

State Comptrollers Survey 2009 Findings and Conclusions

Are States Ready to Manage Federal Grant Funds?


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Are states prepared to compete for and win the optimal amount of federal grant funds? Our survey suggests that, without a centralized process for grants management, states run the risk of leaving money on the table. At worst, they might not even be recouping their administrative costs.

Introduction

The \$787 billion American Recovery and Reinvestment Act (ARRA) presents an unprecedented opportunity for states and their respective agencies to receive federal funding. A significant portion of stimulus funds will be distributed based on grant requests and competitive awards. This poses new challenges for state administrations across the entire life cycle of grants management, from application through receipt through closeout.

This paper presents six key findings from a survey conducted by Accenture and NASACT (the National Association of State Auditors, Comptrollers and Treasurers) asking state comptrollers about their current federal grants management practices. It paints a nationwide picture of inconsistency regarding states' readiness to address the opportunities and challenges of ARRA. The implications can help states work toward a best practice model to compete for and win the optimal amount of federal grant funds for programs that deliver value to citizens.

What's at stake?

The Recovery Act of 2009 gives states and their respective agencies potential access to billions upon billions of federal funding dollars for programs to create jobs, boost local economies and help address pressures caused by the global economic slowdown. A portion of stimulus funds will be allocated to state governments and agencies based on existing formulas, such as population or percentage of residents below a certain income. A significant piece, however, will be distributed based on grant requests and competitive awards, by which the recipient and the amount are determined by the programmatic, technical or scientific content of an application. The Office of Management and Budget (OMB), which provides guidance for programs and grants under ARRA, estimates the amount of these competitive grant awards to be approximately \$85 billion.

The magnitude and availability of this funding pose new challenges for state administrations. Among them are how to appropriately identify and apply for the range of grants available for particular

programs; how to effectively manage increased volumes of applications and awards; and how to meet the stringent new accountability and transparency requirements for ARRA compliance.

What we asked

In the summer of 2009, Accenture and NASACT teamed to conduct a survey of state comptrollers nationwide. Our intent was to understand common and current practices in their management of categorical federal grants, uncover best practices, and determine the impact of ARRA in driving change in the people, processes and technology of grants management.

The specific objectives of the survey were:

- To ascertain the degree of centralization versus decentralization in grants management functions.
- To understand the magnitude of change in state government practices due to ARRA.
- To solicit suggestions for improvement and for the establishment of leading practices across the grants management life cycle.

The survey was deployed on the Web and consisted of 32 multiple-choice and open-ended questions. Its scope was limited to a focus on categorical or discretionary grants, and on only certain aspects of the entire federal grants domain. Twenty-four states responded to the survey.

State comptrollers were told that the survey was not meant to elicit an accounting-level accuracy of response. They were explicitly asked not to reach out to agencies. This was done for two reasons: one, to respect the comptrollers' time; and, two, because we assumed that comptrollers would have ready access to most of this information. The extent to which our assumption held true might be an interesting finding in and of itself.

A complete discussion of the methodology for framing the survey questions, how a definition of categorical grants was developed, and the answers to all 32 survey questions appear in the appendix following the summary.

A foundation for the survey

Based on its unmatched experience in helping state governments and agencies achieve high performance, Accenture has developed a conceptual model of the array of functions that need to be addressed to manage the entire life cycle of federal grants. Each function has ramifications for people, process and technology. It is Accenture's belief that a

best practice model for state management of federal grants would encompass all functions across the life cycle and address them with a centralized, end-to-end approach.

In designing the survey, Accenture and NASACT utilized the Accenture model as a framework against which to develop questions. With NASACT's help,

Accenture was able to identify the seven areas of the model that appeared to hold the most relevance for state comptrollers—and the greatest potential for rich responses.

Below is the model of the entire life cycle, highlighting the seven areas that were identified as areas for exploration in the survey.

Framework showing the array of federal grants management functions



■ Areas of particular relevance to state comptrollers

Summary findings

Background

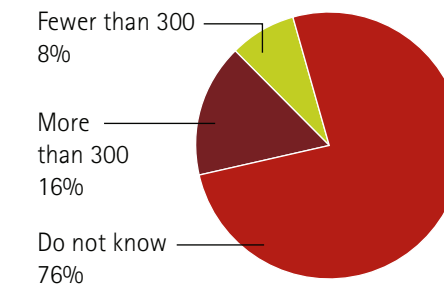
Accenture and NASACT began by seeking general background directly from the state comptrollers—asking them explicitly not to reach out to their state agencies. Our going-in supposition was that, due to the possible decentralization of functions, the comptrollers might not be in a position to know the full extent of their states' grants applications or awards. This proved to be true for the most part. When asked how many applications their states had submitted in the last 12 months across all agencies, 76 percent of comptrollers did not know. When asked about the number of grants awarded during the same time period, 84 percent did not know. We interpreted these responses to mean the information is being managed either in decentralized manner or not at all.

We then asked what portion of the state budget was funded from discretionary or categorical grants. Thirty percent did not know. The remaining 70 percent of comptrollers who did provide an estimate indicated that a fairly significant portion of their state budget comprised these competitive grant funds—from 10 percent to as much as 30 percent of their total budget.

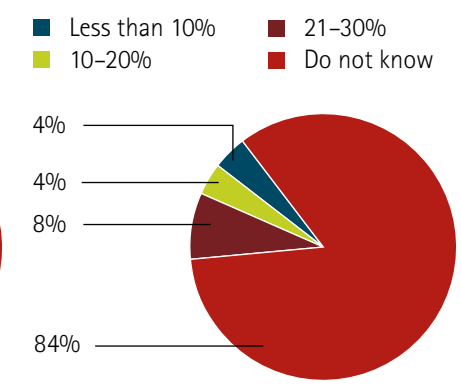
When asked how these grant awards translated into total dollars, 40 percent of comptrollers did not know. The others expressed a wide range from \$1M to \$10.2B, with the average response of \$2.2B. One-third of respondents didn't know how many of their state agencies applied for grants each year. Those who

did provide a number acknowledged that there are many agencies chasing the same dollar pool. They estimated the number of agencies to fall between 17 and 120, with the average response of 50.

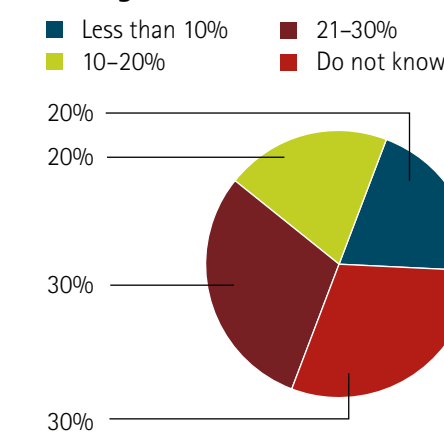
Number of grants applied for



Percentage of grants awarded



Percentage of state budgets from grants

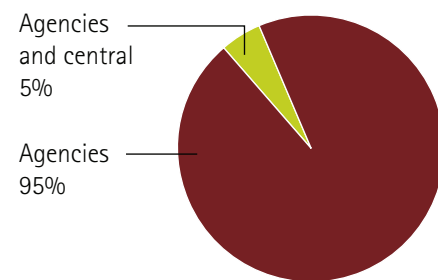


01 Key findings

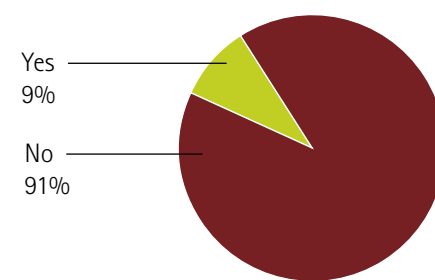
The application process is highly decentralized.

Ninety-five percent of state comptrollers reported that opportunities for federal grant application were identified by individual state agencies. Ninety-one percent indicated that there was no centralized support available to those that apply. While repositories of grant applications materials, including how-to guides and past submissions, existed for 73 percent of comptrollers, they were not statewide. Twenty-seven percent have no repositories at all.

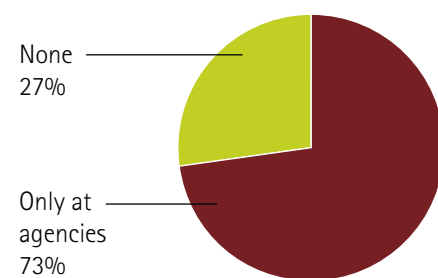
Who identifies opportunities?



Is any centralized support available for applications?



Any central repository?



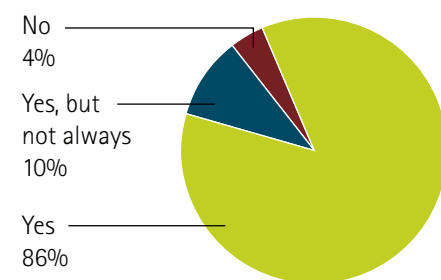
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02 Key findings

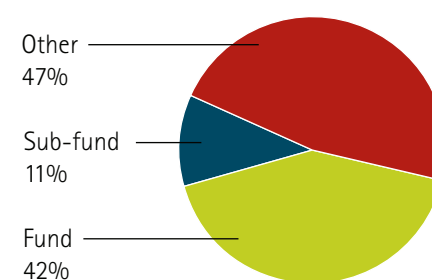
The post-award and financial management phase is highly centralized and highly individualized within the agency system, not a statewide system.

Sixty-four percent of state comptrollers said that individual agency grants were tracked in agency systems rather than in a central, statewide financial system. Eighty-six percent of state comptrollers segregated grant dollars from other funds within their accounting systems, indicating central management and control of this function. Exact methods varied: grant dollars were segregated at either the fund level (42 percent); sub-fund level (11 percent); or some other level, such as by revenue source or by Catalog of Federal Domestic Assistance (CFDA) number (47 percent).

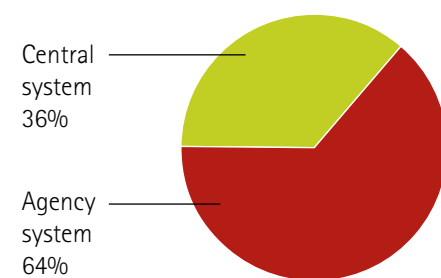
Segregate grant dollars in accounting system?



At what level do you segregate grant dollars?



Where are grants tracked individually?



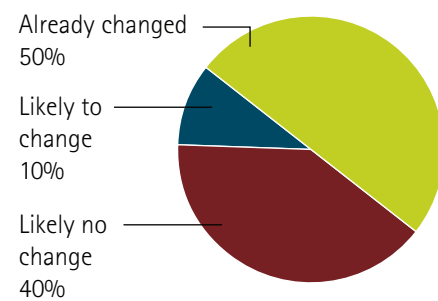
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03 Key findings

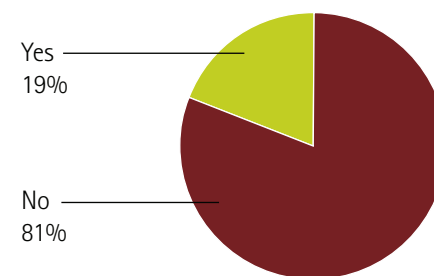
ARRA has had an impact, but not a clear, consistent one.

When asked whether their method of tracking and segregating grant dollars had changed because of ARRA, 60 percent of state comptrollers said that it already had or was likely to change. Eighty-one percent of comptrollers said, however, that they did not know the percentage of administrative costs associated with grants management that were recoverable upon awarding. Moreover, 68 percent said that calculating the total cost of grants administration and the percentage recoverable would be very difficult.

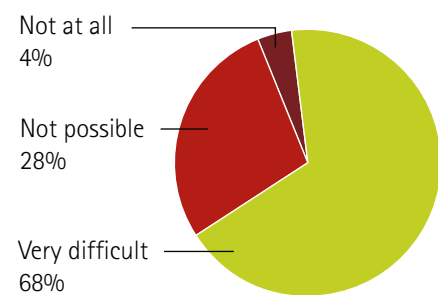
Has ARRA changed your methods of tracking/segregating grant dollars?



Do you know percentage of administrative costs to manage grants?



How difficult would it be for you to calculate?



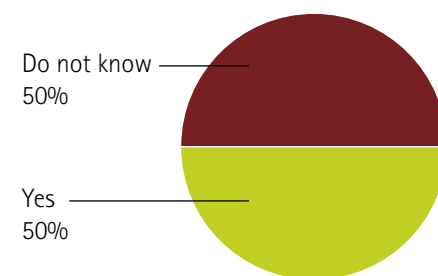
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04 Key findings

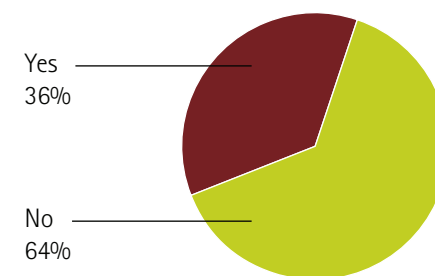
Enabling technology, although available, is generally not used.

Fifty percent of state comptrollers said they used specialized grant software or websites to aid the application process, but 50 percent did not know whether they did or not. We also asked comptrollers if they used any specialized software or websites to manage and report on grants received, and 64 percent did not. This suggests that these information management functions are decentralized or absent; in any case, they do not appear to take advantage of enabling software available in the market.

Do you use specialized software for applications?



Do you use specialized software to manage/report?

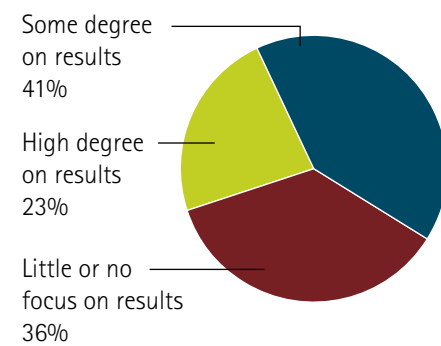


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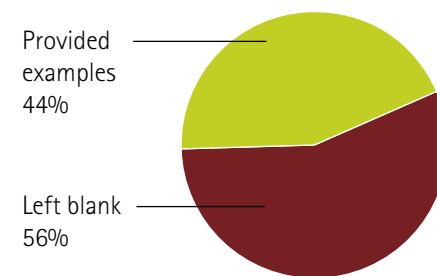
States focus on reporting financials rather than outcomes or results.

Thirty-six percent of state comptrollers indicated that their grants reporting had little or no focus on outcomes or results delivered. Forty-one percent indicated some degree of focus on results. Twenty-three percent indicated a high degree of focus on reporting results. When asked for examples of outcomes that were included in their reports, 56 percent of comptrollers left the answer blank. The remaining 44 percent cited specific examples, such as populations served or activities performed. But overall, results-focused reporting is an area in need of expansion.

Does your reporting focus on dollars or include results?



Can you give examples of results reported?



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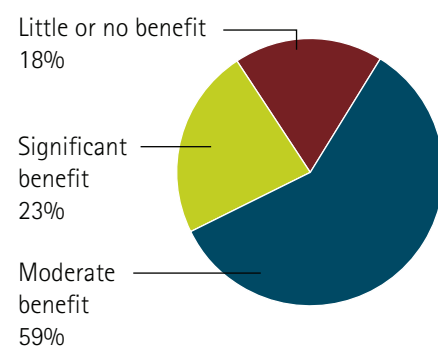
06 Key findings

States appreciate the benefits of greater centralization of grants management, some more than others.

Eighty-two percent of state controllers thought that having centralized grants management, which would provide a standardized set of processes, systems and support, was of significant or moderate value. Their suggestions to improve grants management capabilities revolved around several themes:

- Making processes more uniform
- Improving accountability and internal controls
- Providing more training and skilled staff
- Expanding the use of software
- Enhancing information management, coordination, focus on outcomes and accountability
- Establishing a central function

Would your state benefit from a more centralized grants management function?



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Conclusions

This survey represents a starting point, not the end point, in the need to understand the management of federal grants. Accenture and NASACT expected that, to some degree, comptrollers might not know the detailed and accounting level of the grants management process. These findings provide further evidence of decentralization and the opportunity that exists for states to better manage their grants management process. The findings reveal no uniform best practices among the states for managing grants; they do, however, provide insight into the gaps that thwart states' ability to adopt an end-to-end process for winning federal grant funds.

Drawing on implications from the survey, Accenture and NASACT make the following recommendations:

Centralize the front end

Currently there is relatively low to no central visibility at the front end of the grants management life cycle. Most activities are administered by the agencies, few by any central authority. Such a fractured process carries the risk of uneven performance across agencies and programs. On one hand, it creates waste, rework and redundancy; on the other, it results in foregone opportunities to maximize federal grants funding. Without a centralized front end, states potentially leave money on the table.

Leverage centralization at the back end

Compared to the front end, there is relatively high visibility and control over the back-end, or post-award and financial

management, phase of the life cycle. For states seeking optimal federal stimulus funds, further improvements to accounting do not appear to be a high value target area. Rather, the study suggests that states would be better served by shifting their focus to improved outcomes and an emphasis on results throughout the grants management life cycle.

Adopt enabling technologies

To the extent that states employ software-based solutions for grants management, such solutions are narrowly focused. The study suggests that states may find value in conducting a cost/benefit study to determine the business case for further investments in software solutions. As well, they may want to consider a marketplace survey to evaluate the merits of integrated ERP versus best-of-breed solutions.

Take advantage of ARRA as a driver for lasting change

State comptrollers recognize that ARRA can be a driver for change to their grants management process for stimulus funds now and for the next few years. The Recovery Act's vast funding pools command the attention of state executives, and its stricter requirements demand improvements in accountability and transparency.

It is Accenture's belief that now is the time to leverage elevated executive attention and the need to meet stringent ARRA requirements to push for dramatic improvements to the grants management process rather than incremental ones. To start, addressing the difficult challenge of understanding the administrative costs of managing grants is crucial to actually being able to manage them. This can be accomplished with

modifications and additions to the accounting process. Adopting a best practice model that centralizes functions across the entire grants management life cycle will position states to receive optimal funding from all federal grants in the future, not just from ARRA.

Achieving High Performance in Federal Grants Management

Accenture and NASACT appreciate the participation in this project, and we welcome the interest of states in further exploring the entire grants management life cycle.

Accenture can draw upon its experience in helping state governments and agencies achieve high performance to discuss further implications from the survey and make specific recommendations for moving forward.

How Accenture Can Help

Accenture has broad and deep capabilities to help states address the people, process and technology aspects necessary to develop a more centralized federal grants management function. Accenture brings expertise in project management, systems implementation and transformation solutions focused on the needs of state and local governments.

In the case of federal grants management, the transformation does not have to be massive. Once the need for change is established, a road map can be developed for improving grants management processes by using best practices, benchmarking and technology.

Appendix

Survey design

The study is based on research conducted by Accenture and NASACT in the summer of 2009 with state comptrollers. Accenture and NASACT teamed to develop the survey draft with the assistance of a focus group of six state comptrollers, who reviewed a wide set of preliminary topic areas to determine which would hold the most relevance and elicit the highest level of response from their peers. Within the end-to-end series of federal grants management functions, they recommended that the survey focus on the following seven aspects:

- Project/program selection and prioritization
- Budget support
- Fiscal management and accounting
- Funding optimization
- Technology enablement
- Project/program tracking
- Reporting

Twenty-four states participated in the 32-question, Web-based survey.

Categorical grants definition

In this survey, Accenture and NASACT set out to understand common and current practices pertaining to the management of categorical federal grants. Defining categorical grants posed a challenge, however. We recognized that large amounts of federal funds come to the states under various formulas, often referred to as entitlements. An example of this is Medicaid, whereby a state is allowed to claim federal funds to match state expenditures based on defined formulas. While these sources of federal financial participation require management attention, we wanted to focus on the types of grants that involve more discretion and initiative. Therefore, we excluded from the study the so-called formula grants.

Purpose of the survey

One objective of the study was to ascertain the degree of centralization versus decentralization in the grant management functions. It was our view that comptrollers, as officers with a statewide and centralized perspective, would be a good audience for this area of questioning. We explicitly asked comptrollers not to canvass their agencies. Our assumption was that if the comptroller did not know the answer to our survey questions, this indicated the matter was being addressed by the agencies in a decentralized manner, or not being addressed at all.

Another objective was to ascertain the degree to which ARRA is causing state government practices to change. Our hypothesis was that the large influx of dollars (an increase of 10 to 20 percent above pre-existing funding levels), combined with the elevated attention and requirements that accompany ARRA funding, would be a driver for significant change. We sought to understand both the magnitude and the velocity of this potentially transformational change.

A third objective was to solicit suggestions on leading practices and possible areas for improvement. If ARRA were indeed a trigger for change, the logical next question is: change to what end? The survey provided an opportunity to capture and share innovations and ideas from fellow practitioners in NASACT. As well, Accenture is able to apply its experience working with federal and state governments and its research-based knowledge to help states identify improvement areas to achieve high performance across the grants management life cycle.

Analysis of survey responses and interpretation of the data.

The survey included 32 questions, organized into groups. As general background we asked several questions:

- **Approximately how many federal grant applications did your state submit in the last fiscal year or 12-month period?**
 - Eight percent of the respondents indicated less than 300.
 - Sixteen percent of the respondents indicated more than 300.
 - Seventy-six percent of the respondents did not know.
 - We interpreted the large (76 percent) “did not know” response to mean either the information is being managed in a decentralized manner or not at all.
- **Approximately what percentage of federal grant applications submitted by your state in the last fiscal year, or 12-month period, was awarded?**
 - Four percent of the respondents indicated less than 20 percent.
 - Four percent of the respondents indicated between 40–60 percent.
 - Eight percent of the respondents indicated between 80–100 percent.
 - Eighty-four percent of the respondents did not know.
 - We interpreted the large (84 percent) “did not know” response to mean the information is being managed either in decentralized manner or not at all.
- **Estimate the total dollars you are awarded per year in discretionary/categorical grant funding (or that you were actually awarded in the past 12 months/in FY 2008–09).**
 - Responses ranged from \$1M to \$10.2B, with the average response of \$2.2B.
 - Forty percent of the respondents did not know.
 - We interpreted the relatively large (40 percent) “did not know” response to mean the information is managed in either a decentralized manner or not at all.
- **Express as a ratio the portion of your state’s budget that is funded from discretionary/categorical grants.**
 - Twenty percent of the responses indicated less than 10 percent.
 - Twenty percent of the responses indicated between 10 and 20 percent.

- Thirty percent of the responses indicated greater than 20 percent.
- Thirty percent of the responses did not know.
- We assume that the relatively large (30 percent) “did not know” response means the information is being managed in either a decentralized manner or not at all.
- **Approximately how many different state agencies/organizations apply for grants each year?**
 - Responses ranged from 17 to 120, with the average response of 50.
 - Thirty-three percent of the respondents did not know.
 - We assume that the relatively large (30 percent) “did not know” response means the information is being managed in either a decentralized manner or not at all.
- **How many different federal granting organizations provide grants to your state agencies each year?**
 - Responses ranged from 10 to 375, with the average response of 25
 - Eighteen percent of the respondents did not know.
 - We interpreted the (18 percent) “did not know” response means the information is being managed in either a decentralized manner or not at all.

We asked several questions about the application or pre-award phase:

- **In your state, who typically identifies opportunities to apply for federal grants?**
 - Ninety-five percent of the respondents indicated the agencies.
 - Five percent of the respondents indicated a combination of the agencies and a central organization
 - We interpreted this data as clear evidence the function is decentralized

- **Is there any centralized or common support function provided for agencies that want to submit grant applications?**
 - Nine percent of the respondents indicated yes.
 - Ninety-one percent of the respondents indicated no.
 - We interpreted this data as clear evidence the function is decentralized.
- **Is there any central repository of grant applications materials (e.g., how-to guides, past examples, etc.) available to assist applicants to get started?**
 - Seventy-three percent of the respondents indicated agency repositories but not statewide.
 - Twenty-seven percent of the respondents indicated no repository.
 - We interpreted this data as clear evidence the function is decentralized.
- **Do you use any specialized grant application software or websites? If so, please list them.**
 - Fifty percent of the respondents indicated software.
 - Fifty percent of the respondents either skipped the answer or did not know
 - We assume the relatively large. (50 percent) “did not know” response means the information is being managed in either a decentralized manner or not at all.

We asked a few questions about the award phase:

- **Do you segregate grant dollars from all others in your accounting system?**
 - Eighty-six percent of the respondents indicated yes.
 - Ten percent of the respondents indicated yes but not all the time.
 - Four percent of the respondents indicated no.
 - We interpreted the responses to mean this aspect is managed and controlled centrally.

- **If so, at what level do you segregate grant dollars from others?**
 - Thirty-eight percent of the respondents indicated at the fund level.
 - Ten percent indicated at the sub-fund level.
 - Forty-two percent indicated at other levels of detail, such as revenue source, CFDA number, etc.
 - We interpreted the responses to mean this aspect is managed and controlled centrally.
- **Has your method of segregating grant dollars (if any) changed or will it change in the future because of ARRA?**
 - Fifty percent of the respondents indicated it already has changed
 - Ten percent of the respondents indicated changes likely in the future.
 - Forty percent of the respondents indicated change not likely.
 - We interpreted the responses to mean this aspect is managed and controlled centrally.

We asked some questions about the post-award phase:

- **Do you manage all reporting/tracking of grants, at the level of each individual grant, in your central (statewide) financial system?**
 - Thirty-six percent of the respondents indicated yes in the central systems.
 - Sixty-four percent of the respondents indicated no, in agency systems.
 - We interpreted the relatively high (64 percent) response as evidence of a high degree of decentralization.
- **Do you have accounting staff dedicated to and/or specially trained in grant accounting and reporting?**
 - Thirty-two percent of the respondents indicated a dedicated staff.
 - Fourteen percent of the respondents indicated some specialized training.
 - Fifty-four percent of the respondents indicated the degree of specialization varies by agency.

– We interpreted the relatively high (54 percent) response as evidence of a high degree of decentralization.

• **Do you know the percentage of administrative costs associated with managing your grants that you can recover from the grants?**

– Nineteen percent of the respondents indicated yes.
– Eighty-one percent of the respondents indicated no.
– We assume that the relatively large (81 percent) “no” response means the information is being managed in either a decentralized manner or not at all.

• **How difficult (on a scale of 1 through 4) would it be for you to calculate both the total cost of grants administration in your state and the percentage of that cost you actually recover from the grants awarded to you?**

– Four percent of the respondents indicated not at all difficult.
– Sixty-eight percent of the respondents indicated very difficult.
– Twenty-eight percent of the respondents indicated it was not possible.
– We interpreted these responses to mean this is a very challenging issue.

We asked a few questions on closeout and reporting:

• **Do you use any specialized grants management software or websites to manage and report on grants?**

– Thirty-six percent of the respondents indicated yes.
– Sixty-four percent of the respondents indicated no.
– We interpreted these responses to mean software is not being extensively exploited for this function.

• **Do your reports on grants include reporting on outcomes/results delivered, or is most of your reporting focused on financial management?**

– Forty-one percent of the respondents indicated some degree of outcome/results reporting.

– Twenty-three percent of the respondents indicated a high degree of outcome/results reporting.

– Thirty-six percent of the respondents indicated reporting was limited to financial data.

– We interpreted these response to mean outcome/results reporting is an area that can be expanded.

• **If able to do so easily, please provide some examples of the types of outcomes/results included in some of your reports.**

– Forty-four percent of the respondents provided specific examples, such as populations served and activities performed.

– Fifty-six percent of the respondents had no examples.

– We interpreted these responses to mean outcome/results reporting is an area that can be expanded.

We asked some final questions seeking ideas and suggestions for leading practices:

• **What is the degree of value (on a scale of 1 through 4) in your state's having a centralized grants management organization that would provide a standardized set of grants management processes, systems and support?**

– Eighteen-percent of the respondents indicated little or no value.

– Fifty-nine percent of the respondents indicated moderate value.

– Twenty-three percent of the respondents indicated significant value.

– We interpreted these responses to mean a centralized grants management organization is a significant value opportunity that warrants priority attention.

• **If so, where would you locate that centralized function?**

– Four percent of the respondents indicated the governor's office.

– Four percent of the respondents indicated a new organization.

– Nine percent of the respondents would not consider a centralized function.

– Ten percent of the respondents indicated some other entity.

– Seventy-three percent of the respondents indicated administration and finance.

– We interpreted these responses to mean the centralized grants management organization is most favorably placed in administration and finance.

• **If you were to make three suggestions that you think would improve the capability for your state to manage grants, what would they be?**

– Suggestions revolved around several common themes:

- Make processes more uniform.
- Improve accountability and internal controls.
- Provide more training and skilled staff.
- Utilize software more.
- Focus on information/coordination/outcomes/accountability.
- Create a central function.

• **Please describe how ARRA has caused changes (if any) to the method and manner by which your state manages federal grants.**

– Comments included several common themes.

- Stricter requirements.
- Elevated executive attention.
- Improved transparency.
- Modifications and additions to accounting attributes.
- Set example for practice changes to all federal grants, not just ARRA.

For additional information about getting the most from US federal stimulus funds, visit www.accenture.com/arra.

For additional information about how Accenture can help state and local agencies achieve high performance, contact:

Mark Howard
Management Consulting Lead
Finance and Administration Industry
Canada and US State & Local Government
Accenture
+1 303 517 9534
Mark.H.Howard@accenture.com

Bill Kilmartin
Director
Finance and Administration Industry
Canada and US State & Local Government
Accenture
+1 617 488 7785
William.Kilmartin@accenture.com

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About NASACT

NASACT was founded in 1915 to allow principal state officials concerned with state financial management to gather annually and discuss problems and issues of mutual interest. As a national advocate for financial industry excellence, NASACT addresses issues of education, training, technology, best practices and collaboration in a variety of ways. NASACT works to identify, monitor, compile and distribute information for members, keeping them informed on emerging federal legislation and agency developments impacting state fiscal activities. The Association's Washington office acts as a liaison with Congressional committees, federal agencies and other national associations on issues of interest to NASACT. Its home page is www.nasact.org.

