limited recourse to correct any problems or recover any funds that have been used inappropriately. In cases of mismanagement and fraud, issues are escalated to legal departments that are typically overwhelmed with large case loads. Customer-centric approach: Agencies use standardized templates for project and financial progress reports. They also establish a single database within the grant-issuing agency to track and analyze all grants. Measuring and evaluating performance along the way, agencies can collaborate with grant recipients regularly to resolve issues early, before they impede successful execution of grants. In addition, agencies follow different work plans depending on the risk level of the grant recipient. For example, veteran grant recipients with a clean track record require a different level of monitoring than first-time recipients that have no history with the agency. Agencies conduct their final evaluation only after having conducted several interim evaluations. The result: few, if any, surprises.</p>

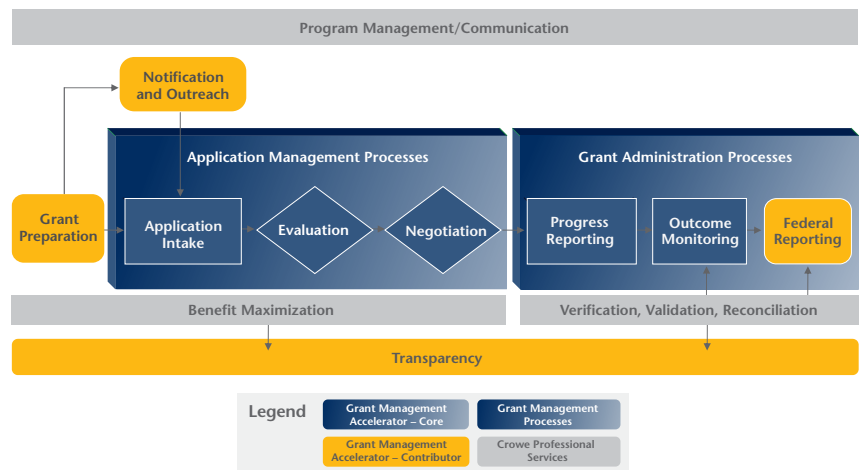


Looking ahead, the agency plans to implement a risk-based model for assessing monitoring requirements. This approach will allow the agency to focus its resources on monitoring, analyzing overall performance, and helping grant recipients that require additional assistance, thus mitigating problems and avoiding surprises. The agency also plans to standardize financial and programmatic reporting to improve efficiencies for both the agency and the grant recipient. In addition, performance measurements will be integrated with programmatic reporting to provide the agency with immediate visibility to the grant's progress.

A New Solution for a New Era

The grants management program evolution, like the client previously mentioned, typically requires improvements in policies, processes, procedures and supporting systems. The Crowe Horwath Grant Management Accelerator solution, built on IBM's suite of software products, is a fully configurable solution that provides agencies, in either the grantee and grantor role, to manage grants more responsibly and transparently. The solution provides the flexibility and controls needed to collaborate with key decision makers and stakeholders, while complying with stringent state and federal grant program regulations.

Solution Overview





Grant Management Accelerator consists of a pre-built framework that rapidly addresses a significant portion of government agencies' grant management needs. Tested and proven in high-volume environments of more than 5,000 users (processing tens of thousands of documents per day) Grant Management Accelerator helps to standardize policies, procedures and processes throughout the standard six phases of the grant management process:

- Preparation Phase (defines grant objectives and related eligibility requirements);
- Notification Phase (announces and publishes the grant, reaching out to potential applicants as needed);
- Intake Phase (registers applicants, searches for grant information, submits applications and supporting documents and validates application completeness);
- Evaluation Phase (provides review committees with the ability to "score out" the applications);
- Negotiation Phase (reviews and approves grant agreements or contracts); and,
- Administration Phase (manages amendments and inquiries and researches/ resolves non-compliance issues quickly)

For grant applicants and grantee recipients, Grant Management Accelerator provides easy access to grant applications, detailed progress updates, timely information and transparent visibility into performance and results. In addition, the solution offers accessible collaboration with grant program experts, error reduction and streamlined processes. Agency/grantor benefits include flexible and controlled role-based processes, workload capacity management, and centralized, electronic storage of all supporting documentation & correspondence. Agencies also benefit with support for distributed workforce, collaboration with citizens and key stakeholder groups, improved efficiency, and quality and speed of service to constituents.

Improved Grant Management Processes

Grant Management Accelerator positions government agencies to capitalize on the momentum created by the American Recovery and Reinvestment Act (ARRA) by supporting constituent service through Web-enabled and automated grant application and management processes. This provides increased transparency and compliance for the management of grants and empowers agency staff with an automated solution for the grant process.



In addition to better managing relationships, increasing operating efficiencies, improving compliance, accountability and overall performance, Grant Management Accelerator also:

- Enables staff to handle up to a 50-100 percent increase in the number of grants managed annually
- Scales across multiple agencies
- Provides fraud detection and audit tracking
- Allows grant and program directors to focus on the constituent and community impact
- Assists agency departments in maximizing available ARRA funds by meeting reporting and compliance requirements
- Increases the frequency and availability of funds due to the accurate and timely reporting to Federal Grantors

Benefits to Government Agencies

As state and local government agencies look for ways to improve how they manage and monitor their grants, they should consider a collaborative, customer-centric approach that standardizes policies, processes and oversight functions. With more focus on grant recipients, agencies can anticipate and address issues early in the grant life cycle, streamline processes by clearly defining requirements and setting expectations, align grant activities with the organization's core mission and program goals, and reduce the backlog of grant recovery cases.



About Crowe

Crowe Horwath LLP is one of the top 10 public accounting and consulting firms in the United States. Under its core purpose of Building Value with Values®, Crowe assists clients in reaching their goals through audit, tax, risk, and consulting services. Crowe professionals provide public and private company clients with thought leadership in many sectors, including financial and diversified financial services, healthcare, government, private equity-sponsored, inventory-based, retail, not-for-profit, higher education, and food and commodities. With more than 25 offices and more than 2,500 personnel, Crowe is recognized by many organizations as one of the country's best places to work. Crowe serves clients worldwide as a leading independent member of Crowe Horwath International. If you would like to start receiving information via e-mail about topics of importance to you, please sign up on our Web site at www.crowehorwath.com/emailsingup.



About IBM ECM

IBM's Enterprise Content Management software enables the world's top companies to make better decisions, faster. As a market leader in content, process and compliance software, IBM ECM delivers a broad set of mission-critical solutions that help solve today's most difficult business challenges: managing unstructured content, optimizing business processes and helping satisfy complex compliance requirements through an integrated information infrastructure. More than 13,000 global companies, organizations and governments rely on IBM ECM to improve performance and remain competitive through innovation.

For more information, visit:

www.ibm.com/software/ecm

White paper written in part by Amy Lieberg, an executive with Crowe Horwath LLP and Susannah Heitger, a senior staff consultant with Crowe Horwath LLP

© Copyright IBM Corporation 2009

IBM Corporation
3565 Harbor Boulevard
Costa Mesa, CA 92626-1420
USA

Printed in the USA
07-09
All Rights Reserved.

IBM, and the IBM logo, are trademarks of IBM corporation in the United States, other countries or both. All other company or product names are registered trademarks or trademarks of their respective companies.