Maryland Efficient Grants Application (MEGA) Council

January 1, 2021 - December 31, 2021

Year-End Report

Pursuant to State Finance and Procurement Article §2–209

Final version: December 30, 2021

Responsible Authority:
Jennifer Colton, Chair and Director, Governor's Grants Office
Joan Peacock, Manager, Audit and Compliance Unit, Department of Budget and Management

Contributions from:
John Brothers, President, T. Rowe Price Foundation; Robert Malone, Executive Director, The Arc Prince George's County, Erik Lyon, Deputy Director, Governors Grants Office

Council Members

State Agency Representatives

Jennifer Colton, Chair - Director, Governor's Grants Office (or designee)

Mike Haifly, Acting Chief Procurement Officer (or designee)

Nancy Kopp, State Treasurer (or designee)

Brian Frosh, Attorney General (or designee)

David Brinkley, Secretary, Department of Budget and Management (or designee)

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Joe Bartenfelder, Secretary, Department of Agriculture (or designee)

Ben Grumbles, Secretary, Department of the Environment (or designee)

Mohammed Choudhury, State Superintendent, Maryland State Department of Education (or designee)

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Glenn Fueston, Executive Director, Governor's Office of Crime Prevention, Youth, and Victim Services (or designee)

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Maryland Municipal League (MML) Representative

Jesse Buggs, Director, Grant Development and Administration, City of Bowie

Executive Summary

The State of Maryland administers over $20 billion in grants annually across more than 30 state agencies and thousands of grant programs. Management, oversight, and reporting for these programs is often fulfilled via decentralized, manual and/ or cumbersome processes localized at an agency level. This often results in administrative challenges for state grant-making agencies as well as nonprofits, local governments, and other organizations who seek grant funding or are recipients of grant awards.

In an effort to address some of these issues, during the 2020 legislative session the Maryland General Assembly passed SB630, introduced by Senator Kagan in the Senate and cross-filed as HB1539 in the House by Delegate Stein resulting in State Finance and Procurement Article §2–209, for the purpose of:

- Establishing the Maryland Efficient Grant Application Council;

- Studying and making recommendations to the Governor's Grants Office and Department of Budget and Management regarding the grant life cycle with the goal of reducing administrative burden on grant-making agencies, grant applicants, and recipients;

- Identifying opportunities for improving efficiencies and streamlining and reducing redundant processes;

- Creating and recommending a uniform application form;

- Creating and recommending uniform financial controls and , including progress reporting requirements and timeframes and deadlines for these requirements;

- Creating and recommending regulations adopting each part of the federal uniform guidance, with appropriate modifications for its application to grant-making entities in the state, including modifications or variances based on the scope of size of grant programs, grant-making entities, or grantees; and

- Recommended timeframes and deadlines for implementation.

The legislation requires the MEGA Council to solicit the input of diverse stakeholders including the grant-making agencies and organizations representing local governments, grant professionals, and experts in nonprofit accounting and auditing. We have accomplished diversity, equity, and inclusion with our council members and stakeholders whom also proudly represent a broad range of issues and topics important to communities and grant-funded programs across the state. The legislation permitted and

encouraged the Council to establish working groups which was accomplished through volunteers and representatives on the Council as well as external "interested parties".

During 2021, the Council met quarterly and held supplemental workgroup meetings throughout the year. The focus of the workgroups had been decided based on topics or areas of concern brought forth by the Council as a whole. Workgroup efforts were shared and reported out to the entire Council during quarterly meetings. Meeting information and recordings are available on the Governor's Grants Office website at grants.maryland.gov.

Specific exclusions are also called out in the legislation, namely the exemption of direct government cash assistance to an individual; subsidies; loans; loan guarantees; insurance; grants made by the state higher education system, capital budget, Department of Transportation, or Maryland Technology Corporation; Business Development Grants made by the Department of Commerce; or state funding that is required annually and is calculated through a formula set in statute.

Key Observations and Recommendations

As part of the Council's work, the members outlined and ranked feedback collected directly in Council or during supplemental workgroup meetings. The Council reviewed the phases of the grants lifecycle and put primary focus on the grant application and post-award processes. Council members discussed and shared a range of ideas on policy related guidance and suggestions for the State's consideration. Standardization, transparency, and ease of communication and engagement were all critical themes in addressing these concerns.

Grant Application Process

Council members highlighted certain areas of the Grants Application Phase where challenges exist. Of particular concern were the grant application elements and the application evaluation process, and the requirements and elements related to the grant budget.

I. Grant Application and Evaluation Processes Observations

- State grant opportunities can be difficult to identify and apply for in a timely manner.
- There is little guidance for applicants on what the State agencies are looking for in grant submission, and there are no examples of successful applications for applicants to understand what the State grant-making agency is looking for in an application / submission.
- Clear and advance communication regarding the grant application process (timelines, requirements, evaluation process), provided should be standard practice.
- The grant application and evaluation process are inconsistent among State grant-making agencies. Additionally, instruction or guidance available for applicants varies among State grant-making agencies.
- State grant-making agencies may use different terminology, terms and conditions, and abbreviations from one agency and / or program to another.
- Grant applications, data elements, and required documentation vary from program to program.

Grant Application and Evaluation Processes Recommendations

- Centralize the advertisement of State grant opportunities in a single portal / website, utilized by all State grant-making agencies, and require posting of opportunities in a timely manner.
- Certain examples of successful applications and other standardized materials should be posted on a centralized, statewide portal available for public viewing potential applicants.

- Develop certain policies and procedures regarding State grant-making agency's grant application and evaluation process to ensure consistency statewide.
- Standardize the use of certain grants related definitions, terms and conditions, and abbreviations statewide and make available through centralized, statewide portal for applicants and recipients.
- Develop a standard, statewide grants manual as a tool for both the recipient and State grant making agencies. This manual should be inclusive of statewide policies and procedures, definitions, best practices, and FAQ's and will help instruct applicants through the grant process as well as ensure consistency across State granting agencies.

II.   Grant Budget Observations

- There appears to be confusion between the nonprofit community (or applicant) and the state grant-making agency regarding direct and indirect cost[1], allocation of those costs, and budgeting cost accordingly.
- Some nonprofits (or applicants) do not have an indirect cost rate established and use of the *de minimus rate[2]* by applicants appear to be limited. *See SB 1045 regarding Reimbursement of Indirect Costs, in Maryland.*
- There is often little or no clear and consistent direction from State grant-making agencies about what costs are allowable and unallowable. Opportunities for standardization would be valuable.
- The State grant-making agencies lack standard budget templates, causing additional and undue burden on the applicant and administering agency.
- Increased transparency into how administrative and overhead rates are defined, and why and when they are required would be helpful to the applicant.
- Indirect costs and rates are not always approved at the application phase. This causes additional confusion and delays in payment processing.

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[1] Indirect cost is a cost incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. In 2018, the Maryland General Assembly enacted Senate Bill 1045, meant to streamline and simplify the treatment of indirect costs across state agencies.

[2] De Minimus Rate is an indirect cost rate that may be used indefinitely by any recipient that has never received a negotiated indirect cost rate, with certain exceptions. The recipient may charge a rate of 10% of modified total direct costs. Costs must be consistently charges as either indirect or direct, but may not be double charged or inconsistently charged as both. Once chosen, this method must be used consistently for all federal awards until the recipient chooses to negotiate a rate, which it may do at any time.

- The process of submitting / requesting budget amendments in unclear and inconsistent. Certain state grant-making agencies require a request be submitted to move funds from one line item to another. (ie. *Could a certain amount / percentage of funding be easily reallocated without the submission and approval of a budget amendment?*)

Grant Budget Recommendations

- Clearly communicate certain allowable and unallowable costs as a part of the initial Notice of Funding Opportunity.
- Develop statewide definitions and guidance related to indirect cost and administrative and overhead costs and rates.
- Develop certain standard budget templates that can be reused across State agencies and grant programs.
- Consider providing the appropriate budget template as part of the Notice of Funding Opportunity package and / or award package.
- Consider requiring that state grant-making agency accepts and approves indirect costs and rates at the application phase. This would provide a more efficient process for future approval and acceptance of expenses, resulting in more expedited processing of payments.
- Provide certain training opportunities and / or centralized point of contact(s), in which applicants can seek certain advice and guidance on the budget process and direct and indirect cost rates on behalf of State grant-making agencies.
- Centralize the tracking of approved federal indirect cost rates and indirect cost rates approved related to State grants awarded.
- Standardize, define, and communicate the budget amendment process prior to the grant award and grant agreement execution. As much as possible, this process should be consistent across all grants awarded by State agencies.

Grant Post-Award

Council members highlighted four areas of the post-award process where challenges exist. Of particular concern were grant payments, customer service / engagement, audit and monitoring, and system functionality elements of the grant making process.

III. Grant Payment Observations
- Expenditure reimbursements and award funds often take more than 60 days for grant recipient(s) to receive. Long reimbursement times often necessitate that an organization (grant recipient) draw on its line of credit to maintain continuity of operations.

- State grant-making agencies have payment and reimbursement processes that are unclear or inconsistent.
- Acceptable and unacceptable supporting documentation for payment processing is unclear. *(ie. Are cancelled checks or the submission of invoices for minor supplies required when reimbursement is requested, if said expenses were included in the agency approved budget?)*

Grant Payment Recommendations

- Use of the NIMBL program (State Government Article §9–1A–27) for prompt payment support.
- Standardize statewide policy regarding prompt payment of grant awards and expenditures and required use of statewide grants management system for programmatic and fiscal tracking.
- Implement a system whereby grant payments, expenditures, requests, approvals, and tracking are captured centrally in a web-based system utilized by all state grant-making agencies. Digitally stamp (confirmation / receipt of) invoice and reimbursement requests upon submission in system to help monitor and ensure timely payments.
- Provide transparency of payment and reimbursement policies, processes, and expectations before grant agreement is executed. Clearly communicate what are certain acceptable and unacceptable expense reimbursement supporting documentation as a part of the initial Notice of Funding Opportunity and Award Package.

IV. Customer Service Observations
- Available grant opportunities can be hard to identify and apply for in a reasonable amount of time.
- Specific points of contact for state grant-making agencies and / or grant program(s) are often unclear and difficult to reach.
- Messaging or direction provided from one point of contact to another, is often inconsistent.
- Points of contact may not necessarily possess grants management expertise; difficulty addressing certain complex questions or certain policy and / or grant agreement related terms and requirements.

Customer Service Recommendations

- Implement centralized portal for interested parties, grant applicants, and recipients to search and apply for statewide available grant opportunities.
- Develop a standardized application and identify key standard data elements to be used statewide, where possible.

- Implement a transparent and centralized directory of statewide grants points of contact.
- Provide training and / or professional development opportunities to state grant-making agencies and grant professionals on certain grants regulations, best practices, statewide grants processes, and statewide grants management systems.

V.   Audit and Reporting Observations

- The single audit standard / threshold under the Federal Uniform Guidance, 2 CFR 200, are set at $750,000, yet some State grant-making agencies require audits of funding awards of $50,000. This can be very burdensome on recipients.
- Grant monitoring and site visits are often not coordinated causing increased burden on recipient having to prepare for and respond to multiple audits / visits within the same timeframe.
- State procedures for grant monitoring and reporting can be inconsistent, unavailable, or excessive and burdensome.

Audit and Reporting Recommendations

- Statewide standardization of relevant audit, monitoring, and reporting requirements should be aligned with the Federal Uniform Guidance, as appropriate; otherwise, statewide procedures and policies should be established.
- Audit, monitoring, and site visit requirements should be proportionate to certain award amount, and / or certain calculated risk identified through use of a standardized risk assessment tool.
- Develop State policy or guidance regarding required audits, State monitoring and on-site visits, and required recipient reporting. These policies and guidance should be available and provided to both State grant-making agencies as well as to grant recipients. Where able, training should be provided.

VI.   System Functionality Observations

- Some state grant-making agencies lack consistency and uniformity in systems and related processes used for application, reporting, billing, invoicing, and reimbursement payments as it directly relates to grants management.
- Some state grant-making agencies lack policies and regulations supportive of e-payments and use of web-based technologies.

- Recipients receive requests for information, reminders, and other notifications related to their grants in a variety of ways. These disparate communication systems and processes increase the burden on recipients as well as increases the risk of errors, delays, and miscommunication.

- Some state grant-making agencies lack continuity across applicant / recipient (nonprofit, municipality, local government, individual, etc.) profile information, contacts, and historical data.

System Functionality Recommendations

- Implementation of a centralized, web-based, full lifecycle grants management system. Such a system will reduce the burden on grant-making agencies, applicants, recipients, users, and auditors. and minimizes the risk for error and irregularities. Benefits of such a system are specific to grant opportunity publication, application submission, user account profile management, fiscal and programmatic tracking, milestone and deliverable reminders, monitoring and reporting, communication support, and data and document storage and management. This all will make for a more uniform and consistent process statewide related to the grant process, as well as will provide efficiencies.

Meetings Concluded

<u>MEGA Council Meetings</u>

Facilitated by: Jennifer Colton, Chair

- January 7, 2021 - 9:30am - 11:00am
- April 8, 2021 - 9:30am - 11:00am
- July 8, 2021 - 9:30am - 11:00am
- October 7, 2021 - 9:30am - 11:00am

<u>Application Standardization Workgroup</u>

Facilitated by: John Brothers, T. Rowe Price Foundation, Speaker of the House Nonprofit Designee and Robert Malone, The Arc of Prince George's County, Governor Hogan Nonprofit Designee

- June 25, 2021 - 1:30pm - 2:30pm
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Legislative Timelines and Deliverables

- October 1, 2020 - Each state grant-making agency shall appoint a Chief Accountability Officer.

- December 31, 2021 - The preliminary report

- December 31st of years 2022 - 2024 – subsequent Council progress reporting

- July 1, 2025 - The MEGA Council shall submit a final report on its full recommendations to the General Assembly as required in the legislation.

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Jesse Buggs, Director, Grant Development and Administration, City of Bowie

Executive Summary

The State of Maryland administers over $20 billion in grants annually across more than 30 state agencies and thousands of grant programs. Management, oversight, and reporting for these programs is often fulfilled via decentralized, manual and/ or cumbersome processes localized at an agency level. This often results in administrative challenges for state grant-making agencies as well as nonprofits, local governments, and other organizations who seek grant funding or are recipients of grant awards.

In an effort to address some of these issues, during the 2020 legislative session the Maryland General Assembly passed SB630, introduced by Senator Kagan in the Senate and cross-filed as HB1539 in the House by Delegate Stein resulting in State Finance and Procurement Article §2–209, for the purpose of:

- Establishing the Maryland Efficient Grant Application Council;

- Studying and making recommendations to the Governor's Grants Office and Department of Budget and Management regarding the grant life cycle with the goal of reducing administrative burden on grant-making agencies, grant applicants, and recipients;

- Identifying opportunities for improving efficiencies and streamlining and reducing redundant processes;

- Creating and recommending a uniform application form;

- Creating and recommending uniform financial controls and , including progress reporting requirements and timeframes and deadlines for these requirements;

- Creating and recommending regulations adopting each part of the federal uniform guidance, with appropriate modifications for its application to grant-making entities in the state, including modifications or variances based on the scope of size of grant programs, grant-making entities, or grantees; and

- Recommended timeframes and deadlines for implementation.

The legislation requires the MEGA Council to solicit the input of diverse stakeholders including the grant-making agencies and organizations representing local governments, grant professionals, and experts in nonprofit accounting and auditing. We have accomplished diversity, equity, and inclusion with our council members and stakeholders whom also proudly represent a broad range of issues and topics important to communities and grant-funded programs across the state. The legislation permitted and

encouraged the Council to establish working groups which was accomplished through volunteers and representatives on the Council as well as external "interested parties".

During 2021, the Council met quarterly and held supplemental workgroup meetings throughout the year. The focus of the workgroups had been decided based on topics or areas of concern brought forth by the Council as a whole. Workgroup efforts were shared and reported out to the entire Council during quarterly meetings. Meeting information and recordings are available on the Governor's Grants Office website at grants.maryland.gov.

Specific exclusions are also called out in the legislation, namely the exemption of direct government cash assistance to an individual; subsidies; loans; loan guarantees; insurance; grants made by the state higher education system, capital budget, Department of Transportation, or Maryland Technology Corporation; Business Development Grants made by the Department of Commerce; or state funding that is required annually and is calculated through a formula set in statute.

Key Observations and Recommendations

As part of the Council's work, the members outlined and ranked feedback collected directly in Council or during supplemental workgroup meetings. The Council reviewed the phases of the grants lifecycle and put primary focus on the grant application and post-award processes. Council members discussed and shared a range of ideas on policy related guidance and suggestions for the State's consideration. Standardization, transparency, and ease of communication and engagement were all critical themes in addressing these concerns.

Grant Application Process

Council members highlighted certain areas of the Grants Application Phase where challenges exist. Of particular concern were the grant application elements and the application evaluation process, and the requirements and elements related to the grant budget.

I.   <u>Grant Application and Evaluation Processes Observations</u>

- State grant opportunities can be difficult to identify and apply for in a timely manner.
- There is little guidance for applicants on what the State agencies are looking for in grant submission, and there are no examples of successful applications for applicants to understand what the State grant-making agency is looking for in an application / submission.
- Clear and advance communication regarding the grant application process (timelines, requirements, evaluation process), provided should be standard practice.
- The grant application and evaluation process are inconsistent among State grant-making agencies. Additionally, instruction or guidance available for applicants varies among State grant-making agencies.
- State grant-making agencies may use different terminology, terms and conditions, and abbreviations from one agency and / or program to another.
- Grant applications, data elements, and required documentation vary from program to program.

<u>Grant Application and Evaluation Processes Recommendations</u>

- Centralize the advertisement of State grant opportunities in a single portal / website, utilized by all State grant-making agencies, and require posting of opportunities in a timely manner.
- Certain examples of successful applications and other standardized materials should be posted on a centralized, statewide portal available for public viewing potential applicants.

- Develop certain policies and procedures regarding State grant-making agency's grant application and evaluation process to ensure consistency statewide.
- Standardize the use of certain grants related definitions, terms and conditions, and abbreviations statewide and make available through centralized, statewide portal for applicants and recipients.
- Develop a standard, statewide grants manual as a tool for both the recipient and State grant making agencies. This manual should be inclusive of statewide policies and procedures, definitions, best practices, and FAQ's and will help instruct applicants through the grant process as well as ensure consistency across State granting agencies.

II. Grant Budget Observations

- There appears to be confusion between the nonprofit community (or applicant) and the state grant-making agency regarding direct and indirect cost[1], allocation of those costs, and budgeting cost accordingly.
- Some nonprofits (or applicants) do not have an indirect cost rate established and use of the *de minimus rate[2]* by applicants appear to be limited. *See [SB 1045](#) regarding Reimbursement of Indirect Costs, in Maryland.*
- There is often little or no clear and consistent direction from State grant-making agencies about what costs are allowable and unallowable. Opportunities for standardization would be valuable.
- The State grant-making agencies lack standard budget templates, causing additional and undue burden on the applicant and administering agency.
- Increased transparency into how administrative and overhead rates are defined, and why and when they are required would be helpful to the applicant.
- Indirect costs and rates are not always approved at the application phase. This causes additional confusion and delays in payment processing.

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[1] Indirect cost is a cost incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. In 2018, the Maryland General Assembly enacted Senate Bill 1045, meant to streamline and simplify the treatment of indirect costs across state agencies.

[2] De Minimus Rate is an indirect cost rate that may be used indefinitely by any recipient that has never received a negotiated indirect cost rate, with certain exceptions. The recipient may charge a rate of 10% of modified total direct costs. Costs must be consistently charges as either indirect or direct, but may not be double charged or inconsistently charged as both. Once chosen, this method must be used consistently for all federal awards until the recipient chooses to negotiate a rate, which it may do at any time.

- The process of submitting / requesting budget amendments in unclear and inconsistent. Certain state grant-making agencies require a request be submitted to move funds from one line item to another. (ie. *Could a certain amount / percentage of funding be easily reallocated without the submission and approval of a budget amendment?*)

Grant Budget Recommendations

- Clearly communicate certain allowable and unallowable costs as a part of the initial Notice of Funding Opportunity.
- Develop statewide definitions and guidance related to indirect cost and administrative and overhead costs and rates.
- Develop certain standard budget templates that can be reused across State agencies and grant programs.
- Consider providing the appropriate budget template as part of the Notice of Funding Opportunity package and / or award package.
- Consider requiring that state grant-making agency accepts and approves indirect costs and rates at the application phase. This would provide a more efficient process for future approval and acceptance of expenses, resulting in more expedited processing of payments.
- Provide certain training opportunities and / or centralized point of contact(s), in which applicants can seek certain advice and guidance on the budget process and direct and indirect cost rates on behalf of State grant-making agencies.
- Centralize the tracking of approved federal indirect cost rates and indirect cost rates approved related to State grants awarded.
- Standardize, define, and communicate the budget amendment process prior to the grant award and grant agreement execution. As much as possible, this process should be consistent across all grants awarded by State agencies.

Grant Post-Award

Council members highlighted four areas of the post-award process where challenges exist. Of particular concern were grant payments, customer service / engagement, audit and monitoring, and system functionality elements of the grant making process.

III.   Grant Payment Observations

- Expenditure reimbursements and award funds often take more than 60 days for grant recipient(s) to receive. Long reimbursement times often necessitate that an organization (grant recipient) draw on its line of credit to maintain continuity of operations.

- State grant-making agencies have payment and reimbursement processes that are unclear or inconsistent.
- Acceptable and unacceptable supporting documentation for payment processing is unclear. *(ie. Are cancelled checks or the submission of invoices for minor supplies required when reimbursement is requested, if said expenses were included in the agency approved budget?)*

Grant Payment Recommendations

- Use of the NIMBL program (State Government Article §9–1A–27) for prompt payment support.
- Standardize statewide policy regarding prompt payment of grant awards and expenditures and required use of statewide grants management system for programmatic and fiscal tracking.
- Implement a system whereby grant payments, expenditures, requests, approvals, and tracking are captured centrally in a web-based system utilized by all state grant-making agencies. Digitally stamp (confirmation / receipt of) invoice and reimbursement requests upon submission in system to help monitor and ensure timely payments.
- Provide transparency of payment and reimbursement policies, processes, and expectations before grant agreement is executed.
  Clearly communicate what are certain acceptable and unacceptable expense reimbursement supporting documentation as a part of the initial Notice of Funding Opportunity and Award Package.

IV. Customer Service Observations

- Available grant opportunities can be hard to identify and apply for in a reasonable amount of time.
- Specific points of contact for state grant-making agencies and / or grant program(s) are often unclear and difficult to reach.
- Messaging or direction provided from one point of contact to another, is often inconsistent.
- Points of contact may not necessarily possess grants management expertise; difficulty addressing certain complex questions or certain policy and / or grant agreement related terms and requirements.

Customer Service Recommendations

- Implement centralized portal for interested parties, grant applicants, and recipients to search and apply for statewide available grant opportunities.
- Develop a standardized application and identify key standard data elements to be used statewide, where possible.

- Implement a transparent and centralized directory of statewide grants points of contact.
- Provide training and / or professional development opportunities to state grant-making agencies and grant professionals on certain grants regulations, best practices, statewide grants processes, and statewide grants management systems.

V.   Audit and Reporting Observations

- The single audit standard / threshold under the Federal Uniform Guidance, 2 CFR 200, are set at $750,000, yet some State grant-making agencies require audits of funding awards of $50,000. This can be very burdensome on recipients.
- Grant monitoring and site visits are often not coordinated causing increased burden on recipient having to prepare for and respond to multiple audits / visits within the same timeframe.
- State procedures for grant monitoring and reporting can be inconsistent, unavailable, or excessive and burdensome.

Audit and Reporting Recommendations

- Statewide standardization of relevant audit, monitoring, and reporting requirements should be aligned with the Federal Uniform Guidance, as appropriate; otherwise, statewide procedures and policies should be established.
- Audit, monitoring, and site visit requirements should be proportionate to certain award amount, and / or certain calculated risk identified through use of a standardized risk assessment tool.
- Develop State policy or guidance regarding required audits, State monitoring and on-site visits, and required recipient reporting. These policies and guidance should be available and provided to both State grant-making agencies as well as to grant recipients. Where able, training should be provided.

VI.   System Functionality Observations

- Some state grant-making agencies lack consistency and uniformity in systems and related processes used for application, reporting, billing, invoicing, and reimbursement payments as it directly relates to grants management.
- Some state grant-making agencies lack policies and regulations supportive of e-payments and use of web-based technologies.

- Recipients receive requests for information, reminders, and other notifications related to their grants in a variety of ways. These disparate communication systems and processes increase the burden on recipients as well as increases the risk of errors, delays, and miscommunication.

- Some state grant-making agencies lack continuity across applicant / recipient (nonprofit, municipality, local government, individual, etc.) profile information, contacts, and historical data.

System Functionality Recommendations

- Implementation of a centralized, web-based, full lifecycle grants management system. Such a system will reduce the burden on grant-making agencies, applicants, recipients, users, and auditors. and minimizes the risk for error and irregularities. Benefits of such a system are specific to grant opportunity publication, application submission, user account profile management, fiscal and programmatic tracking, milestone and deliverable reminders, monitoring and reporting, communication support, and data and document storage and management. This all will make for a more uniform and consistent process statewide related to the grant process, as well as will provide efficiencies.

Meetings Concluded

<u>MEGA Council Meetings</u>

Facilitated by: Jennifer Colton, Chair

- January 7, 2021 - 9:30am - 11:00am
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Maryland Efficient Grants Application (MEGA) Council

January 1, 2021 - December 31, 2021

Year-End Report

Pursuant to State Finance and Procurement Article §2–209

Final version: December 30, 2021

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Maryland Efficient Grants Application (MEGA) Council

January 1, 2021 - December 31, 2021

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Pursuant to State Finance and Procurement Article §2–209

Final version: December 30, 2021

Responsible Authority:
Jennifer Colton, Chair and Director, Governor's Grants Office
Joan Peacock, Manager, Audit and Compliance Unit, Department of Budget and Management

Contributions from:
John Brothers, President, T. Rowe Price Foundation; Robert Malone, Executive Director, The Arc Prince George's County, Erik Lyon, Deputy Director, Governors Grants Office

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Maryland Municipal League (MML) Representative

Jesse Buggs, Director, Grant Development and Administration, City of Bowie

Executive Summary

The State of Maryland administers over $20 billion in grants annually across more than 30 state agencies and thousands of grant programs. Management, oversight, and reporting for these programs is often fulfilled via decentralized, manual and/ or cumbersome processes localized at an agency level. This often results in administrative challenges for state grant-making agencies as well as nonprofits, local governments, and other organizations who seek grant funding or are recipients of grant awards.

In an effort to address some of these issues, during the 2020 legislative session the Maryland General Assembly passed SB630, introduced by Senator Kagan in the Senate and cross-filed as HB1539 in the House by Delegate Stein resulting in State Finance and Procurement Article §2–209, for the purpose of:

- Establishing the Maryland Efficient Grant Application Council;

- Studying and making recommendations to the Governor's Grants Office and Department of Budget and Management regarding the grant life cycle with the goal of reducing administrative burden on grant-making agencies, grant applicants, and recipients;

- Identifying opportunities for improving efficiencies and streamlining and reducing redundant processes;

- Creating and recommending a uniform application form;

- Creating and recommending uniform financial controls and , including progress reporting requirements and timeframes and deadlines for these requirements;

- Creating and recommending regulations adopting each part of the federal uniform guidance, with appropriate modifications for its application to grant-making entities in the state, including modifications or variances based on the scope of size of grant programs, grant-making entities, or grantees; and

- Recommended timeframes and deadlines for implementation.

The legislation requires the MEGA Council to solicit the input of diverse stakeholders including the grant-making agencies and organizations representing local governments, grant professionals, and experts in nonprofit accounting and auditing. We have accomplished diversity, equity, and inclusion with our council members and stakeholders whom also proudly represent a broad range of issues and topics important to communities and grant-funded programs across the state. The legislation permitted and

encouraged the Council to establish working groups which was accomplished through volunteers and representatives on the Council as well as external "interested parties".

During 2021, the Council met quarterly and held supplemental workgroup meetings throughout the year. The focus of the workgroups had been decided based on topics or areas of concern brought forth by the Council as a whole. Workgroup efforts were shared and reported out to the entire Council during quarterly meetings. Meeting information and recordings are available on the Governor's Grants Office website at grants.maryland.gov.

Specific exclusions are also called out in the legislation, namely the exemption of direct government cash assistance to an individual; subsidies; loans; loan guarantees; insurance; grants made by the state higher education system, capital budget, Department of Transportation, or Maryland Technology Corporation; Business Development Grants made by the Department of Commerce; or state funding that is required annually and is calculated through a formula set in statute.

Key Observations and Recommendations

As part of the Council's work, the members outlined and ranked feedback collected directly in Council or during supplemental workgroup meetings. The Council reviewed the phases of the grants lifecycle and put primary focus on the grant application and post-award processes. Council members discussed and shared a range of ideas on policy related guidance and suggestions for the State's consideration. Standardization, transparency, and ease of communication and engagement were all critical themes in addressing these concerns.

Grant Application Process

Council members highlighted certain areas of the Grants Application Phase where challenges exist. Of particular concern were the grant application elements and the application evaluation process, and the requirements and elements related to the grant budget.

I.   <u>Grant Application and Evaluation Processes Observations</u>

- State grant opportunities can be difficult to identify and apply for in a timely manner.
- There is little guidance for applicants on what the State agencies are looking for in grant submission, and there are no examples of successful applications for applicants to understand what the State grant-making agency is looking for in an application / submission.
- Clear and advance communication regarding the grant application process (timelines, requirements, evaluation process), provided should be standard practice.
- The grant application and evaluation process are inconsistent among State grant-making agencies. Additionally, instruction or guidance available for applicants varies among State grant-making agencies.
- State grant-making agencies may use different terminology, terms and conditions, and abbreviations from one agency and / or program to another.
- Grant applications, data elements, and required documentation vary from program to program.

<u>Grant Application and Evaluation Processes Recommendations</u>

- Centralize the advertisement of State grant opportunities in a single portal / website, utilized by all State grant-making agencies, and require posting of opportunities in a timely manner.
- Certain examples of successful applications and other standardized materials should be posted on a centralized, statewide portal available for public viewing potential applicants.

- Develop certain policies and procedures regarding State grant-making agency's grant application and evaluation process to ensure consistency statewide.
- Standardize the use of certain grants related definitions, terms and conditions, and abbreviations statewide and make available through centralized, statewide portal for applicants and recipients.
- Develop a standard, statewide grants manual as a tool for both the recipient and State grant making agencies. This manual should be inclusive of statewide policies and procedures, definitions, best practices, and FAQ's and will help instruct applicants through the grant process as well as ensure consistency across State granting agencies.

II. Grant Budget Observations

- There appears to be confusion between the nonprofit community (or applicant) and the state grant-making agency regarding direct and indirect cost[1], allocation of those costs, and budgeting cost accordingly.
- Some nonprofits (or applicants) do not have an indirect cost rate established and use of the *de minimus rate[2]* by applicants appear to be limited. *See* SB 1045 *regarding Reimbursement of Indirect Costs, in Maryland.*
- There is often little or no clear and consistent direction from State grant-making agencies about what costs are allowable and unallowable. Opportunities for standardization would be valuable.
- The State grant-making agencies lack standard budget templates, causing additional and undue burden on the applicant and administering agency.
- Increased transparency into how administrative and overhead rates are defined, and why and when they are required would be helpful to the applicant.
- Indirect costs and rates are not always approved at the application phase. This causes additional confusion and delays in payment processing.

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[1] Indirect cost is a cost incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. In 2018, the Maryland General Assembly enacted Senate Bill 1045, meant to streamline and simplify the treatment of indirect costs across state agencies.

[2] De Minimus Rate is an indirect cost rate that may be used indefinitely by any recipient that has never received a negotiated indirect cost rate, with certain exceptions. The recipient may charge a rate of 10% of modified total direct costs. Costs must be consistently charges as either indirect or direct, but may not be double charged or inconsistently charged as both. Once chosen, this method must be used consistently for all federal awards until the recipient chooses to negotiate a rate, which it may do at any time.

- The process of submitting / requesting budget amendments in unclear and inconsistent. Certain state grant-making agencies require a request be submitted to move funds from one line item to another. (ie. *Could a certain amount / percentage of funding be easily reallocated without the submission and approval of a budget amendment?*)

Grant Budget Recommendations

- Clearly communicate certain allowable and unallowable costs as a part of the initial Notice of Funding Opportunity.
- Develop statewide definitions and guidance related to indirect cost and administrative and overhead costs and rates.
- Develop certain standard budget templates that can be reused across State agencies and grant programs.
- Consider providing the appropriate budget template as part of the Notice of Funding Opportunity package and / or award package.
- Consider requiring that state grant-making agency accepts and approves indirect costs and rates at the application phase. This would provide a more efficient process for future approval and acceptance of expenses, resulting in more expedited processing of payments.
- Provide certain training opportunities and / or centralized point of contact(s), in which applicants can seek certain advice and guidance on the budget process and direct and indirect cost rates on behalf of State grant-making agencies.
- Centralize the tracking of approved federal indirect cost rates and indirect cost rates approved related to State grants awarded.
- Standardize, define, and communicate the budget amendment process prior to the grant award and grant agreement execution. As much as possible, this process should be consistent across all grants awarded by State agencies.

Grant Post-Award

Council members highlighted four areas of the post-award process where challenges exist. Of particular concern were grant payments, customer service / engagement, audit and monitoring, and system functionality elements of the grant making process.

III. Grant Payment Observations

- Expenditure reimbursements and award funds often take more than 60 days for grant recipient(s) to receive. Long reimbursement times often necessitate that an organization (grant recipient) draw on its line of credit to maintain continuity of operations.

- State grant-making agencies have payment and reimbursement processes that are unclear or inconsistent.

- Acceptable and unacceptable supporting documentation for payment processing is unclear. *(ie. Are cancelled checks or the submission of invoices for minor supplies required when reimbursement is requested, if said expenses were included in the agency approved budget?)*

Grant Payment Recommendations

- Use of the NIMBL program (State Government Article §9–1A–27) for prompt payment support.

- Standardize statewide policy regarding prompt payment of grant awards and expenditures and required use of statewide grants management system for programmatic and fiscal tracking.

- Implement a system whereby grant payments, expenditures, requests, approvals, and tracking are captured centrally in a web-based system utilized by all state grant-making agencies. Digitally stamp (confirmation / receipt of) invoice and reimbursement requests upon submission in system to help monitor and ensure timely payments.

- Provide transparency of payment and reimbursement policies, processes, and expectations before grant agreement is executed.
Clearly communicate what are certain acceptable and unacceptable expense reimbursement supporting documentation as a part of the initial Notice of Funding Opportunity and Award Package.

IV. Customer Service Observations

- Available grant opportunities can be hard to identify and apply for in a reasonable amount of time.

- Specific points of contact for state grant-making agencies and / or grant program(s) are often unclear and difficult to reach.

- Messaging or direction provided from one point of contact to another, is often inconsistent.

- Points of contact may not necessarily possess grants management expertise; difficulty addressing certain complex questions or certain policy and / or grant agreement related terms and requirements.

Customer Service Recommendations

- Implement centralized portal for interested parties, grant applicants, and recipients to search and apply for statewide available grant opportunities.

- Develop a standardized application and identify key standard data elements to be used statewide, where possible.

- Implement a transparent and centralized directory of statewide grants points of contact.
- Provide training and / or professional development opportunities to state grant-making agencies and grant professionals on certain grants regulations, best practices, statewide grants processes, and statewide grants management systems.

V. Audit and Reporting Observations

- The single audit standard / threshold under the Federal Uniform Guidance, 2 CFR 200, are set at $750,000, yet some State grant-making agencies require audits of funding awards of $50,000. This can be very burdensome on recipients.
- Grant monitoring and site visits are often not coordinated causing increased burden on recipient having to prepare for and respond to multiple audits / visits within the same timeframe.
- State procedures for grant monitoring and reporting can be inconsistent, unavailable, or excessive and burdensome.

Audit and Reporting Recommendations

- Statewide standardization of relevant audit, monitoring, and reporting requirements should be aligned with the Federal Uniform Guidance, as appropriate; otherwise, statewide procedures and policies should be established.
- Audit, monitoring, and site visit requirements should be proportionate to certain award amount, and / or certain calculated risk identified through use of a standardized risk assessment tool.
- Develop State policy or guidance regarding required audits, State monitoring and on-site visits, and required recipient reporting. These policies and guidance should be available and provided to both State grant-making agencies as well as to grant recipients. Where able, training should be provided.

VI. System Functionality Observations

- Some state grant-making agencies lack consistency and uniformity in systems and related processes used for application, reporting, billing, invoicing, and reimbursement payments as it directly relates to grants management.
- Some state grant-making agencies lack policies and regulations supportive of e-payments and use of web-based technologies.

- Recipients receive requests for information, reminders, and other notifications related to their grants in a variety of ways. These disparate communication systems and processes increase the burden on recipients as well as increases the risk of errors, delays, and miscommunication.
- Some state grant-making agencies lack continuity across applicant / recipient (nonprofit, municipality, local government, individual, etc.) profile information, contacts, and historical data.

System Functionality Recommendations

- Implementation of a centralized, web-based, full lifecycle grants management system. Such a system will reduce the burden on grant-making agencies, applicants, recipients, users, and auditors. and minimizes the risk for error and irregularities. Benefits of such a system are specific to grant opportunity publication, application submission, user account profile management, fiscal and programmatic tracking, milestone and deliverable reminders, monitoring and reporting, communication support, and data and document storage and management. This all will make for a more uniform and consistent process statewide related to the grant process, as well as will provide efficiencies.

Meetings Concluded

MEGA Council Meetings

Facilitated by: Jennifer Colton, Chair

- January 7, 2021 - 9:30am - 11:00am
- April 8, 2021 - 9:30am - 11:00am
- July 8, 2021 - 9:30am - 11:00am
- October 7, 2021 - 9:30am - 11:00am

Application Standardization Workgroup

Facilitated by: John Brothers, T. Rowe Price Foundation, Speaker of the House Nonprofit Designee and Robert Malone, The Arc of Prince George's County, Governor Hogan Nonprofit Designee

- June 25, 2021 - 1:30pm - 2:30pm
- October 7, 2021 - 9:30am -11:00am

Legislative Timelines and Deliverables

- October 1, 2020 - Each state grant-making agency shall appoint a Chief Accountability Officer.
- December 31, 2021 - The preliminary report
- December 31st of years 2022 - 2024 – subsequent Council progress reporting
- July 1, 2025 - The MEGA Council shall submit a final report on its full recommendations to the General Assembly as required in the legislation.