

How to Select a Grants Management Firm to Manage ARPA Funds

You've just landed a mountain of ARPA funding and want to hire a grants management firm. You do some research, only to discover there are dozens of options. You know you need to narrow the field.

Where do you begin?

Below are eight points to consider before selecting a grants management firm.

1. Understand the (Exploding) Grants Industry

Begin by understanding the industry. While segments of the grants oversight industry have existed for a long time, the billions of dollars in COVID-19 grant funds have created an explosion in competition for managing America Rescue Plan Act (ARPA) funds on behalf of government agencies. Firms large and small are putting out their shingle in the nascent field of cradle-to-grave pandemic grants management.

2. Gauge Each Firm's Grant History and Expertise

Buyer beware! Not all grant management firms are created equal. Cautious buyers should explore the vision and mission of each firm, its history, its experience in grants management and, most importantly, the distinct skill sets it offers.

That's because the grants management continuum demands a broad set of skills, from analytical and financial to creative and interpersonal.

Lastly, investigate the reputation of the firm for quality work, including references, news articles, and web sites such as <https://www.contractormisconduct.org/>.

3. Look for a Multidisciplinary Team

Strong grants management firms boast multidisciplinary teams with distinct skill sets which can be brought into play as the need arises.

For example, determining how ARPA funds can be used to meet community needs requires creative thinking. For that type of work, you need someone with big vision and experience in strategy and program development, specializing in the government sector. Boots-on-the-ground knowledge of a broad range of industries, particularly in the government and non-profit sectors, enriches strategic plan quality.

Facilitation of stakeholder meetings requires a gifted listener who can make all speakers feel valued, handle conflicting opinions well, and synthesize ideas contemporaneously. Administering surveys and obtaining public feedback requires technical expertise in survey design and the latest social media deployment technologies.

In contrast, developing a regulatory framework of applicable standards—federal, state and local—and an accompanying compliance matrix requires a deeply analytical skill set and strict attention to detail. Also important is the ability to communicate complex information in a digestible way, not only to grants management team members during training exercises, but to stakeholders.

4. Ensure Financial Professionals Understand Fund-Based Grants Accounting

And then there's accounting—**fund-based, grant-specific government accounting**, to be specific. Accountants may not always be the best choice for program development, but they are critical to the funds management phase and advising on policies and procedures to administer the funds.

Fund-based government accounting for grants is very different from corporate accounting, so you'll want to look for someone with skills in the grants management field to help set up your finance systems, monitor your grant funds, and conduct audits. The key factor is the accountant's place on the oversight continuum: establishing programs precedes testing of their effectiveness.

5. Distinguish Auditing from Monitoring

Adding another layer of complexity stems from the difference between grants auditing and grants monitoring. Although there is overlap and both are necessary, they are distinctly different types of oversight designed for different purposes.

Audits provide an objective, independent examination of financial statements, which increases their credibility. They are governed by extensive requirements and guidance, ranging from OMB's Yellow Book to Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards (GAS).

Monitoring, by contrast, is governed by section 2 CFR §200.331(d) of the Uniform Guidance. The Uniform Guidance requires pass-through entities to "monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; **and that subaward performance goals are achieved.**"

In brief, if an audit is like a trip to the emergency room, monitoring is the preventative medicine that keeps you from ending up there.

The testing attributes of auditing and monitoring may overlap, particularly in areas such as allowability of expenditures and internal controls, but monitoring programs are designed with more flexibility. Why? According to one author of the Uniform Guidance, this flexibility permits grant managers to move beyond basic compliance and focus on ensuring Federally funded programs fulfill the purpose for which they were intended, and do so effectively. As a colleague once said to me, “You can have a program that is technically compliant and still an utter failure.”

What about the Single Audit Act?

The Single Audit, previously known as the OMB Circular A-133 audit, is a distinct type of audit designed for the grants world and is mandated for non-Federal entities that spend \$750,000 or more in Federal funds in one year. It is intended to provide assurance to the Federal Government that a non-Federal entity (or subrecipient grantee) has adequate internal controls in place and has used funds appropriately.

The Uniform Guidance, the short name for *2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is the national set of requirements for Federally funded grants and governs both Single Audits **and** monitoring.

6. Don't Neglect the Programmatic Side

Under the Uniform Guidance, monitoring **must** have a programmatic component **and** provide technical assistance to grantees. Having a grants management team with government programmatic and operational experience provides a rich source of field experience upon which to build an effective program and rapport with grantees. It's important that monitors understand their mission: to make grant programs run better and stay compliant, while minimizing the opportunity for waste, fraud, and abuse. Except in extreme cases of fraud, monitoring requires a supportive--not punitive--mindset.

7. Inquire About Processes

Another important aspect to consider is firm capacity. In a rapidly exploding industry, firms tend to address capacity by hiring many people quickly and relying on their professionals to “figure it out.” Frequently overlooked is the importance of establishing documented client delivery processes that lead to consistency in the quality of work product.

Even the most credentialed individuals work better with structure and processes. These build capacity by providing the foundation for internal training programs, creating a career ladder that promotes excellence in client service. The ideal firm strikes a good balance between hiring high-level professionals and those who are less experienced, but eager to learn.

Why not hire all high-level team members? High-level teams charge high-level prices. Prioritizing diversity of experience ensures that highly paid professionals charge only for high-level work, not for lower-level repetitive or administrative functions, making the program more cost-effective while ensuring sufficient capacity. Which brings us to our final point of consideration...

8. Select the Right Pricing Model

Finally, there is the question of pricing. Under ARPA, Sec. 2001(f)(4), states may allocate as much as one half of one percent of their ARPA funding for administrative purposes, which includes costs for a grants management firm. In contrast, a typical allocation for subrecipient administrative costs is 7 to 10 percent, depending on the program.

There are multiple ways to ask competing firms for costs.

First, you can ask for billing rates alone as part of a Request for Qualifications. This is appropriate when the scope of services is still being developed and you're looking for the most qualified firm with which to forge the scope together. Second, you can request budgeted hours and rates, or simply a flat rate. This works well if you have a clear idea of exactly what services and deliverables you want.

If a scope of work is too vague, some firms will bid high on the number of hours to protect themselves from mismatched expectations and a run-away scope that results in financial losses. Others will bid low and provide disappointingly fewer services than expected. Scopes of service with specific numbers of grantees, specific numbers of expenditures to be approved or monitored, or specific numbers of stakeholder meetings to facilitate, for example, are far more likely to result in an apples-to-apples comparison among firms.

If your strategy is to let the proposing contractors guide development of the project scope, a third option is to present a general list of deliverables and disclose the budget. This allows contractors to develop the scope according to the budget, thus permitting a fair comparison of quality and approach while matching expectations on price.

Final Thoughts

As you might imagine, this article only scratches the surface when it comes to navigating the world of grants oversight consulting. Fortunately, the Vander Weele Group is here to help. Email us at info@vanderweelegroup.com to discuss how we can serve your organization.

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