

The background of the entire slide is a dense, overlapping field of US coins, including pennies, nickels, and quarters, in various orientations and colors (copper, silver).

# **Employees' University Grants Management Certificate Program Proposal**

***Recognizing the value of employee training  
and development in local government.***

**Date:** February 16, 2017  
**To:** EU Governing Council  
**From:** Donald Kendig, Financial Systems Analyst & EU Instructor (x2163)  
**Subject:** Employees' University (EU) Grants Management Certificate Program Proposal  
**CC:** Bob Geis, Auditor-Controller

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**Recommendations:**

That the Employees' University (EU) Governing Council:

1. Establish an Employees' University Grants Management Certificate Program, and
2. Initiate the course design and approval process for each of the applicable new courses.

**Alignment with Board Strategic Plan:**

The recommendation is primarily aligned with Goal III: A strong, professionally managed County organization and with Objective 7: Development of competent and well-trained employees committed to continuous improvement. In addition, this recommendation is aligned with our organizational values regarding our workforce and economy in government.

**Executive Summary:**

Grants and Contributions comprise the County's largest revenues source. They total \$237 million, or 44% of the County's \$531 million dollar budget. They are one of the most complicated sources of revenue to manage and come with many strings attached. There are numerous

laws governing them along with extensive Administrative, Cost, and Reporting requirements. In addition, Grants and Contributions are the County's riskiest revenue source. If an error occurs in their management, the funds have to be refunded with the County left holding the bag.

The County's grant management function has been given to departments and the levels of sophistication and efficiency very greatly from one department to another. A comprehensive Grant Certificate Program targeted at the County's many Administrative, Program, and Financial staff would impart the County's best practices for effective and efficient grant management, empower staff during grant procurement and negotiation, and protect against costly errors.

Adopting a grant certificate program and initiating the course design process is the first step to bringing quality grant training in-house. The design of up to twelve new courses may be needed for the program and the Training of Trainers is the vehicle that can phase the classes into reality over the next two to three years.

**Discussion:**

I have just completed six of seven courses required for obtaining a Grants Management Certificate from Management Concepts, Inc. (MCI) a nationwide provider of quality training programs in federal grants and assistance. The training I have received is revealing.

There were so many aspects of grants that I didn't know I didn't know, and this did not appear to be a unique sentiment among the other class attendees.

The overarching message I received from the training was that many of the Federal and State agencies do not universally know and understand what the specific management requirements are for Federal grants, so they pass down incorrect information or incorrect instructions, which then get passed down to each subsequent grantee.

The key to overcoming this sea of misinformation is internal training. In other words, we as the County need to make sure our employees receive sufficient competent technical training in managing Federal awards as well as state and local grants (and entitlements). We can then pass down, and pass up, correct information making grant management easier and more productive for us.

With over \$237 million of Federal, state, and local grants & contributions reported in the Santa Barbara County GASB 34 Pro-forma financial statements<sup>1</sup>, and with over 76 million of that amount being comprised of Federal

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<sup>1</sup> Unaudited statements for FY 00-01 based on 00-01 audited CAFR amounts and new GASB 34 reporting model.

awards expended<sup>2</sup>, there are hard numbers and value attached to a grant training effort.

Another, no less significant, message was, "Zero tolerance for questioned costs." Misinformation only enhances the possibility for error. When an error occurs with Federal or state dollars, costs associated with those errors may come into question. When questioned, the funds provided to pay for those costs are often requested back. In essence, a double whammy. Questioned costs need to be avoided and adequate training of the County's Program, Financial, and Administrative grant staff is one of the safeguards available to us.

This Proposal requests the addition of a Grants Management Certificate Program and the initiation of the process to approve and design the additional courses that will be needed for a successful EU implementation.

Along with this request is a discussion of the support for the creation of the new program, a draft certificate outline of required and elective courses, and an appendix that includes a sample certificate program, course descriptions, and selected agendas from a nationwide provider of quality training programs, Management Concepts, Inc. Also included, in the appendix, is another training program brochure from the Grantsmanship Center, which can be used as additional reference.

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<sup>2</sup> Based on FY 00-01 Single Audit Report.

### ***Program Support***

There are many reasons why adding this program will be beneficial to the County, its employees, and the Employees' University. To follow are just a few.

#### Size, Complexity, and Volatility Equates to Risk

The County's grants make up a significant portion of its total revenues. In addition to their size, they are very complicated to manage with strict and specialized requirements. While not as volatile as other County revenues, a material portion of them have a fixed period of life, or can be adjusted at any given fiscal year, which makes them very volatile. All of these factors equate to a high level of risk. Let's explore the risk factors in a little more detail.

Federal awards comprise \$77 million over 14% of the County's total revenues of \$531 million. The County's grants & contributions, of which Federal Awards are a part, comprise over \$237 million or 44% of total revenues. This is a significant portion of the total inflows and a significant dependency. With this significant dependency comes significant risk.

To put the size of grants in perspective, charges for services come in at a distant second at \$136 million or 26%. Property taxes trail even further at \$98 million or 18% with Sales and Transient Occupancy Taxes almost getting lost at \$29 million or 5%. Oh yes, and let's not forget vehicle in lieu (VLF) revenues of \$26 million or 5%.

Being the largest portion of revenue is not the only reason why grants are important. Grants are probably

the most complicated revenue source to manage and account for. Each grant agreement comes with its own set of unique terms and conditions. Along with the conditions are Federal, state, and local laws governing audit, administrative, cost, and compliance requirements. As mentioned earlier, misinformation adds to the confusion and complication.

Last but not least is the factor of risk involving volatility. Many grants come with a limited lifespan. They may survive from one to five years, if lucky. Revenues arrive and then evaporate. Some grants, disguised as entitlements, do not have a set expiration date; however, that does not mitigate volatility. Economic, political and policy changes, and even local performance changes, can affect the amount of grant money the County receives. With all of these factors, grants and contributions are the most volatile revenue source.

With grants and contributions being the largest revenue source, the most complex to manage, and the most volatile, it should not be a stretch to say that grants and contributions have the highest risk. Comprehensive grant training would mitigate the risk.

#### Complexity and Misinformation Ripe for Training

Each grant agreement comes with its own set of unique terms and conditions. Along with the conditions are Federal, state, and local laws governing audit, administrative, cost, and compliance requirements. Just looking at the Federal laws, involved, there are:

Administrative requirements outlined in OMB Circulars A-102 and 110; Cost requirements outlined in OMB Circulars A-21, 87, and 122, and FAR 31.2; Single Audit requirements outlined in OMB Circular A-133; Executive Orders (from the President); and, Statutes (Acts) including the Intergovernmental Personnel Act, Hatch Act, Davis Bacon Act, Environmental Policy Act, Wild and Scenic Rivers Act, Historic Preservation Act, and Coastal Zone Management Act, just to name a few.

The OMB and Cost requirements mentioned above require that all transactions be accounted for a certain way, restrict numerous activities that would otherwise be allowable, and specify special reports that need to be generated and retained for a specified time period. If only this were it.

To add another layer to the complexity is an emerging requirement to utilize performance measurement under GPRA (Government Performance and Results Act). Program managers now need to tie the money received to reported results. This is very similar to the County's performance budgeting initiative.

Stressing complexity, to follow are just a few myths about federal grants, which good training can dispel.

*Myth:* You must accept what is on your award notification from the grantor.

*Fact:* Every grant contract is negotiable to some extent.

*Myth:* Federal assistance whether direct or passed through is to be provided as a reimbursement.

*Fact:* The OMB circulars state that, "Recipients are to be paid in advance." This is provided that the recipients have the systems in place to minimize the time between receipt and expenditure.

*Myth:* If the State decides to incorrectly reimburse funds, then the County can continue the practice with its sub-recipients.

*Fact:* The OMB circulars state that, "Recipients are to be paid in advance." The County must properly follow the advance requirements and make advances to sub-recipients. This can require the County to maintain a large revolving fund balance. Working with the state and Feds to correct their procedures can free up local money for other purposes.

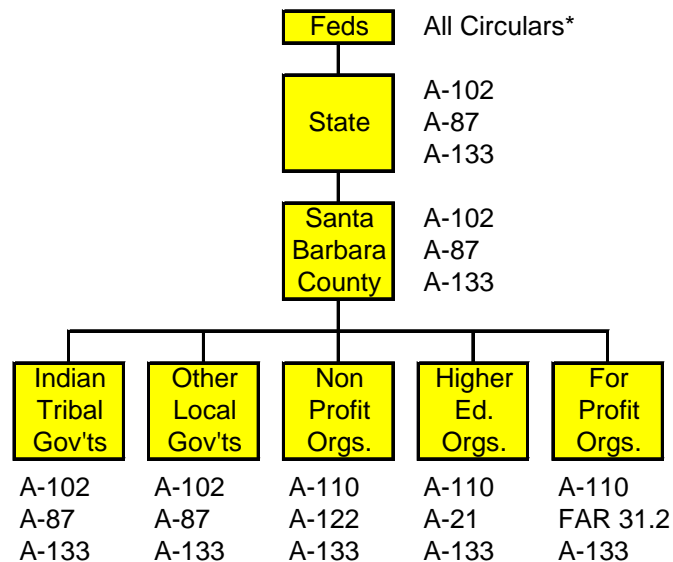
*Myth:* The Federal grant contract is always right.

*Fact:* Complete training and mastery, at the Federal level, of the myriad of grant requirements is hardly universal. The Federal government organization is large and diverse, full of different personalities and in a constant state of changing political and administrative climate.

*Myth:* My staff and I only need to learn the OMB circulars that are applicable to our organization.

*Fact:* County staff need to know and understand all of the OMB Circulars for the entities they work with.

Below is a simple diagram of the various types of organizations that receive federal grants and the applicable OMB circulars for each. The important thing to keep in mind is that any county department that passes grant money down to a different organization must know, understand, and require compliance with the OMB circulars applicable to that sub-recipient. Often, is the case that the State or Feds stipulate the wrong circulars or specify their own circulars as opposed to the recipients'. The hope is that our County never commits the same error. Good training will ensure that we don't.



\* All Circulars  
 ADM - A-102 & A-110  
 Cost - A-21, A-87, A-122, FAR 31.2  
 Audit - A-133

Grant management is probably one of the most complicated activities that the County undertakes. An EU training program could clarify the complex requirements and help implement a uniform and correct grant management practice, averting confusion and errors.

### Strong Budget Principles, Strained Economy

One of the guiding budget principles developed by departments and adopted by the Board of Supervisors is, "Where permissible, departments must maximize the use of non-General Fund revenues before General Fund revenue is used to fund programs."

This principle becomes even more important during a time of fiscal uncertainty and the shrinking of the General Fund. Many departments are finding themselves in the position where they need to cut service levels in order to balance the budget. General fund is waning and the cost of doing business is growing. Programs need to be cut or new revenue needs to be brought in.

Another budget principle is, "New positions must have adequate financing to pay for associated increased appropriations." Aside from keeping the positions we have, in order to get any new positions we need to secure new money (non-General Fund money).

Managing grants effectively can help preserve their base. In addition, grant management training can help departments seek out new funding opportunities that could potentially fill the gap left by the receding revenues of the General Fund.

### Questioned Costs

Last, but not least, let's not forget questioned costs. The impression that I got from the training is that the external A-133 auditors rarely find questioned costs. They come in with a tight budget and time constraint and try to perform the minimum auditing standards required in order to issue their opinion, with reasonable assurance.

This view is contrasted with that of the Office of Inspector General (IG) with auditors who come in with an open timeframe and an open budget. Their sole purpose is to find questioned costs in order to justify their existence.

It's no doubt why single audits a year or two ago only questioned costs in the single digit millions, where (IG) auditors reviewed the same entities and found tens of millions of questioned costs<sup>3</sup>.

Our County's auditor selection process, undoubtedly, helps us obtain a professional audit firm and a credible audit. This is not the question. The question is, can the A-133 auditor, who is on a limited budget and borrowed time really help us confirm that we are doing everything in our power to avoid questioned costs? The results of recent IG reviews indicate probably not.

We would like the A-133 auditor to confirm we are doing everything right and are not at risk for questioned costs, but that is probably just not possible. The IG on the other hand has all the time that it needs. The more that they find the more time that they spend. After an IG audit, we will likely know what the correct thing is to do, but not

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<sup>3</sup> Paraphrased from Bob Cates, CEO of Bob Cates & Associates.

until after paying millions of dollars in questioned cost for that advice. The best bet is to be proactive and teach the employees what the numerous requirements are.

### ***Draft Certificate Program Outline***

I sincerely hope that I have instilled a sense of need for this training program. What good would this proposal be if it just communicated the need without providing a plan for satisfying it. Below is a best guess of what would be a great and very doable program. I base much of the structure on the Management Concepts' Recipient and Pass-through tracks of their certificate program. I also incorporate some of the fantastic EU courses currently being provided. This program would be targeted at the County's Administrative, Program, and Financial staff who work with grants as part of their job duties.

### Overview

The certificate program outline below consists of 5 required courses and 4 of the 12 electives listed below.

### Required Courses

- GNT 101 – Applying for Grants and Cooperative Agreements
- GNT 201 – Managing Grants, Entitlements, and Cooperative Agreements
- GNT 202 – Uniform Administrative Requirements: OMB Circulars A-102 & A-110 and County Administrative Procedures
- GNT 203 – Cost Principles: OMB Circulars A-21, A-87, A-122, & FAR 31.2 and an Overview of the County Cost Allocation Plan
- GNT 204 – County Business Management Systems

## Elective Courses

- GNT 205 – Audit of Grants, Entitlements, and Cooperative Agreements
- GNT 301 – Awarding and Monitoring Subawards
- GNT 302 – Evaluating Funds Management Capabilities of Recipients and Subrecipients
- GNT 501 – Federal Assistance Law
- SUP 155 (GNT 502) – Public Compliance Issues<sup>4</sup>
- GNT 401 – Developing an Indirect Cost Rate Proposal (ICRP) and Cost Allocation Plan (CAP) under OMB Circular A-87 (for County departments, city, and tribal government EU attendees)
- GNT 402 – Developing an Indirect Cost Rate Proposal (ICRP) and Cost Allocation Plan (CAP) under OMB Circular A-122 (for non-profit EU attendees)
- GNT 403 – Developing a Facilities and Administrative Cost Rate Proposal under OMB Circular A-21 (for Higher Education EU attendees)
- CAP 700 – Excel, Access, and SQL Data Control<sup>5</sup>
- MGT 240 – The Why's and How's of Budgeting<sup>6</sup>
- PRO 101 – Report, Proposal & Technical Writing<sup>7</sup>
- PRO 112 – Performance Measures<sup>8</sup>

<sup>4</sup> This course could be combined with SUP 155 – Introduction to Public Law, which is currently a 4-hour course. Please see the appendix for more information on the Public Compliance Issues course outline.

<sup>5</sup> This would be a revised computer course similar to the prior course offered by Data Services entitled, “MS Query & FIN.” This new course would explore the power of Excel pivot tables and custom Access databases linked to “top level” County SQL server data warehouses.

<sup>6</sup> Comparable to “How to Prepare the Application Budget” by MCI.

<sup>7</sup> Comparable to “How to Write the Application Narrative” by MCI.

<sup>8</sup> Comparable to “Grants and GPRA: A Performance-Based Approach to Assistance” by MCI.

## Course Development Discussion

Thirteen to fourteen new classes have been proposed for this new program along with utilizing three to four existing EU classes. I have Management Concepts, Inc. (MCI) course binders available as a foundation for seven of the new classes (GNT 101, 201, 202, 203, 204, 205, and 301). The binders can facilitate EU class development and application to the specific County organization. For some of the other courses listed, new facilitators with grant experience could work on those courses as a part of TOT or current facilitators with grant related County assignments could take a Management Concepts course and bring back the knowledge to design an EU class.

Lastly, MCI provides a helpful suggested sequence of courses that can be applied to this Certificate program. This and the MCI course outlines are in the appendix.

## ***Conclusion***

The addition of a new Grants Management program would be a valuable addition to the EU's current certificate offerings. The program would mitigate the high level of risk associated with grants, would clarify many of the complex issues involving grants, would help departments comply with the budget principles, and would minimize the potential for questioned costs.

A Grants Management Certificate program would enhance the County's department-level management of federal, state, and local grants and entitlements. Having the Employees' University adopt and develop that program would recognize the value of employee training and development in local government.



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