

Beginning the Grantseeking Process

For many organizations, getting a grant award can seem like the solution to all of their financial problems. For other organizations, government grants are viewed as laden with red tape and too many strings. These organizations do not want to give up their freedom when it comes to spending monies or moving a dollar from one line item to the next without the grantor's written permission. Executive directors have heard horror stories from their nonprofit colleagues and they've simply decided to exist off of private sector grant awards and individual contributions. What are they failing to realize? Every funder — public or private sector — expects and requires high levels of accountability. After all, funders are accountable to someone too!

Where do you start to begin the grantseeking process? Well, you certainly don't start by first, finding a grant funding opportunity, and second, immediately writing the application.

There are a lot of steps to take in between finding the money and applying for the money.

Accountability Issues to Consider

Applying for a federal grant is a massive undertaking for any organization that hasn't previously familiarized itself with all of the regulatory requirements. First, your organization must start the federal grantseeking process with an understanding of the approach needed to obtain public dollars with strings attached.

1. Your organization must be willing to use the grant funds only for the intended purposes of the grant program.
2. Your organization must will willing to accept its role as a diligent steward of federal funds by making sure that the projects funded remain in good standing with the awarding agency.
3. Your organization must be willing to designate staff who can review the grant application's guidance documents as well as the program-specific regulations and requirements. In turn, the staff must be able to highlight concerns and review them with all levels of administration, from the finance director to the program directors to the organization's attorney.

Next, we'll look at the guidance documents and regulations that apply to your grant project.

Program Regulations. Program regulations typically will be identified in the *Federal Register* or Grants.gov notice announcing the grant competition or in the larger grant application package. Each program has a set of regulations that govern how projects are to be implemented by grantees. Some programs may have very detailed guidance concerning allowable and unallowable costs, spending caps on specific budget categories and staffing requirements. For example, a program might require a project director to

work fulltime on the project. But other programs may have only a few program-specific regulations.

Standard Assurances: Every federal grant applicant is asked to demonstrate its intent to comply with standard assurances. That means your organization must be willing to assure and certify that it will comply with all federal statutes, regulations, policies, guidelines and requirements, including the Office of Management and Budget (OMB) circulars. The assurances are full of legal clauses and if you don't sign off, it could result in your organization not passing the initial technical review of the grant application (a check for inclusion of signed forms and adherence to the application's writing and packaging format). You'll note that grant announcements tend to include a large number of acronyms. This means you'll need to familiarize yourself with the grantmaking agency's tech talk in order to understand the magnitude of your organization's responsibilities.

Certification Regarding Debarment and Suspension: Your organization must certify that it is not presently debarred, suspended, ineligible or voluntarily excluded from covered lower tier transactions (\$25,000 for any single transaction) by a state or federal court. If an organization had previously received a state or federal grant award and committed fraud or theft that resulted in court-involved legal actions initiated by the grantmaking agency, then you would not be able to sign off on this certification form. By signing, your organization is certifying that its grant management practices meet federal standards for managing public funds.

Lobbying Certification: First and foremost, you cannot use federal grant monies to hire a lobbying firm to sway your state or federal elected officials to draft legislation that will result in favors or financial gifts for your organization. Lobbying is not illegal; you just can't pay for it with federal funds. Lobbying funds can, however, come from the private sector. Many large nonprofit organizations have lobbying firms on contract. By signing off on the lobbying certification form, your organization is promising the government that no federal funds have been paid or will be paid, by or on behalf of your organization, to any person for influencing or attempting to influence an officer or employee of any government agency, a member of Congress, or an employee of a member of Congress in connection with the making of any federal grant. In other words, you cannot use a lobbyist to sway the grantmaking agency's decision toward funding your grant award.

There are two lobbying certification forms. The first reveals current lobbying activities if your organization is represented by a lobbying firm at the time the grant application is submitted. The second is a certification stating that your organization will not use any federal funds to hire a lobbyist. These forms can be downloaded from the grantmaking agency's Web site or from OMB's Web site.

Drug-Free Workplace Certification: This certification must also be signed by your organization's representative. The certification binds your organization to maintain a workplace where none of the employees use drugs for illegal purposes on the premises. By signing off on this certification, your organization is certifying that it maintains a drug-free workplace, notifies its employees of the policies, has established a drug-free

awareness program, and makes it a requirement that each employee working under the grant-funded program receive a statement of the conditions for a drug-free workplace.

Legal Issues to Consider

Financial Reporting Requirements: To make sure that grant funds are used properly, organizations that receive federal funds must file regular financial status reports. These forms do not take long to fill out, but they are important. The basic financial report form is a one-page document called Standard Form 269. Many federal grantmaking agencies have adapted this form to suit their own programs. You can find a copy of Standard Form 269 at www.whitehouse.gov/omb/grants/grants_forms.html.

Cost-sharing/Matching: These are two terms that often are used interchangeably. Certain programs require that grant applicants pledge that they will contribute a certain level of financial support to the project once they are awarded grants and become grantees. The amount of financial support varies from program to program, and not all grant programs have cost-sharing or matching requirements. Whether cost-sharing or matching requirements apply to a particular program will be noted in the *Federal Register* or Grants.gov notice that announces a grant competition for that program.

Depending on the particular program, a grantee's cost-share or match may be made in cash, in an in-kind contribution (such as facilities, equipment and supplies), or in staff time. For example, a program may require a 50 percent match from its grantees. That means that, if a grantee receives a \$100,000 award, it will have to bring to the project an additional \$50,000 in either cash or some type of in-kind contribution. Before your organization moves forward on a grant application that requires cost-sharing/matching, be sure to work with your financial staff to determine where the cost-share or match will come from. It cannot be taken from another federal grant award that your organization has received and is still administering.

Recordkeeping: Your organization will be required to maintain financial and programmatic records for your project for up to three years following the project's conclusion. For example, if you received a grant for a three-year project period that began on Oct. 1, 2008, and ended on Sept. 30, 2009, you would be required to maintain all of the records regarding that grant until Sept. 30, 2012.

Remember to include a line item in your grant application budget for the cost to prepare financial reports.

Government grantmaking agencies expect your organization to maintain financial records for an acceptable period of time.

Performance Reporting: Typically, federal grantees will be required to submit to the awarding agency both periodic (usually annually) and final performance reports that detail the project's accomplishments, as well as any shortcomings. The awarding agency provides instructions as to the format and the degree of detail that needs to be included in

these reports. For grant projects funded for only one year, only a single report may be required. Along with performance reports, some programs require grantees to participate in national evaluation surveys. Such surveys provide information on the national need for and the impact of this particular grant program.

Audit: All organizations that receive federal funds are subject to basic audit requirements. The audits are necessary to make sure that federal dollars have been spent properly on legitimate costs. It is therefore extremely important for your organization to keep accurate records of all transactions conducted with federal funds. Most organizations are not audited by the government itself, although the federal government has the right to audit any program that receives public money at any time. For organizations that spend a total of \$500,000 or more in federal funds (calculated based on awards from all federal programs) — an audit by a private, independent outside legal or accounting firm is required. More information on audits may be found on OMB's Web site (www.whitehouse.gov/omb/circulars). OMB Circular A-133 explains the Single Audit Act requirements for federal grantees.

Purchasing Equipment With Federal Grant Funds: In many cases, organizations are allowed to keep the items they purchase with grant funds when the grant is over so that they may continue running the project without federal funds and because it simply would not be cost effective for the government to remove the items from one grantee and give them to others. There are instances, however, when the government will take title to items, such as research equipment, from a former grantee and provide the items to a new grantee that will be completing the grant project.

Sanctions for Violating Federal Rules: If your organization violates the requirements specified in your grant agreement or otherwise improperly uses the federal funds it receives, the organization may be subject to legal action. Among other things, it could lose the grant funds, be required to repay the funds received and pay any damages that might be awarded through court action. If your organization uses its funds fraudulently, it could be subject to criminal prosecution.

Program Evaluation

Federal grantmakers require some form of program evaluation. The requirements for evaluation are clearly spelled out in the grant application guidelines. Evaluations may be conducted by one of your internal staff members, an evaluation consultant or firm, or both. Before your organization decides to apply for a grant, make sure you understand the grantmaker's full expectations for the evaluation process. Some federal agencies require that your organization participate in a national program evaluation and that your key program staff attend technical assistance training meetings.

The evaluation process required is detailed and is usually qualitative and quantitative. Public sector funders allow you to include the cost of evaluation in your project budget. Before you make the decision to apply for federal grant funds, make sure your organization is ready to commit to post-grant award evaluations such as required audits and other reviews.

Grant Management Costs to Consider

Federal grant awards often come with strings attached and your organization must be ready to meet the many administrative and program requirements imposed by the grantmaking agency. It will cost your organization money to manage a federal grant award. Some of the costs to consider include:

- **Financial recordkeeping.** Many grantee organizations assign to an in-house staff person fiscal accounting and recordkeeping for grant awards. Often, organizations will retain a public accounting firm to help them manage their federal funds in accordance with their grant agreement and federal financial management requirements. Remember, you'll need to build money into your project budget to cover these costs.
- **Financial reporting.** It will cost money to have a staff person prepare all of the financial reports required by federal grantmaking agencies. Think about who will be assigned this task and how much time this person will devote to this grant management requirement. You'll need to build money into your project budget to cover these costs.
- **Mandatory meetings with funding agencies.** Many federal grantmaking agencies require at least one meeting each year at the funder's headquarters. Often these meetings cover how to fill out electronic reporting forms, problems with previous reports, how to set up the electronic funds transfer process, and more. You'll need to build monies into your project budget to cover staff travel expenses for these mandatory meetings.
- **Cost reimbursement grant agreements.** Most federal grantmaking agencies will advance the first quarter's project expenses to your organization as soon as you have signed a grant agreement. However, some federal grantmaking agencies operate on a cost reimbursement basis. This means your organization must have the monies upfront to cover each quarter's project expenses. Once your financial staff has submitted proof of project expenditures, the grantmaking agency transfers the allowable costs into your organization's bank account.
- **Disallowed costs.** When you are writing your grant application, you try to think of everything you'll need to implement your project. However, once the grant has been awarded and the funds are available to draw down, the person in charge of organizational finances may become busy and forget to check expense receipts or requested equipment or materials purchases to determine if they were initially included in the application's project budget. Approving a new expense that was never mentioned in the grant application or agreed on at the signing of the grant contract or agreement can result in a disallowed cost. If the federal government rejects your expenditures because they violate federal cost principles, will your organization have reserve funds to pay for the items needed for the project, but not covered by the grant funds?