MEMORANDUM

September 12, 2017

TO: GO Committee

FROM: Stephanie Bryant, Legislative Analyst
            Office of Legislative Oversight

SUBJECT: **Worksession on OLO Report 2017-4:** *Federal Grant Administration in Montgomery County*

On September 14th, the GO Committee will discuss OLO Report 2017-4, which was released on July 25, 2017. In FY16, the County spent $98.3 million in federal grant dollars across 15 Executive Branch departments and offices (single and multi-year grant awards). This report responds to the Council's request to examine whether County departments are pursuing available grant opportunities effectively and whether barriers exist for smaller departments and offices when applying for federal grants. The Executive Summary for Report 2016-8 appears on © 1.

The following Executive Branch staff will be available at the worksession to provide comments and answer questions:

- Lenny Moore, Controller, Department of Finance
- Mauricio Delgado, Grants Manager, Department of Finance
- Jelani Newton, Operating Budget Manager, Office of Management and Budget

> **COUNCILMEMBERS PREVIOUSLY RECEIVED COPIES OF REPORT 2017-4 AND SHOULD BRING A COPY OF THE REPORT TO THE WORKSESSION.**

REPORT SUMMARY

This section summarizes key findings from Report 2017-4. Comments on these findings from Chief Administrative Officer Timothy Firestine are attached at © 3.

In this report, OLO examined the County's internal grant application, review and approval processes, reviewed FY16 federal grant data, and examined Executive Branch department's grant management practices. OLO also presented department feedback on experiences in applying for and managing grants.

In sum, OLO finds that departments pursue federal grants when (1) there is staff capacity, (2) the grant aligns with department priorities, and (3) the grant is feasible in terms of cost. However, there is variation across County departments in resources available to pursue grants, which directly affects the type and number of federal grants pursued. OLO's major findings are summarized on the following page:

- In FY2016, the County spent $98.3 million in federal grant dollars across 15 executive branch departments and offices (single and multiyear awards). The majority of federal grant funding receive by County Executive Branch Departments comes from federal pass-through grants.

- In FY2016, OMB received and reviewed 135 grant-related documents for applications, awards, or renewals, of which 40% were for federal grant programs. Total federal grant awards received in FY16 total $7.31 million.

- The Executive Branch uses a standardized process to review and approve federal grant applications, awards, renewals, and modifications. The review process takes approximately one - two weeks to complete and is dependent on the level of editing required and timing during the County's fiscal year.

- Department grant management practices vary due to the number of relevant grant opportunities, the volume and size of grants managed, and staff capacity. Most departments and offices that frequently manage grants have a single point of contact to research grant opportunities, complete applications, and manage federal and County deadlines.

- County departments and offices that infrequently apply for and manage federal grants rely on program staff to manage these responsibilities in addition to regular job duties. These additional responsibilities can be burdensome and complex for staff.

- Departments with a single point of contact have the capacity to proactively pursue new grant opportunities, and may pursue smaller grants to maximize collaboration with external partners. In comparison, departments without a single point of contact typically pursue grants on an ad hoc basis.

- Several departments and offices do not pursue federal grants due to staff capacity, limited federal grant expertise, administrative costs, and lack of relevant grant opportunities related to a department's mission.

- County departments and offices that either manage smaller grant portfolios, infrequently apply for grants, or do not receive grants cited a need for a centralized grants office to build collaborative relationships and increase department capacity to pursue grants.

OLO RECOMMENDED DISCUSSION QUESTIONS

Based on the findings of Report 2017-4, OLO has five recommended discussion questions for the Committee:

1. **What opportunities exist to streamline the internal management of grants and the review process?**

The current process requires departments and offices to submit an electronic grant tracking form, followed by a complete, hard copy of the application. Staff report that the current process increases the administrative burden on staff and can be improved by:

- Increasing the accuracy of the current electronic form;

- Permitting for electronic filing of the complete grant application; and

- Streamlining the required sections for Executive Branch review.

2. **What are the benefits and drawbacks of creating a central grants repository to be used by departments and the public?**

Currently, there is no central database of federal grants applied for and awarded to the County. Staff report that a central grants repository would increase transparency and cross-department collaboration; both of which are lacking within the current structure. Additionally, OLO notes other jurisdictions publish grants data in annual reports or through online spreadsheets each fiscal year. Providing this data would increase transparency of funding coming into the County.

3. **What opportunities exist to establish a central grants office or formalized grants network to increase department capacity to pursue grants? If implementing a central grants office model, how would this office best serve departments?**

OLO found examples in other jurisdictions of central grants offices that assist departments with applying for and manage grants. The majority of County departments reported a need for a central grants office or formalized network to help research grant opportunities, oversee application development, and manage the internal review process. OLO notes that the establishment of a formal office will require long-term strategic investments.

4. **Are there opportunities to evaluate the hiring and procurement process for grants with short award periods to increase the departments' ability to apply for and implement the grant within the expected award period?**

For some grants, departments must fulfill requirements for the hiring of staff or procurement of goods and services, which can take a significant amount of time. Department staff indicate that the length of these processes is often part of the decision process in selecting which grants to pursue. For grants with short award periods, staff report a decision is often made not to pursue the grant because the department does not believe there will be enough time to implement the terms of the grant within the award period.

5. **What opportunities exist to establish methods and procedures for researching and applying for private grants? In what ways, could these methods be shared among departments? How would this data be tracked and reported?**

State and federal grants comprised 95% of grant activity in the County in FY2016, with foundation/private organization grants accounting for the remaining 5% of grant activity. Staff reported that foundation grants may serve as an untapped resource for the County, especially given the current political climate. However, few knew where to search for these opportunities and if other departments have had success securing these types grants.

Federal Grant Administration in Montgomery County

This report responds to Council's request to review the processes by which the County makes decisions to pursue federal grant opportunities and how grant applications are subsequently developed. To better understand how departments research, apply for, and manage federal grants, OLO contacted staff from 33 departments from February through May 2017. In sum, OLO found that departments pursue grants when there is staff capacity, the grant aligns with the department's mission, and the effort is feasible in terms of cost and administrative capabilities. However, variation in department practices influences the type of grants pursued and opportunities exist to increase capacity and transparency of grant operations.

Overview of Federal Aid to State and Local Governments. The Federal Government uses either a formula or a competitive process to allocate grant dollars to state and local governments. A majority of federal grant funding received by Montgomery County comes from State pass-through grants, which are federal grant funds issued to a state agency that are then transferred to other state agencies, local governments, or other eligible groups.

The federal grants process is a linear lifecycle that includes three phases: (1) *Pre-Award* - starts with the announcement of the grant on www.grants.gov and concludes with review of the application; (2) Award - begins once the funding agency selects a grantee and enters into a grant agreement; and (3) *Post*-Award - focuses on grant implementation, reporting and monitoring activities, and grant close-out procedures.

> A *federal grant* is an economic aid program that provides funds to state and local governments to support operations and public services. *Categorical grants* are the primary source of federal assistance to state and local governments and must be used for a specific purpose. *Block grants* provide funding to a set of programs rather than narrowly defined projects or activities.

Feedback on the Federal Grants Process. OLO received feedback on the federal grants process:

- Staff report grant opportunities are a way to expand services within the limits of the County budget.
- Changes in federal policy priorities impact grant opportunities; grants are increasingly restrictive.
- Departments make strategic decisions about which grants to pursue, focusing on those that return the largest value (i.e., dollar value, relationship building, or providing a much-needed service).
- The federal grants process is not intuitive nor easy and limited internal resources can impact competitiveness, particularly with grant writing and demonstrating capacity to conduct oversight.

FY2016 Federal Grants and Expenditures in County Government. In FY2016, the Office of Management and Budget (OMB) reviewed and received 135 grant-related documents for awards, applications, and renewals, of which 40% were for federal grant programs. Of the 54 federal grant awards, applications, or renewals received, 37 were federal pass-through grants (67%).

In FY2016 the County spent $98.3 million in federal grant dollars across 15 Executive Branch departments and offices (single and multi-year grant awards).

FY2016 Total Federal Grant Expenditures by County Department

County Department	Total Expenditures
Health & Human Services	$62,904,552
Transit & Transportation	$13,841,075
Housing & Community Affairs	$6,977,857
Emergency Management & Homeland Security	$5,125,839
All Other Departments	$9,432,231
TOTAL	**$98,281,554**

Internal County Grant Review Process. The Executive Branch uses a standardized process to review and approve all grant applications, awards, and grant modifications. Departments must submit an electronic tracking form and a hard copy grant application to OMB. OMB reviews the application to determine if the grant requires matching funds, hiring of staff, and long-term budget expenditures, or opportunities for collaboration. OMB aims to complete the review in one week. The County Attorney's Office reviews grant terms and conditions, typically in under two days. The grant document is then approved by the County Executive.

Feedback on the Internal Grant Review Process. OLO received feedback on the County's internal review process:

- Departments without a grants administrator report that the internal review process is like a "jigsaw," with no clear direction and multiple silos; they rely on grants managers in other departments for help.
- Staff must hand deliver a copy of each application, award, or modification. Staff report that this process should be reviewed to see efficiencies can be gained by streamlining or using electronic submission.
- If a grant requires hiring of staff or procurement of goods/services within a short award period, departments may not pursue the grant because they may be unable to meet conditions in time.
- There is currently no County-wide tracking system for grants. Staff report that a central system would allow them to see grants in the pipeline and increase opportunities for cross-department collaboration.

Department Grant Management Practices. For departments that actively pursue federal grants, OLO found that management practices can be classified as centralized or decentralized:

- <u>Centralized</u>. Departments that frequently manage federal grants have a single point of contact (SPOC) to manage the grant process including researching and applying for grants and managing oversight activities.
- <u>Decentralized</u>. Departments that infrequently manage grants rely on program staff to apply for and manage grants on an as needed basis.

Several departments do not actively pursue grant opportunities. Staff report this is due to: insufficient capacity, inexperience with the internal grant process, lack of expertise locating and completing applications, or no relevant grant opportunities.

Feedback on Department Practices. OLO received feedback on department grant management practices:

- Departments with a SPOC have the capacity to proactively pursue new grant opportunities, and may pursue smaller grants to maximize collaboration with external partners.
- Staff who review applications report that departments without a SPOC regularly need more assistance with writing and completing grant applications, leading to an increased review period.

Other Department-Identified Opportunities for Improvement. Department staff identified opportunities to increase department capacity to pursue federal grants, competitiveness of applications, and transparency:

- Create a formalized grants network or establish a central grants office to facilitate the grants process, but rely on department expertise to decide whether to pursue a grant.
- Increase opportunities for cross-department collaboration and partnerships with non-profits on grant applications.
- Provide grant training, ranging from a "grants 101" course to in-depth training for grants managers.
- Increase awareness of pursuing and securing foundation grants and private donations.

Recommended Discussion Questions. OLO recommends that the Council discuss with the Executive Branch:

1. What opportunities exist to streamline the internal management of grants and the review process?
2. What are the benefits and drawbacks of creating a central grants repository/tracking system?
3. What opportunities exist to establish a central grants office or formalized grant network? How would this best serve departments?
4. Are there opportunities to evaluate the hiring and procurement processes for grants with short award periods?
5. What opportunities exist to research and apply for private grants? Could these methods be shared among departments? How would this be tracked and reported?

Isiah Leggett
County Executive

MEMORANDUM

Timothy L. Firestine
Chief Administrative Officer

July 25, 2017

To: Chris Cihlar, Director, Office of Legislative Oversight

From: Timothy L. Firestine, Chief Administrative Officer *Timothy L. Firestine*

Subject: Draft OLO Report 2017-12: Federal Grant Administration in Montgomery
             County

       Thank you for the opportunity to comment on the Office of Legislative
Oversight's (OLO) Draft Report 2017-12: Federal Grant Administration in Montgomery
County. In the report's discussion of central grant offices in other jurisdictions, it would
be helpful to include information on the resources that these jurisdictions dedicate to their
central grants offices (i.e. number of FTE's) relative to the number and dollar value of
grants applied and received for in a given year. This would give a sense of the level of
resources that would be required for such an office to be effective and also the return on
investment. A few years ago, our preliminary assessment of a centralized grant office
revealed that our large departments value having their own expert employees, familiar
with their areas of focus (i.e. health and human services, environment, public safety,
transportation, etc.) to be involved in seeking potential federal grants.

       Regarding a more streamlined electronic review process, there may
certainly be process efficiencies worth exploring, but these would need to take
requirements of specific grants into consideration. For example, part of the process for
most grants for which HHS and DHCA apply requires submitting a paper application
with an ink signature from the County Executive or a designee. Therefore, an all-
electronic submission process may not be an option. For other grants, the volume of
required information may make scanning the entire package overly burdensome.

       Regarding a shared grant tracking system, currently, records of all
department grant applications reviewed by OMB are maintained in the eBudget system.
While each department has access to track their own grant applications, only OMB staff
can access the grant applications of all departments. From a technical perspective, it may
be possible to allow departments to access information on the grants of other
departments. However, we are not certain about the actual value of this system access
change and potential technical challenges it may create for the users.

Finally, the Department of Finance is responsible for grant financial reporting and for coordinating the annual audit of all County grant activity. To ensure that all departments are properly informed on the federal grant compliance requirements, updates and changes to Oracle's Projects and Grants modules, and other identified grant compliance and reporting issues, the Department of Finance is planning quarterly meetings involving all key department grant managers. These meetings will provide departments with an opportunity to discuss challenges they are experiencing with grant administration, to network with their peers from other departments, and to seek more opportunities for grant funding.

Thank you again for your work on this report. If you have any questions or need additional information, please contact Fariba Kassiri, Assistant Chief Administrative Officer, at (240) 777-2512 or Fariba.Kassiri@montgomerycountymd.gov.

c: Fariba Kassiri, Assistant Chief Administrative Officer
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        Jennifer Hughes, Director, Office of Management and Budget
        Alexandre A. Espinosa, Director, Department of Finance
        Lenny Moore, Controller, Department of Finance