

Promising Practices in Grant Administration
A literature review for the City of Edmonton's
Office of the City Auditor

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EXECUTIVE SUMMARY

Objectives of Study

The objective of this study is to identify promising practices in grant administration, particularly those practices that ensure that public funds earmarked as grant funds are used for their intended purposes.

Purpose of study

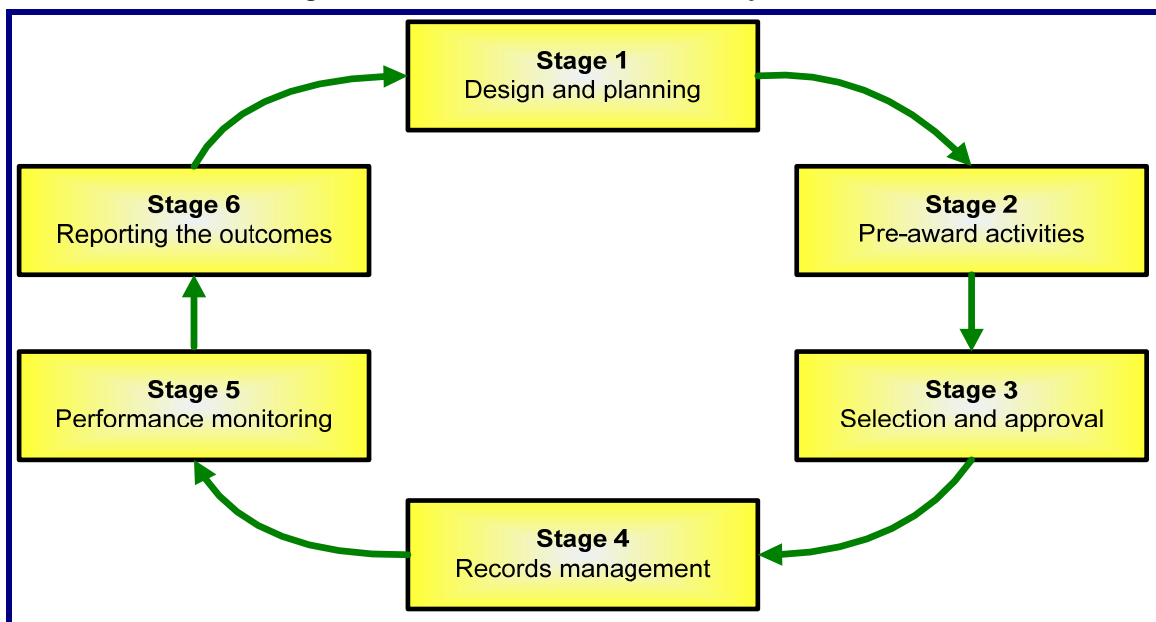
In the absence of accountability practices that safeguard the proper use of government grants, there is the risk that misguided and/or fraudulent use of taxpayer dollars may occur. For cities such as the City of Edmonton (City) that award numerous grants awards to agencies and organizations, having effective accountability mechanisms in place is paramount to ensuring that taxpayer funds are used in accordance with their intended purpose.

In 2010, an audit reviewing the City's *Development Permit and Cornerstones Funding* program revealed the existence of questionable grant administration practices which potentially put the City at risk for having poor accountability for taxpayer dollars. In order to minimize and reduce the impact of this risk, the Office of the City Auditor (OCA) intends to perform an audit reviewing grant administration practices for the City as a whole. To support the audit, the OCA has requested a literature review (study) for promising practices in grant administration with a particular focus on practices that ensure that grant funds have been used for their intended purposes. The findings from the study will be used to inform the OCA's audit of the City's grant administration practices.

Conceptual framework

The process of administering grants can be thought of as circular, passing through several stages beginning from policy initiation to reporting the final results of the grant, with results of one cycle informing the next cycle. Thus, to ensure that research for this study properly captured and identified promising practices in all stages of the grant administration process, it was decided to adopt a modified version of the life-cycle model proposed by the Government of New South Wales as the conceptual framework for this paper. The model is depicted in figure 1 below:

Figure 1: Grant Administration Life Cycle Model



Adapted from: Government of New South Wales. (2010). *Good practice guide to grants administration*. No. C2010-16). New South Wales: Government of New South Wales

According to this model, the six stages of the grant administration life-cycle are design and planning, pre-award activities, selection and approval, records management, performance monitoring and finally, reporting the outcomes of grant results.

Methodology

Research for the literature review was guided by the following question: *In the administration of grants, what practices can public sector entities employ to ensure that public funds are used for their intended purposes?* The sources of literature that were most valued were those that considered the following concerns when addressing the question above:

1. How effective are these practices in ensuring that funds are used for their intended purposes?
2. Are there any barriers that may impede the implementation of these practices, specifically:
 - a. Financial cost/burden to the entity/taxpayers?
 - b. Political sensitivity?

Since grants and the administration of grants are concepts that are most relevant to the public sector, the research methods employed for this study focused on reviewing grey literature from the public sector, although relevant academic literature was also reviewed. The selected period of review was from 1990-2011 to account for the changes in recommended internal controls as a result of technological improvements to financial and information systems in the past 20 years.

The literature search was sourced from online material that was publicly available, including the University of Victoria’s online journal databases as well as published material from audit reports, reviews, and studies. The literature was synthesized into a set of promising practices.

Findings

The study identified 14 promising practices which reasonably ensure that grant funds will be used for their intended purposes. The practices are categorized in the table 1 below according to each stage in the grant administration life-cycle.

Table 1– Promising Practices in Grant Administration

Grant Administration Life-Cycle Stage	Promising Practice
Design and Planning	1. There is an entity wide policy to guide grant administration.
	2. Performance measures to assess grant program results are developed early and align with organizational goals.
	3. A centralized database is used to manage grants at the entity level.
	4. Ongoing training is provided to individuals directly responsible for administering entity grants.
Pre-Award Activities	5. Agreements have clearly defined objectives and terms and hold the grantee accountable for proper use of grant funds.
	6. Eligibility criteria are objective and relevant.
	7. The public is made aware of grant awards in a timely manner.
Selection and Approval	8. The selection of grant recipients is documented and is made with reference to established criteria.
	9. Approvals are made within established guidelines.
	10. Agreements are signed before the term of the grant begins.
Records Management	11. Key documentation related to grant recipients is retained on file.
Performance Monitoring	12. The entity implements techniques to monitor the grantee’s performance.
	13. The entity makes comparisons of grant results against the objectives of the individual grant award and grant program as a whole.
Reporting the Outcomes	14. Reports on the results and outcomes of grant programs are provided to the entity’s stakeholders.

Considerations of existing literature and future research

Clear strengths of the existing literature are the consistency of findings despite the diversity of sources and the associated discussion of the benefits for each of the promising practices. At the same time however, the literature fails to discuss the cost of implementing the promising practices, and, on a more consistent basis, fails to discuss the risk that each practice is trying to mitigate. Together,

these factors potentially reduce the usefulness of the literature to public sector officials who are often subject to budgetary constraints and are required to defend budget requests. Accordingly, future research assessing the cost of implementing the promising practices and the risks they are attempting to mitigate should be performed in order to enhance the usefulness of the literature.

Recommendations to the OCA

Based on the findings of the study, it is recommended that the OCA:

1. Use the promising practices identified in the study as audit criteria for the upcoming Grant Administration Audit.

In addressing council's need to determine whether or not the City's grant administration practices ensure that funds have been used for their intended purposes, it is recommended that the OCA use the set of promising practices identified in the study as the basis of their evaluation for the upcoming grant administration audit.

2. Estimate and communicate the cost and benefits of implementing the promising practices.

During the OCA's audit, if gaps between actual practice and the promising practices are identified, it is recommended that the OCA:

- a. estimate and communicate the cost of implementing the promising practice criteria.
- b. determine and communicate the risks that the promising practice are attempting to mitigate.

Together, both points of information will enable administration and council to make informed decisions about which practices to implement.

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1.0 INTRODUCTION AND BACKGROUND

1.1 Introduction

In the absence of accountability practices that safeguard the proper use of government grants, there is the risk that misguided and/or fraudulent use of tax payer dollars may occur. For cities such as the City of Edmonton that award numerous grants awards to agencies and organizations, having effective accountability mechanisms in place is paramount to ensuring that taxpayer funds are being used for their intended purpose(s).

The Office of the City Auditor (OCA) at the City of Edmonton (City) has requested a literature review for promising practices in grant administration, specifically those practices that ensure that grant funds are being used for their intended purposes. The findings will be used to inform the OCA's future audit on the City's grant administration practices. Thus, the objective of this study is to review current literature in grant administration and thematize the research into a set of promising practices for the OCA.

1.2 Background

1.2.1 Office of the City Auditor

The City of Edmonton first established the Office of the Auditor General (Office) in 1977 (Office of the City Auditor, n.d.). The office was the employee of council and therefore reported directly to council. Key responsibilities of the office included performing operational and financial audits, special investigations, and follow-up audits (Office of the City Auditor, n.d.). In 2000, the office became the Office of the City Auditor and through the City Auditor Bylaw (Bylaw 12424, 2006) their work was formalized into two important roles (Part III: s. 9)

1. Agent of Change Role: The OCA [will engage in] proactive and forward looking projects focused on [the] provision of strategic, risk and control-related consulting services to better serve the changing needs of the corporation and help bring about improvement in program performance; and
2. Guardian Role: The OCA [will engage in] projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy, and controls.

As directed by the bylaw (Bylaw 12424, 2006), in addition to being accountable to Council (Part III: s.8), the City Auditor is responsible for all internal auditing activities within City Programs and City Agencies (Part III: s.3.1.1).

The OCA currently has a budget of \$2,042,000 with 13 staff that report to the City Auditor (City of Edmonton, 2011). The OCA's mission is to "add value to the City of Edmonton by promoting accountability, cost-effective municipal services, and ethical practices" (City of Edmonton, 2011).

1.2.2 Grant administration

Throughout its history, the OCA has performed several audits of various grant programs administered by City Staff. However, a 2010 audit reviewing the City's *Development Permit and Cornerstones Funding* revealed several problems that can negatively impact the City's transparency and accountability with public funds. A particularly pervasive finding from the audit was the fact that the Housing branch failed to consult with other departments such as Finance, Current Planning and Assessment, and Taxation during the evaluation process. Since a grantee's financial health was a condition of receiving funding, it would have been prudent for the Housing branch to engage staffs from those departments since those departments possess both the skills and capacity necessary to assess the financial condition of applicants (Office of the City Auditor, 2010). Consequently, in the absence of such prudence "the City's risk of over-funding grant applicants, approving non-compliant projects, or funding high risk projects" may have increased (City of Edmonton, 2011, p.ii).

Thus, to identify and minimize the risk of such outcomes, the City Auditor intends to perform an audit that will review and assess grant administration practices for the City as a whole. The objective of the audit is to determine whether or not grant administration practices at the City ensure that public funds are being used for their intended purposes. Thus, the OCA has requested a literature review (study) for promising practices in grant administration, specifically those practices that ensure that grant funds are being used for their intended purposes. The findings from the study will be used to inform the OCA's audit of the City's grant administration practices. Hence, the objective of this study is to review current literature in grant administration and thematize the research into a set of promising practices for the OCA.

2.0 CONCEPTUAL FRAMEWORK

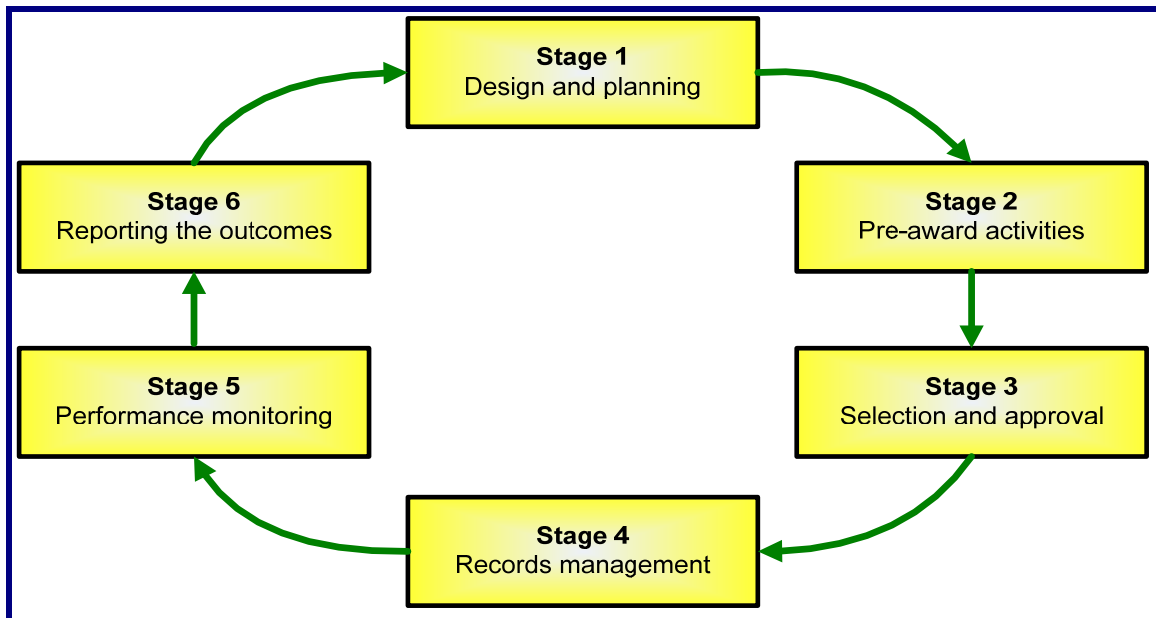
The conceptual framework that was used to guide research for this study is discussed in this section. A life-cycle model reflective of the process required to administer grants was used as the conceptual framework for this study. The model was adapted to meet the needs of the OCA.

2.1 The grant administration life cycle

The process of administering grants can be thought of as circular, passing through several stages beginning from policy initiation to reporting the final results of the grant, with results of one cycle informing the next cycle (Government Accountability Office [GAO], 2006, p.2; New South Wales Government: Premier & Cabinet [NSW], n.d., p.2, Domestic Working Group [DWG], 2005, p.2). Thus, to ensure that research for this study properly captured and identified promising practices in all stages of the grant administration process, it was decided to adopt the life-cycle model as the conceptual framework for this study.

Several versions of the grant administration life cycle exist including models suggested by the GAO (2006, p.2) and the DWG (2005, p.3). The model suggested by the NSW (n.d., p.2) however, is more useful since it provides more details for each of the key stages in the grant administration life cycle. Such detail was needed to facilitate the categorization of the findings identified in the research. Figure 1 below illustrates a modified version of the grant administration life-cycle model that is used for this study.

Figure 1: Grant Administration Life Cycle Model



Adapted from: Government of New South Wales. (2010). *Good practice guide to grants administration*. No. C2010-16). New South Wales: Government of New South Wales

Typical activities for each of the stages are described below:

Stage 1 - Design and planning

A framework for effective grant administration is established. This includes the creation of policies and procedures to guide grant administration behavior in the entity, the development of information systems to monitor grant programs, the development of performance measures to assess grant programs, and the provision of ongoing training to grant administration staff.

Stage 2 – Pre-award activities

Common pre-award activities include the development of clear agreements, eligibility criteria, and the communication of grant awards to the public.

Stage 3 – Selection and approval

Grant recipients are selected and approved grant agreements formalized.

Stage 4 – Records management

Information about grants and grant recipients is organized to permit easy retrieval and analysis.

Stage 5 – Performance monitoring

Appropriate performance measures and benchmarks are identified at the outset and actual performance is compared to pre-established benchmarks.

Stage 6 – Reporting the outcomes

Grantors report the outcomes of grant activities to their stakeholders in order to account for the use of public funds.

In conclusion, the grant administration life-cycle model contains six stages that are designed to capture and present promising practices in grant administration in a logical way. For this reason, the life-cycle model was used as the conceptual framework for this study.

3.0 METHODOLOGY

This section discusses the methodology employed to conduct the literature review.

3.1 Literature search criteria

Research for the literature review was guided by the following question:

In the administration of grants, what practices can public sector entities employ to ensure that public funds are used for their intended purposes?

The sources of literature that were most valued were those that considered the following when addressing the question above:

1. How effective are these practices in ensuring that funds are used for their intended purposes?
2. Are there any barriers that may impede the implementation of these practices, specifically:
 - a. Financial cost/burden to the entity/taxpayers?
 - b. Political sensitivity?

3.2 Research methods

Grants and the administration of grants are concepts that are most relevant to the public sector. Accordingly, issues concerning grants and grant administration are discussed more prevalently in the public sector when compared to the private sector. Thus, focus was placed on reviewing grey literature from the public sector, although relevant academic literature was also reviewed. The selected period of review was from 1990-2011 to account for changes in recommended internal controls as a result of technological improvements to financial and information systems in the past 20 years.

3.2.1 Research sources

Research for the literature review was sourced from online material that was publicly available. Specifically, information was sourced from the following:

1. University of Victoria online journal databases
2. Treasury Board of Canada website
3. United States Government Accountability Office website
4. Published audit reports in the area of grant accountability from Canadian and American Federal, Provincial and Municipal Auditor Generals' websites
5. World Wide Web Search Engine: Google and Google Scholar
6. Canadian municipal governments websites

3.3 Research strategy

The following keywords were used to scope in relevant literature for the review. "Grant" & "Accountability"; "Grant" & "Administration"; "Funding" & "Accountability"; "Funding" & "Administration"; "Grant" & "Promising Practices";

“Funding” & “Practices”; “Internal Controls” & “Grants”; “Internal Controls and Funding”; “Grant” & “Scandals”; “Funding” & “Scandals”; “Grant” & “Reporting”; “Funding” & “Reporting”; “Grant” & “Policy”; “Funding” & “Policy”; “Grant” & “Legislation”; “Funding” & “Legislation”; “Financial” & “Accountability” and “Grants”.

3.4 Organization of Research

The research was organized with the use of Microsoft Excel spreadsheets. The following steps were performed to collect, organize, and analyze the research:

1. Researched and reviewed guides, audit reports, and articles which focused on grant administration.
2. Extracted key findings from each source.
3. Categorized key findings into one of the Grant Administration Life-Cycle stages (See Section 3).
4. Thematized findings into a set of promising practices for each stage.

4.0 FINDINGS

This section summarizes the findings of the literature review. The review and analysis identified 14 promising practices in grant administration.

4.1 Promising practices in grant administration

Common practices identified in the literature as having the ability to reasonably ensure that grant funds will be used for their intended purposes were thematized into a set of promising practices. These promising practices were subsequently categorized into the appropriate stage of the grant administration life-cycle (see section 2). Table 1 summarizes the findings of the study.

Table 1– Promising Practices in Grant Administration

Grant Administration Life-Cycle Stage	Promising Practice
Design and Planning	1. There is an entity wide policy to guide grant administration.
	2. Performance measures to assess grant program results are developed early and align with organizational goals.
	3. A centralized database is used to manage grants at the entity level.
	4. Ongoing training is provided to individuals directly responsible for administering entity grants.
Pre-Award Activities	5. Agreements have clearly defined objectives and terms and hold the grantee accountable for proper use of grant funds.
	6. Eligibility criteria are objective and relevant.
	7. The public is made aware of grant awards in a timely manner.
Selection and Approval	8. The selection of grant recipients is documented and is made with reference to established criteria.
	9. Approvals are made within established guidelines.
	10. Agreements are signed before the term of the grant begins.
Records Management	11. Key documentation related to grant recipients is retained on file.
Performance Monitoring	12. The entity implements techniques to monitor the grantee's performance.
	13. The entity makes comparisons of grant results against the objectives of the individual grant award and grant program as a whole.
Reporting the Outcomes	14. Reports on the results and outcomes of grant programs are provided to the entity's stakeholders.

Thus, the study identified 14 promising practices in grant administration that can be used to ensure that grant awards have been used for their intended purposes.

5.0 DISCUSSION

This section of the report discusses the promising practices in grant administration identified in the literature. These practices were highlighted in the literature as having the ability to reasonably ensure that grant funds would be used for their intended purposes. They are discussed and categorized into the stages of the grant administration life-cycle.

5.1 Stage 1: Design and planning

The assessment of whether or not grant funds have been used for their intended purposes first begins with the existence of a strong framework (City Auditor of Honolulu, 2010, p.67; DWG, 2005, p.5). The development of this framework occurs in the design and planning stage (NSW, n.d., p.3). Activities that contribute to the development of this framework include the development of policies, information systems, and the provision of ongoing training to employees involved with administering grants (DWG, 2005, p.5). The framework also includes the development of performance measures that are used to monitor and evaluate the grant program (NSW, n.d., p.3).

5.1.1 Promising practice # 1: there is an entity wide policy to guide grant administration.

Policies are often used in organizations to guide organizational behaviour and decision-making. Thus, the objective of a grant policy is to guide the administration of grant programs within an entity (City Auditor of San Jose, 2006, pp.28-29; DWG, 2005, p.4). Benefits of an entity-wide grant policy include consistency and uniformity of grant administration (City Auditor of San Jose, 2006, p.13; City Auditor of Ottawa, 2008, p.15; DWG, 2005, p.10) and the ability to hold senior grant officials accountable for the entity's grant administration practices (DWG, 2005, p.5).

Guidance on what to include in a grant policy however varies in the literature. Suggestions from NSW (n.d., p.3), the GAO (2006, introduction) and DWG (2005, p.5) are broad and state that policies should include provisions that hold both management and grantees accountable for properly designating and using funds respectively. Specific examples of such provisions are provided by the City Auditor of Ottawa (2008) who suggests that the roles and responsibilities of administration (p.6), and the requirement to declare conflict of interests (p.11) also be included in a grant policy. Additionally, in its grants policy, the City of Toronto (1998) has an entire appendix devoted to equity and access with the aim to ensure that administration is equitable when awarding grants to the public (City of Toronto, 1998, p.1). A particularly detailed and comprehensive grant policy is provided by the Office of Management and Budget [OMB](1997) (see Appendix 1). The policy, known as *Grants and Cooperative agreements with State and Local Governments* is quite useful since it specifies and prescribes

procedures that should be in place at every stage of the grant administration life cycle.

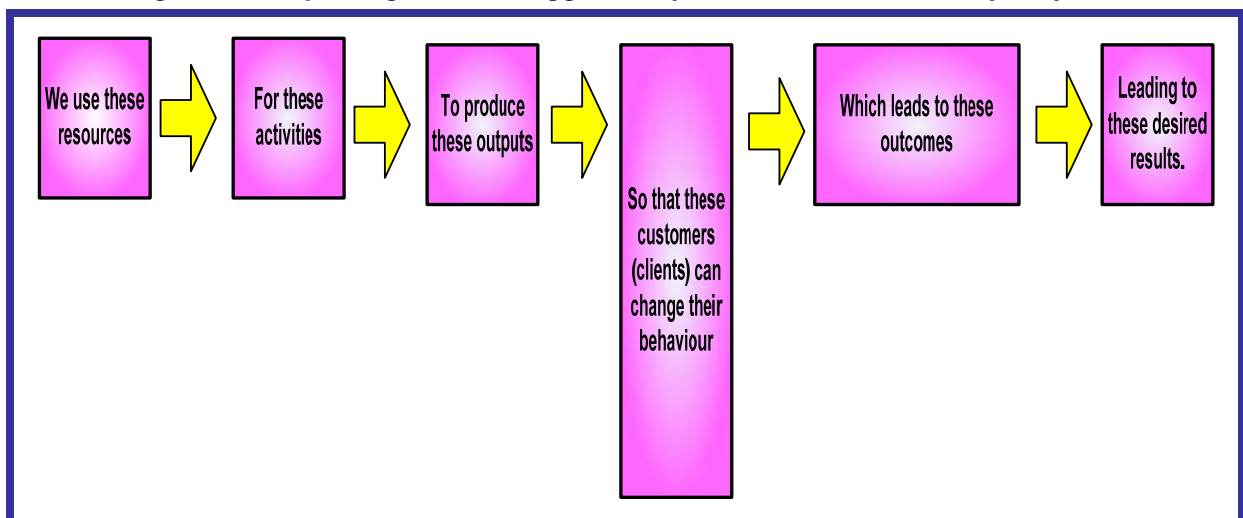
Ultimately, the existence of grant policies is essential to guiding grant administration behavior in an entity and holding management accountable for proper use of grant funds.

5.1.2 Promising practice #2: Performance measures to assess grant program results are developed early and align with organizational goals.

Performance measures are critical in the administration of grants since they provide entities with the information they need to assess the achievement of policy goals (NSW, n.d., p.3; DWG, 2005, p.12). Since grant programs typically consist of several individual grants awards, performance measures for the grant program should be developed during the design and planning stage so that they can be reflected as measurement requirements across individual grant awards (DWG, 2005, p.12; NSW, n.d. p.3). Subsequently, these measures serve as a basis for determining the progress of individual grant awards and at the same time facilitate the assessment of grant programs as a whole (DWG, p.12).

To develop performance measures, the Government of Canada Treasury Board Secretariat (2011, section 5.1), the DWG (2005, p.5) and the Office of Justice and Programs (n.d.) suggest that entities use logic models to visually depict the relationship between program inputs and activities, and the expected results of the program. Figure 2 illustrates a generic logic model suggested by the DWG (2005, p.12).

Figure 2: Sample Logic Model suggested by the Grant Accountability Project



Source: Domestic Working Group, Grant Accountability Project. (2005). *Guide to opportunities for improving grant accountability.*

As displayed above, logic models require the entity to determine 1) the source of funding, 2) the activities required to realize the policy, 3) the intended outputs of each activity, 4) the expected outcomes, and 5) the intended/desired results.

Such a determination allows an entity to develop performance measures that properly assess the achievement of the outcomes and intended results of the grant program.

5.1.2.1 Choosing performance measures

Two important discussions in the literature about developing performance measures concern the difficulty of measuring public sector goals and the quantity and clarity of performance measures. This section discusses these issues.

5.1.2.1.1 *Measuring public sector goals*

In *Measuring and Reporting Public Sector Performance*, Gagne (2011, p.14) argues that developing performance measures in the public sector is made more difficult by the fact that the intended outcomes of public policy are not so easy to observe in isolation. This is because the achievement of public sector goals are often characterized by joint production processes (p.14), and thus developing performance measures to establish causality between a single policy goal and an observed outcome is difficult and often expensive (Gagne, 2011, p.20). More fundamentally Gagne (2011, p.22) highlights the following:

performance measurement [is] concerned with reporting a variety of difficult and often poorly-defined social outcomes without a common unit of account...[thus] measuring program economy, efficiency, and effectiveness, requires more complex methods than the essentially descriptive methodology that performance measurement is. The development of any standards or guidance for performance measures needs to take these issues into account (p.22).

Hence, in developing performance measures for grant programs, public officials should ensure that the performance measures developed properly measure the intended outcome(s)/objectives of grant programs which, in some cases, may require the services of evaluation specialists particularly when measuring program contributions presents significant methodological challenges.

5.1.2.1.2 *Quantity and clarity of performance measures*

Another discussion in the literature with regards to performance measures pertains to the quantity and clarity of performance measures to be used. The GAO's 2006 report *Enhancing Performance Accountability Provisions Could Lead to Better Results* suggests that the number of performance measures should be sufficient enough to assess the achievement of the grant objectives (2006, p.22). They "should [also] be adequate [enough] to motivate the desired behaviors and provide a meaningful return to both the grantor and the grantee" (p.4). The City Auditor of Honolulu (2010, p.68) adds that performance measures should be clear since "performance measures that are unclear [negatively] impact accountability" (p.68). Thus, only relevant and easily understood performance measures should be developed.

5.1.3 Promising practice #3: a centralized database is used to manage grants at the entity level.

Properly designed and used information systems support effective decision-making. In particular, a centralized database is useful for tracking and monitoring overall grant activity in the organization (Environment Canada, 2005; New South Wales Government: Premier & Cabinet, n.d., p.3; DWG, 2005, p.14; Office of the City Auditor of Winnipeg, 2008, p.10). Databases are also useful since organizations typically have numerous grant awards that address similar needs and may sometimes award grant awards to the same recipient for different purposes (Domestic Working Group, 2005, p.7). Further, the Office of the City Auditor of Winnipeg (2008) specifically suggests that tracking information such as “the number of grants received by a grantee, total dollars and number of grants distributed by department and by type of grant program, and the number of grants applied and approved” (p.10) enables management to be accountable for how grant funds are being used across the organization. Additionally, the City Auditor of San Jose (2006, p.25) adds that monitoring issues of compliance via the database enables management to safeguard the proper use of grant funds by addressing grantee problems in a timely manner.

5.1.3.1 Other uses for databases

Beyond tracking grant awards and grant recipients, several sources from the literature identified additional ways that databases could be used to promote effective grant administration. For example, to disseminate information about federal grants to the public, the Government of the United States established *Grants.gov* as a central storehouse for information for over 1,000 federal grant programs detailing the nature of the grant award, eligibility requirements, and grant award amounts (Grants.gov, 2011). Similarly, to streamline and computerize its grant application process, Alberta’s Ministry of Transportation created the Municipal Grants Management Application system which allows municipalities to apply for grants and update their grant applications as their projects proceed (Alberta Government, 2011).

Hence, databases are beneficial since they enable entities to track and monitor grant awards and the use of grant funds.

5.1.4 Promising practice #4: ongoing training is provided to individuals directly responsible for administering entity grants.

The provision of ongoing training is beneficial to updating employees’ skills and knowledge in a given area. Based on the findings in the literature, this is particularly true for grant administration. Specifically, Rindner (2011, slide 5), the GAO(2009, summary) and the Auditor General of Canada (2008, p.194, s.6.52-6.53), found that poor familiarity with the entity’s processes and the lack of financial expertise was an inhibiting factor in the ability of grant staff to ensure

that funds were being used for their intended purposes. The following finding by the GAO (2009, summary) clearly highlights the issue:

Staff [had] limited financial expertise and training, hindering effective monitoring of grantees' compliance with financial requirements. [The Department of] Education has monitoring tools that aid in reviewing basic financial compliance, but the lack of staff expertise limits the ability to probe more deeply into grantees' use of funds (2009, summary).

For this reason, the GAO (2009, summary), City Auditor of San Jose (2008, p.13) and the DWG (2005, p.9) suggest that entities engaged in awarding grants develop long-term training strategies for grant employees. Training should include information/reviews on the organization's grant regulations, policies, and procedures (DWG, 2005, p.9). This will ensure that grants are awarded and administered in a consistent manner.

5.1.4.1 Other views in the literature

The GAO has an interesting view in this area (2009, summary). Specifically, they suggest that *skilled* employees equipped with previous knowledge in grant administration be hired to administer grant awards, particularly when the amounts are significant. While they emphasize that these employees should also receive ongoing training, they infer that the use of experienced staff further reduces the risk that grant employees will be unable to monitor the proper use of grant funds.

As emphasized by the literature, providing ongoing training to grant employees is critical to ensuring that grant funds have been used for their intended purposes.

5.1.5 Conclusion: design and planning stage

In the design and planning stage the literature is in agreement that effective grant administration begins with a strong framework. This framework should include policies that guide grant administration and hold grant staff accountable, the development of performance measurement that appropriately assess the intended use of grant funds, the use of information systems to track and monitor the entity's grants, and the provision of ongoing training to staff responsible for administering grant awards. Collectively, these components from a strong framework for assessing the appropriate use of grant funds.

5.2 Stage 2: Pre-award activities

Following the design and planning stage is the pre-award stage. This stage pertains to activities that occur before the grant is awarded to the grantee. Common activities identified in the literature included the development of clear agreements, eligibility criteria, and the communication of grant awards to the public.

5.2.1 *Promising practice #5: agreements have clearly defined objectives and terms and hold the grantee accountable for proper use of funds.*

The clarity of agreements directly impacts a grantee's understanding of how funds are to be used. As part of its recommendations to the Government of Canada, the articulation of the matter is clearly highlighted by the Independent Blue Ribbon Panel's report on *Grants and Contributions* (2006, p.22):

Funding agreements with each recipient should more clearly articulate the objectives of that specific agreement and the expectations of the recipient. The agreements should do so in a manner that makes it clear to both parties what constitutes success and failure in the particular initiative, and in a way that lends itself to meaningful, real-world accountability (p.22).

NSW (n.d., p.15) and the DWG (2005, pp.22-24) further specify that agreement terms, conditions, and provisions be clear so that grantees are clearly aware of how funds will be used and how their performance will be monitored. Failure to do so, notes the Office of the City Auditor of San Jose (2008, p.14), limits the entity's assurance that grantees are achieving grant objectives and are properly using funds.

In terms of crafting funding agreements, NSW (n.d.) steers clear from being prescriptive but notes that management should ensure that, "funding [agreements contain] appropriate controls and accountability mechanisms...to enable [grant staff] to ensure [that grant] funds are spent appropriately,"(p.14). Further, in terms encouraging grantee accountability, Rotsein (2011, par.8) suggests that the terms and provisions of grant agreements be developed by both parties prior to releasing the grant funds. The involvement of the grantee at this stage, Rotsein (2011, par.8) argues, makes the grantee more committed, and thus, accountable for ensuring that grant funds will be properly spent.

Collectively, the literature advocates the use of funding agreements that have clearly defined objectives and clearly worded terms that hold grantees accountable for proper use of grant funds.

5.2.2 *Promising practice #6: eligibility criteria are objective and relevant.*

Like the development of agreements, another common activity in the pre-award stage is the development of objective and relevant eligibility criteria. The Australian National Audit Office [ANAO] (2002, p.20) and the Voluntary Sector Initiative (2002, p.14) stress the importance of developing objective criteria in order to defeat any perception of bias when assessing grant applications. In terms of achieving objectivity, eligibility criteria should consider the use of third party information to assess the capacity of grant applicants including the use of audited financial statements to assess a grantee's financial capabilities and/or

reviews of client feedback forms to assess the benefits of the grantee's services to clients

(NSW, n.d, p.9; DWG, 2005, p.17;). Such information would provide the granting agency with an independent view of the grantee's ability to fulfill the intended purpose of the grant.

In terms of relevancy, NSW (n.d., p.8) provides a list of factors that granting agencies can consider when developing eligibility criteria. Specifically, the criteria should:

1. Be consistent with the grant's goals and program, objectives
2. Assess the capability of the applicant to carry out the grant's requirements including, the experience of the applicant organization, management expertise, specialist skills, community support, capacity for innovation
3. Assess the applicant's ability to satisfy the infrastructure and technical aspects of the project requirements
4. Assess the applicant's financial condition

In this regard, Wang (2011, slide 16) further adds that relevant criteria are those that are clear and easily understood by grant applicants, which is necessary to ensuring that only qualified applicants apply for the grant.

5.2.2.1 Challenges with eligibility criteria

An interesting contribution to the literature comes from the ANAO (2002, p.14). They suggest that consideration should be taken to ensure that eligibility criteria do not present a barrier of access to grant awards. For example, audit services can be costly for small agencies, hence the presentation of audited financial statements as an assessment of financial condition should not be considered as a required eligibility criteria, otherwise the granting entity faces the risk of losing quality grant recipients (2002, p.14). Although an interesting perspective, the ANAO fails to offer a comprehensive solution for a list of 'barrier' free criteria that granting agencies can use¹.

It is clear, nonetheless, that eligibility criteria which are relevant and objective increase the entity's chances of attracting candidates capable of properly carrying out the purpose of the grant.

5.2.3 *Promising practice #7: the public is made aware of grant awards in a timely manner.*

The ANAO (2002, p.39) and the OMB (1997, s.1b) note that a key ingredient of a successful grant program is creating a high level of awareness and interest in the grant program from qualified applicants. Further, communicating the availability of grant awards to the public is also critical to ensuring that members of the

¹ Achieving criteria that are "barrier" free can be difficult. For example, most public grants require that the organization be a not-for-profit organization. This excludes private organizations that would otherwise be able to carry out the purpose of the grant award. Eligibility criteria, by default are meant to extract qualified candidates at the exclusion of unqualified ones.

public have equal access to apply for government grants (City of Toronto, 1998, p.2). In particular, notes, the Voluntary Sector Initiative (2002), timely communication of grant awards ensures that “voluntary sector organizations [who] may be well qualified to compete for [grant] funding alongside the private sector and universities” (p.13) are informed of major grant awards in a timely manner.

In terms of *how* to communicate the grant awards, the use of the internet (i.e. websites) and advertisements in mainstream and ethno-specific newspapers are sited as good methods to create broad awareness of grant opportunities (ANAO, 2002; p,39).

Thus, informing the public about grant opportunities in a timely manner is effective grant administration since it increases the pool of qualified candidates for granting agencies and provides the public with an equal chance to compete for grant awards.

5.2.4 Conclusion: pre-award stage

Promising practices in the pre-award stage are designed to ensure that agreements are clear and hold grantees accountable for using grant funds for their intended purposes. Further, they ensure that eligibility criteria for grant awards are objective and relevant, and that the public is informed of grants in a timely manner. Collectively, these practices facilitate the selection of candidates who are capable of using grant funds for their intended purposes.

5.3 Stage 3: Selection and approval

The selection and approval stage is the next stage in the grant administration life-cycle. This stage concerns the selection and approval of grant recipients as well as the formalization of the grant agreement with the grantee. As discussed below, these activities are essential to guiding the proper use of grant funds.

5.3.1 Promising practice #8: the selection of grant recipients is made with reference to established criteria.

In his review, the Auditor General of Ontario (2007, p.18) found that the eligibility and selection criteria for the Ministry of Citizenship’s (Ministry) year-end grants was not consistently applied by grant staff when selecting recipients. The evident risk with this approach is that the proper use of grant funds is put at risk when candidates who may not be capable of meeting grant award criteria are selected (Auditor General of Ontario, 2007, p.18). Additionally, note the auditors of Environment Canada (2003, par.4), when candidates are selected without reference to established criteria, the grant process is not transparent and ultimately limits the ability of department staff to assure to itself that it has selected the most appropriate candidate. As importantly, selecting grant recipients against a set of documented criteria “enables awarding agencies to

decide whether to award the grant, and what additional conditions should be added [to the applicant's grant agreement]" (DWG, 2005, p.17). Such assessments and subsequent modifications (if required) provide granting agencies with confidence that selected candidates will have the necessary capabilities in place necessary to ensure the proper use of grant funds (DWG, 2005, p.17).

In conclusion, selecting candidates with reference to a set of established criteria reasonably ensures that selected candidates will use grant awards in accordance with their intended purposes.

5.3.2 Promising practice #9: approvals are made within established guidelines.

The importance of obtaining approvals for grant decisions was identified by the auditors of Environment Canada (2003, par 2) and the Auditor General of Ontario (2007, p.9). In particular, they found instances of grant decisions being approved outside of established guidelines. Seeking approvals from senior management is necessary, emphasizes NSW (n.d, p.13), to ensure that recommended grant decisions are in line with the goals and objective of the program, and that senior management has formally signed off on the grant decision. Without such processes, there is a risk that grant payments may be made to candidates not desired by senior management (Auditor General of Ontario, 2007, pp.9-10). In this regard as well, seeking documented approval from senior management ultimately holds senior management accountable for a grantee's proper use of funds.

Thus, following proper approval protocols enhances the accountability for grant funds by ensuring that grant decisions have been reviewed and approved senior management.

5.3.3 Promising practice #10: agreements are signed before the term of the grant begins.

Once a grant recipient has been selected and approved, NSW (n.d., p.14) suggests that both parties sign the agreement before the commencement of the grant term. This ensures that both the grant recipient and entity are clear about their roles and responsibilities (NSW, n.d., p.14). More importantly, adds the Auditor General of Ontario (2007, p.11), requiring that agreements be signed prior to releasing payment is an accountability control mechanism that awarding agencies can use to legally hold grant recipients accountable for grant funds. In the absence of such controls, awarding agencies face the potential risk that grant funds may be used for unintended purposes (Auditor General, 2007, p.11).

Thus, signing agreements with grant recipients prior to releasing payment can also provide assurance to awarding agencies that grantees will be committed to using grant awards for their intended purposes.

5.3.4 Conclusion stage 3: selection and approval

In conclusion, selecting candidates in accordance with established criteria ensures that selected recipients have the required capabilities to fulfill the grant's terms. Additionally, seeking formal approval from senior management holds senior management accountable for a grantee's use of funds. Finally, releasing payment only after the agreements have been signed provides documented proof that the grantee will use the funds in accordance with the agreement. Together, these practices provide the entity with reasonable assurance that grant funds will be used for their intended purposes.

5.4 Stage 4: Records management

Following the selection and approval stage is the records management stage. This stage is important to ensuring that adequate information about a grantee's ability to properly use grant funds is retained on file.

5.4.1 Promising practice #11: key documentation related to grant recipients is retained on file.

During its audit of the City of Ottawa's grant administration practices, the City Auditor of Ottawa (2008) provided several recommendations to administration concerning its management of grantee files, particularly "that all necessary documentation [about grant recipients] is collected and retained on file" (p.17). Administration subsequently made a commitment to develop a checklist that would detail the file requirements for each grant file (City Auditor of Ottawa, 2008, p.17). In similar cases, the Environment Canada auditors (2003, par 2) and the City Auditor of Winnipeg (2008, p.21) found that inconsistent record-keeping practices between grant managers impeded the ability of their respective entities to ensure that the requirements of the grant contributions had been met by grant recipients. As a result, it was difficult for the entities to determine whether or not grant funds had been used for their intended purposes. In both cases, they recommended that the entities develop consistent record-keeping practices with the aim to monitor the use of the grant funds by grant recipients (Environment Canada, 2003, par 3; City Auditor of Winnipeg, 2008, p.21).

Guidance on what records to file is provided by the City Auditor of Ottawa (2007, p.17) who suggests that in addition to background information about the grantee, managers should also file and retain narrative summaries of grantee follow-up undertaken by grant staff including documentation of site visits, attendance at meetings, telephone calls, etc. Such information provides documented evidence of efforts by grant staff to monitor grantees' performance against the terms in grant agreements (City Auditor of Ottawa, 2007, p.17).

Hence, retaining key documentation in grantee files can facilitate the entity's ability to track the use of grant funds.

5.4.2 Conclusion stage 4: records management

When attempting to assess the proper use of grant funds by grantees, the literature identifies record management as a promising practice. This is because documenting pertinent information about grantees and their compliance with grant terms provides the entity with documented evidence about the grantees use of grant funds.

5.5 Stage 5: Performance monitoring

Once grantee files and/or records have been established, the next stage in the grant cycle is performance monitoring. In this regard, the literature agrees that properly assessing the intended use of grant funds requires that entities 1) use appropriate techniques to monitor the performance of grant recipients, and 2) follow through monitoring activities by actually making comparisons of the grantee's results against the objectives of the grant.

5.5.1 Promising practice #12: the entity implements techniques to monitor the grantee's performance

Monitoring a grantee's performance is critical to ensuring that grant funds have been used of their intended purposes (Auditor General of Ontario, 2000, p.12; Domestic Working Group, 2005, p.25; Lambright, 2008, p.363; Office of Community, 2006, p.1; OMB, 2011, s.0.5d; Ridner, 2011, slide 21; Wholey and Hatry, 1992, p.605;). In fact, monitoring performance can identify and address potential problems and keep grantees on course toward program goals (DWG, 2005, p.25; Wholey and Hatry, 1992, p.605; Ridner, 2011, slide 21; Lambright, 2008, p.363). It can also lead to collaboration and sharing of successful monitoring strategies between grant staff and departments (Office of the City Auditor, 2006, p.13). Several techniques can be used by entities to monitor a grantee's performance. They are discussed below.

5.5.1.1 Monitoring techniques

In *The Case for Performance Monitoring* Wholey and Hatry (1992, p.605) note that performance monitoring is essentially a process of evaluation. They (p.605), along with the DWG (2005, p.30) stress that performance monitoring does not require sophisticated evaluation techniques however the selected techniques should enable an entity to assess whether or not the objectives of the grant award are being met. NSW (n.d, p.24) and the ANAO (2002, p.59) add that techniques that also assess the effectiveness of the grantee's ability to achieve the purpose of the grant are the ones that should be chosen. Further, the extent and frequency of the monitoring should vary according to the size, political risks, and sensitivity assistance of the grant (Department of Treasury and Finance, Government of Tasmania, 2005,p.18). The most commonly cited monitoring techniques in the literature were audits, site visits, and self-reporting by grantees.

5.5.1.1.1 Audits

In evaluating grantee performance, the role of auditors is to essentially assess value-for-money, that is did the grantee's use of grant funds best serve the entity's intended objectives of those funds (Glynn, J. J., & Murphy, M. P., 1996, webpage). Audits are also beneficial since "agencies can use internal and external audits of grantees to identify problems with grantee financial management and program operations" (DWG, 2005, p.26). Audits are usually performed by individuals independent of the entity and grantee and thus, this objectivity lends itself to effective grant management since management is provided with unbiased view of the grantee's performance (NSW, n.d, p.23; Office of Community Oriented Policing Services [OCOP], 2006, p.1). Such results, consequently, can be used reliably to support decisions about the grantee's current and future performance. For this reason, audits are considered valuable methods of monitoring performance in the literature.

5.5.1.1.2 Site visits by funders

Site visits represent another method of monitoring a grantee's performance. Specifically, they provide the following benefits (Hall and Strizzi, 2007, slide 5; OCOP, 2006, p.1):

1. They enable the entity to observe and review the grantee's policies with respect to the grant
2. They enable the entity to observe grantee compliance to the terms of the grant agreement
3. They allow the entity to provide on the spot advice and technical assistance to the grantee with respect to their performance
4. They enable the entity to directly assess whether or not the grantee is experiencing difficulty with achieving the goals of the grant

Site visits are also advantageous since grant staff may identify grantees who are meeting the goals and objectives of the grant in unique and innovative ways (Hall and Strizzi, 2006, slide 5; OCOP, 2006, p.1). These practices can then be shared as promising practices with other members of grant management (OCOP, 2006, p.1). Hence, site visits are useful monitoring tools since they provide first-hand observation of a grantee's compliance to the grant agreement.

5.5.1.1.3 Self-reporting by grantees

Granting agencies can also request that grantees self-report their grant activities using progress reports (OCOP ; 2006, p.1; Amirkhanyanm 2010, webpage; Lambright, 2008, p.363). Lambright (2008, p.363) adds that self-reporting is particularly beneficial for granting agencies that lack the capacity to adequately monitor grantees. Amirkhanyan (2008, p.748) found that grantees typically submit data that reflects the scope of delivered services, qualitative and quantitative information on client characteristics and other indicators specified by the granting agency. The role of the granting agency is to review these self-reports to understand the grantee's performance throughout the term of the grant

(Office of Community Oriented Policing Services, 2006, p.1). Self-reporting is thus used as a technique to monitor grantee performance.

5.5.1.2 *Special considerations for performance monitoring techniques*

Two considerations for performance monitoring techniques were identified in the literature. Specifically, potential challenges include 1) the creation of an excessive reporting burden for grantees and 2) the inability of grantees to understand performance monitoring requirements.

5.5.1.2.1 Reporting burden

The Canadian Council on Social Development (2003, p.xiv) finds that the variety of performance monitoring methods used by grantors to assess grantee performance creates a reporting burden for grantees; this is detrimental, particularly for not-for-profits that are strapped for resources (p.xiv). These concerns are consistent with the findings identified by the GAO (2006, p.1) who was concerned that grantees “may be diverting resources from program objectives to comply with varying administrative requirements” (p.1). The GAO (2006, p.12), consequently, recommends that units within organizations work together to streamline and standardize reporting requirements for grantees.

5.5.1.2.2 Grantees’ inability to understand performance monitoring requirements.

In his research, Lambright (2008, p.363) finds that a grantee’s and the grantor’s understanding of the grant’s performance monitoring requirements does not always converge. He cites an example (2008, p.63) where a grantor may define ‘clients’ in the program as past and present clients while the grantee, in contrast, may define ‘clients’ as those currently enrolled in the program. This mismatch impedes a grantor’s ability to understand and accurately report on how many clients were served as a result of the grant award (2008, p.363). Lambright (2008, p.363) recommends that entities provide technical assistance to grantees as needed in order to clarify any misunderstandings grantees may have about performance monitoring requirements. Such assistance would ensure that the right results are reported.

In conclusion, using appropriate monitoring techniques to monitor’s grantee’s performance is critical to ensuring that grant funds are being used for their intended purposes. Common techniques for monitoring performance include audits, site visits and self-reporting by grantees. In determining the type monitoring techniques to be used, agencies should ensure that the reporting process is not burdensome for grantees and that grantees are provided with technical assistance as needed.

5.5.2 *Promising practice #13: the entity makes comparisons of grant results against the objectives of the individual grant award and grant program as a whole.*

After performing monitoring activities, a natural step that should follow is the comparison of a grantee's results against the objectives of the grant award and a subsequent comparison of the results of individual grant awards against the objectives of the grant program. Although this was highlighted as critical in the literature (DWG, 2005, p.30; NSW, n.d., p.25; ANAO, 2002, p.66), the City Auditor of Honolulu (2006, p.13) found that an inhibiting factor in this regard can be the grantor's inability to follow through with reviewing data collected as a result of performance monitoring activities. Specifically, the auditor observed that "staff did not always review grantee reports...and when flaws were found with grantee performance, staff did not always follow up with grantees"(p.13). As a result, in the absence of such review, the ability for an entity to compare and assess grant results becomes difficult (DWG, 2005, p.30; NSW, n.d., p.25; ANAO, 2002, p.66). For this reason, the OMB (2011, s.0.51d) requires its staff to prepare performance reports that document the following:

- 1) A comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both.
- (2) Reasons why established goals were not met, if appropriate.
- (3) Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs (s.0.51d).

Clearly, the documentation suggested by the OMB ensures that a documented assessment of whether or not grant objectives were achieved and whether or not grant funds were properly used exists in the file. Further, the availability of such information informs the performance measurement process at the grant program level since such information can be used to inform targets (i.e. performance measures) that were set at the design and planning stage (NSW, n.d., p.3; DWG, 2005, p.12) (i.e. see section 5.1.2 above).

Hence, the benefit of reviewing data from monitoring activities is the ability to compare that information against the intended objectives of the grant award and grant program as a whole. This assessment is critical to confirming whether or not grant funds have been used for their intended purposes

5.5.3 Conclusion stage 5: performance monitoring

Appropriate monitoring activities are critical to effective grant management since it facilitates the assessment of whether or not grant funds have been used for their intended purposes. However, as identified by the literature, the data collected from such activities is only useful when comparisons of that data against the objectives of the individual grant award and grant program as a whole subsequently occur.

5.6 Stage 6: Reporting the outcomes

The final stage in the grant administration cycle is the reporting stage. To complete the process of grant administrative activities, this stage suggests that

entities report the outcomes of grant programs to their stakeholders in order to account for the use of public funds (e.g. public, council, provincial and federal governments).

5.6.1 Promising practice 12: reports on the results and outcomes of grant programs are provided to the entity's stakeholders.

Reporting the outcomes of grant programs to stakeholders is critical to providing accountability for grant funds (DWG, 2005, pp.24-25; NSW, n.d., p.23; City Auditor of Honolulu, 2010, p.50). Particularly in the public sector where providing information on how grant funds are spent, and whether or not the intended results were achieved, is viewed as being accountable to stakeholders for taxpayer dollars (Lankford, 2011, par 2). For municipal reporting, the City auditor of Honolulu (2010, p.50) specifically suggests that management prepare reports to council highlighting “program accomplishments [of completed grants], status of all grants issued in that fiscal year, and the amount of grant funds unspent” (City Auditor Honolulu, 2010, p.50). To improve transparency, NSW (n.d., p.23) further adds that results of grant programs should be posted on a entity's website providing clear explanations of “what the grant programs achieved and how the distribution of funds supported the government's objectives” (p.23). Hence, reporting the outcomes of grant programs to an entity's stakeholders enhances its accountability for grant funds.

5.6.2 Conclusion stage 6: reporting the outcomes

The final stage in the grant administration life-cycle emphasizes that reporting the outcomes of grant results to stakeholders is a promising practice when assessing grant results. This is because reporting the results of grant programs informs stakeholders of how grant funds were used and what improvements, if any, should be made.

6.0 CONSIDERATIONS AND FUTURE RESEARCH

This section considers the strengths and weaknesses of the literature and offers suggestions for future research in grant administration within the public sector.

6.1 Strengths of the existing literature

A key strength of the literature was the general consistency of findings despite the diversity of sources (i.e. grant administration guides, auditors' reports, articles, etc). This means that the practices commonly suggested by the literature can be applied to many situations and be customized to meet the specific needs of an entity. Another strength of the literature is the discussion of the associated benefits with implementing the promising practices. Generally, the rationale and benefit of implementing each promising practice was discussed in the literature. This is particularly useful for individuals new to grant management and/or for individuals interested in justifying the implementation of promising practices in their organizations.

6.2 Weaknesses of the existing literature

6.2.1 The cost of implementing the promising practices was not discussed

An absent discussion in the literature was issue of cost – that is, the cost required to implement the promising practices. For example, discussions on the costs to obtain and implement a grants management database, train grant employees, and monitor grantee performance were not provided. Given that cost is a key deciding factor in public sector decision-making, such a discussion would prove useful to public sector employees charged with improving grant administration, particularly those subject to tight budget constraints (i.e. where cost is the most important deciding factor).

6.2.2 The risks that the promising practices were trying to mitigate were not always discussed.

While the benefits of each promising practice were mentioned, a common deficiency in the literature was the failure to clearly state the risk that each promising practice was trying to address. For example, it was clearly highlighted that the benefit of monitoring grantee performance was to ensure the proper use of grant funds during the grant term. However, the importance of monitoring activities in identifying and reducing the risk of fraudulent use of public funds was not always discussed as a mitigating risk factor of monitoring grantee performance. Such information would prove useful to public sector officials required to justify the implementation of the promising practices.

6.3 Future research

Hence, research assessing the cost of implementing promising practices would prove useful to public-sector entities, particularly those that have limited financial and/or human resources. This research would have to be specific and segregated by government level given that needs and access to resources differ

between national, provincial and municipal governments. Additionally, research oriented on discussing the benefits of the promising practices from a risk perspective would further enhance the usefulness of the literature. Together, this information, along with the existing literature, would put public sector entities in a better position to determine which promising practices to implement.

In conclusion, key strengths of the existing literature are the consistency of the findings despite the diversity of sources, and the associated discussion of the benefits for each of the promising practices. However, the literature fails to discuss the cost of implementing the promising practices, and, on a more consistent basis, fails to discuss the risk that each practice is trying to mitigate. Accordingly, future research assessing the cost of implementing the promising practices and the risks that they are attempting to mitigate will enhance the usefulness of the literature to public sector officials.

7.0 RECOMMENDATIONS

This section of the report outlines recommendations to the City of Edmonton's Office of the City Auditor (OCA).

7.1 Recommendations to the Office of the City Auditor

7.1.1 Use the promising practices identified in the study as audit criteria for the upcoming Grant Administration Audit.

In addressing council's need to determine whether or not the City's grant administration practices ensure that funds have been used for their intended purposes, it is recommended that the OCA use the set of promising practices identified in the study as the basis of their evaluation for the upcoming grant administration audit.

7.1.2 Determine and communicate the cost and benefits of implementing the promising practices.

During the OCA's audit, if gaps between actual practice and the promising practices are identified, it is recommended that the OCA:

- a. estimate and communicate the cost of implementing the promising practice criteria.
- b. determine and communicate the risks that the promising practices are attempting to mitigate.

This information will enable administration and council to make informed decisions about which practices to implement.

8.0 CONCLUSION

In conclusion, this study was based on a literature review that sought out to identify promising practices in grant administration designed to ensure that grant funds are being used for their intended purposes. Promising practices identified included the establishment of a strong framework to guide grant administration in the entity, the development of performance measures to assess grant programs, the selection of qualified grantees, the use of monitoring techniques to assess grantee performance, and the preparation of final reports which communicate the results of grant programs to key stakeholders.

Key strengths of the existing literature are the consistency of the findings despite the diversity of sources and the associated discussion of the benefits for each of the promising practices. Yet the usefulness the literature to public sector officials is reduced by the fact that it fails to discuss the cost of implementing the promising practices, and, on a more consistent basis, fails to discuss the risk that each practice is trying to mitigate. Accordingly, future research assessing the cost of implementing the promising practices and the risks they are attempting to mitigate should be performed.

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10. APPENDICIES

10.1 Appendix 1: Circular A-102 Grants and cooperative agreements with state and local governments²

1. Pre-Award Policies.

- a. **Use of grants and cooperative agreements.** Sections 6301-08, title 31, United States Code govern the use of grants, contracts and cooperative agreements. A grant or cooperative agreement shall be used only when the principal purpose of a transaction is to accomplish a public purpose of support or stimulation authorized by Federal statute. Contracts shall be used when the principal purpose is acquisition of property or services for the direct benefit or use of the Federal Government. The statutory criterion for choosing between grants and cooperative agreements is that for the latter, "substantial involvement is expected between the executive agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement."
- b. **Advance Public Notice and Priority Setting.**
- (1) Federal agencies shall provide the public with an advance notice in the **Federal Register**, or by other appropriate means, of intended funding priorities for discretionary assistance programs, unless funding priorities are established by Federal statute. These priorities shall be approved by a policy level official.
- (2) Whenever time permits, agencies shall provide the public an opportunity to comment on intended funding priorities.
- (3) All discretionary grant awards in excess of \$25,000 shall be reviewed for consistency with agency priorities by a policy level official.
- c. **Standard Forms for Applying for Grants and Cooperative Agreements.**
- (1) Agencies shall use the following standard application forms unless they obtain Office of Management and Budget (OMB) approval under the Paperwork Reduction Act of 1980 (44 U.S.C. 35) and the 5 CFR Part 1320, "Controlling Paperwork Burdens on the Public":
- SF-424 Facesheet
SF-424a Budget Information (Non-Construction)
SF-424b Standard Assurances (Non-Construction)
SF-424c Budget Information (Construction)
SF-424d Standard Assurances (Construction)
- When different or additional information is needed to comply with legislative requirements or to meet specific program needs, agencies shall also obtain prior OMB approval.
- (2) A preapplication shall be used for all construction, land acquisition and land development projects or programs when the need for Federal funding exceeds \$100,000, unless the Federal agency determines that a preapplication is not needed. A preapplication is used to:
- (a) Establish communication between the agency and the applicant,
- (b) Determine the applicant's eligibility,
- (c) Determine how well the project can compete with similar projects from others, and

² Source: Office of Management and Budget, Federal Government of the United States of America. (1997). *Grants and cooperative agreements with state and local governments*. (Circular No. OMB Circular A-102). Washington D.C.: Retrieved from <http://clinton3.nara.gov/OMB/circulars/a102/a102.html>

(d) Discourage any proposals that have little or no chance for Federal funding before applicants incur significant costs in preparing detailed applications.

(3) Agencies shall use the Budget Information (Construction) and Standard Assurances (Construction) when the major purpose of the project or program is construction, land acquisition or land development.

(4) Agencies may specify how and whether budgets shall be shown by functions or activities within the program or project.

(5) Agencies should generally include a request for a program narrative statement which is based on the following instructions:

(a) Objectives and need for assistance. Pinpoint any relevant physical, economic, social, financial, institutional, or other problems requiring a solution. Demonstrate the need for the assistance and state the principal and subordinate objectives of the project. Supporting documentation or other testimonies from concerned interests other than the applicant may be used. Any relevant data based on planning studies should be included or footnoted.

(b) Results or Benefits Expected. Identify costs and benefits to be derived. For example, show how the facility will be used. For land acquisition or development projects, explain how the project will benefit the public.

(c) Approach. Outline a plan of action pertaining to the scope and detail how the proposed work will be accomplished for each assistance program. Cite factors which might accelerate or decelerate the work and reasons for taking this approach as opposed to others. Describe any unusual features of the project, such as design or technological innovations, reductions in cost or time, or extraordinary social and community involvements. Provide for each assistance program quantitative projections of the accomplishments to be achieved, if possible. When accomplishments cannot be quantified, list the activities in chronological order to show the schedule of accomplishments and target expected completion dates. Identify the kinds of data to be collected and maintained, and discuss the criteria to be used to evaluate the results and success of the project. Explain the methodology that will be used to determine if the needs identified and discussed are being met and if the results and benefits identified are being achieved. List each organization, cooperator, consultant, or other key individuals who will work on the project along with a short description of the nature of their effort or contribution.

(d) Geographic location. Give a precise location of the project and area to be served by the proposed project. Maps or other graphic aids may be attached.

(e) If applicable, provide the following information: for research and demonstration assistance requests, present a biographical sketch of the program director with the following information: name, address, telephone number, background, and other qualifying experience for the project. Also, list the name, training and background for other key personnel engaged in the project. Describe the relationship between this project and other work planned, anticipated, or underway under Federal assistance. Explain the reason for all requests for supplemental assistance and justify the need for additional funding. Discuss accomplishments to date and list in chronological order a schedule of accomplishments, progress or milestones anticipated with the new funding request. If there have been significant changes in the project objectives, location, approach or time delays, explain and justify. For other requests for changes, or amendments, explain the reason for the change(s). If the scope or objectives have changed or an extension of time is necessary, explain the circumstances and justify. If the total budget has been exceeded or if the individual budget items have changes more than the prescribed limits, explain and justify the change and its effect on the project.

(6) Additional assurances shall not be added to those contained on the standard forms, unless specifically required by statute.

- d. **Debarment and Suspension.** Federal agencies shall not award assistance to applicants that are debarred or suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549. Agencies shall establish procedures for the effective use of the List of Parties Excluded from Federal Procurement or Nonprocurement programs to assure that they do not award assistance to listed parties in violation of the Executive Order. Agencies shall also establish procedures to provide for effective use and/or dissemination of the list to assure that their grantees and subgrantees (including contractors) at any tier do not make awards in violation of the nonprocurement debarment and suspension common rule.

e. **Awards and Adjustments.**

(1) Ordinarily awards shall be made at least ten days prior to the beginning of the grant period.

(2) Agencies shall notify grantees immediately of any anticipated adjustments in the amount of an award. This notice shall be provided as early as possible in the funding period. Reductions in funding shall apply only to periods after notice is provided. Whenever an agency adjusts the amount of an award, it shall also make an appropriate adjustment to the amount of any required matching or cost sharing.

f. **Carryover Balances.** Agencies shall be prepared to identify to OMB the amounts of carryover balances (e.g., the amounts of estimated grantee unobligated balances available for carryover into subsequent grant periods). This presentation shall detail the fiscal and programmatic (level of effort) impact in the following period.

g. **Special Conditions or Restrictions.** Agencies may impose special conditions or restrictions on awards to "high risk" applicants/grantees in accordance with section __.12 of the grants management common rule. Agencies shall document use of the "Exception" provisions of section __.6 and "High-risk" provisions of section __.12 of the grants management common rule.

h. **Waiver of Single State Agency Requirements.**

(1) Requests to agencies from the Governors, or other duly constituted State authorities, for waiver of "single" State agency requirements in accordance with section 31 U.S.C. 6504, "Use of existing State or multi-member agency to administer grant programs," shall be given expeditious handling and, whenever possible, an affirmative response.

(2) When it is necessary to refuse a request for waiver of "single" State agency requirements under section 204 of the Intergovernmental Corporation Act, the Federal grantor agency shall advise OMB prior to informing the State that the request cannot be granted. The agency shall indicate to OMB the reasons for the denial of the request.

(3) Legislative proposals embracing grant-in-aid programs shall avoid inclusion of proposals for "single" State agencies in the absence of compelling reasons to do otherwise. In addition, existing requirements in present grant-in-aid programs shall be reviewed and legislative proposals developed for the removal of these restrictive provisions.

i. **Patent Rights.** Agencies shall use the standard patent rights clause specified in "Rights to Inventions made by Non-profit Organizations and Small Business Firms" (37 CFR Part 401), when providing support for research and development.

j. **Metric System of Measurement.** The Metric Conversion Act of 1975, as amended, declares that the metric system is the preferred measurement system for U.S. trade and commerce. The Act requires each Federal agency to establish a date(s), in consultation with the Secretary of Commerce, when the metric system of measurement will be used in the agency's procurement, grants, and other business-related activities. Metric implementation may take longer where the use of the system is initially impractical or likely to cause significant inefficiencies in the accomplishment of federally-funded activities. Heads of departments and agencies shall establish a process for a policy level and program level review of proposed exceptions to metric usage in grants programs. Executive Order 12770 ("Metric Usage in Federal Government Programs") elaborates on implementation of the Act.

2. Post-award Policies.

a. **Cash Management.** Agency methods and procedures for transferring funds shall minimize the time elapsing between the transfer to recipients of grants and cooperative agreements and the recipient's

need for the funds.

(1) Such transfers shall be made consistent with program purposes, applicable law and Treasury regulations contained in 31 CFR Part 205, Federal Funds Transfer Procedures.

(2) Where letters-of-credit are used to provide funds, they shall be in the same amount as the award.

- b. **Grantee Financial Management Systems.** In assessing the adequacy of an applicant's financial management system, the awarding agency shall rely on readily available sources of information, such as audit reports, to the maximum extent possible. If additional information is necessary to assure prudent management of agency funds, it shall be obtained from the applicant or from an on-site review.
- c. **Financial Status Reports.**
- (1) Federal agencies shall require grantees to use the SF-269, Financial Status Report-Long Form, or SF-269a, Financial Status Report-Short Form, to report the status of funds for all non-construction projects or programs. Federal agencies need not require the Financial Status Report when the SF-270, Request for Advance or Reimbursement, or SF-272, Report of Federal Cash Transactions, is determined to provide adequate information.
- (2) Federal agencies shall not require grantees to report on the status of funds by object class category of expenditure (e.g., personnel, travel, equipment).
- (3) If reporting on the status of funds by programs, functions or activities within the project or program is required by statute or regulation, Federal agencies shall instruct grantees to use block 12, Remarks, on the SF-269, or a supplementary form approved by the OMB under the Paperwork Reduction Act of 1980.
- (4) Federal agencies shall prescribe whether the reporting shall be on a cash or an accrual basis. If the Federal agency requires accrual information and the grantees's accounting records are not normally kept on an accrual basis, the grantee shall not be required to convert its accounting system but shall develop such accrual information through an analysis of the documentation on hand.
- d. **Contracting With Small and Minority Firms, Women's Business Enterprises and Labor Surplus Area Firms.** It is national policy to award a fair share of contracts to small and minority business firms. Grantees shall take similar appropriate affirmative action to support of women's enterprises and are encouraged to procure goods and services from labor surplus areas.
- e. **Program Income.**
- (1) Agencies shall encourage grantees to generate program income to help defray program costs. However, Federal agencies shall not permit grantees to use grant-acquired assets to compete unfairly with the private sector.
- (2) Federal agencies shall instruct grantees to deduct program income from total program costs as specified in the grants management common rule at paragraph __.25 (g)(1), unless agency regulations or the terms of the grant award state otherwise. Authorization for recipients to follow the other alternatives in paragraph __.25 (g) (2) and (3) shall be granted sparingly.
- f. **Site Visits and Technical Assistance.** Agencies shall conduct site visits only as warranted by program or project needs. Technical assistance site visits shall be provided only (1) in response to requests from grantees, (2) based on demonstrated program need, or (3) when recipients are designated "high risk" under section __.12 of the grants management common rule.
- g. **Infrastructure Investment.** Agencies shall encourage grantees to consider the provisions of the common rule at Section __. 31 and Executive Order 12803 ("Infrastructure Privatization"). This includes reviewing and modifying procedures affecting the management and disposition of federally-financed

infrastructure owned by State and local governments, with their requests to sell or lease infrastructure assets, consistent with the criteria in Section 4 of the Order. Related guidance contained in Executive Order 12893 ("Principles for Federal Infrastructure Investments") requiring economic analysis and the development of investment options, including public-private partnership, shall also be applied. On March 7, 1994, OMB issued guidance on Executive Order 12893 in OMB Bulletin No. 94-16.

- h. **Resource Conservation and Recovery Act.** Agencies shall implement the Resource Conservation and Recovery Act of 1976 (RCRA) (42 U.S.C. 6962). Any State agency or agency of a political subdivision of a State which is using appropriated Federal funds must comply with Section 6002 of RCRA. Section 6002 requires that preference be given in procurement programs to the purchase of specific products containing recycled materials identified in guidelines developed by the Environmental Protection Agency (EPA). Current guidelines are contained in 40 CFR Parts 247-253. State and local recipients of grants, loans, cooperative agreements or other instruments funded by appropriated Federal funds shall give preference in procurement programs to the purchase of recycled products pursuant to the EPA guidelines.
- i. **Procurement of Goods and Services.** Agencies should be aware of and comply with the requirement enacted in Section 623 of the Treasury, Postal Service and General Government Appropriations Act, 1993, and reenacted in Section 621 of the fiscal year 1994 Appropriations Act. This Section requires grantees to specify in any announcement of the awarding of contracts with an aggregate value of \$500,000 or more, the amount of Federal funds that will be used to finance the acquisitions.
- j. **Conditional exemptions.**
 - (1) OMB authorizes conditional exemption from OMB administrative requirements and cost principles circulars for certain Federal programs with statutorily-authorized consolidated planning and consolidated administrative funding, that are identified by a Federal agency and approved by the head of the Executive department or establishment. A Federal agency shall consult with OMB during its consideration of whether to grant such an exemption.
 - (2) To promote efficiency in State and local program administration, when Federal non-entitlement programs with common purposes have specific statutorily-authorized consolidated planning and consolidated administrative funding and where most of the State agency's resources come from non-Federal sources, Federal agencies may exempt these covered State-administered, non-entitlement grant programs from certain OMB grants management requirements. The exemptions would be from all but the allocability of costs provisions of OMB Circulars A-87 (Attachment A, subsection C.3), "Cost Principles for State, Local, and Indian Tribal Governments," A-21 (Section C, subpart 4), "Cost Principles for Educational Institutions," and A-122 (Attachment A, subsection A.4), "Cost Principles for Non-Profit Organizations," and from all of the administrative requirements provisions of OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," and the agencies' grants management common rule.
 - (3) When a Federal agency provides this flexibility, as a prerequisite to a State's exercising this option, a State must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of OMB Circular A-87, and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not be used for general expenses required to carry out other responsibilities of a State or its subrecipients.

3. After-the-grant Policies.

- a. **Closeout.** Federal agencies shall notify grantees in writing before the end of the grant period of final reports that shall be due, the dates by which they must be received, and where they must be submitted. Copies of any required forms and instructions for their completion shall be included with this notification. The Federal actions that must precede closeout are:

- (1) Receipt of all required reports,
- (2) Disposition or recovery of federally-owned assets (as distinct from property acquired under the grant), and
- (3) Adjustment of the award amount and the amount of Federal cash paid the recipient.

b. **Annual Reconciliation of Continuing Assistance Awards.** Federal agencies shall reconcile continuing awards at least annually and evaluate program performance and financial reports.

Items to be reviewed include:

- (1) A comparison of the recipient's work plan to its progress reports and project outputs,
- (2) the Financial Status Report (SF-269),
- (3) Request(s) for payment,
- (4) Compliance with any matching, level of effort or maintenance of effort requirement, and
- (5) A review of federally-owned property (as distinct from property acquired under the grant).