Grant Making “Is” Financial Management

There continues to be a misconception that the billions of dollars that the federal government spends annually on a myriad of grants to the public have little to do with financial management. In fact, when most entities consider the modernization of legacy grant systems, few list or consider the financial and accounting requirements that are key to proper fiduciary stewardship. If asked, most grant-officers would say that the federal grant lifecycle begins with the pre-award phase and ends with the post-award/closeout phase. Unfortunately, this leaves out critical capabilities such as accounting/funds control, analytics/reporting, auditing, and a host of other necessary activities. Before going further, let’s clarify that this does not mean that all of these functions should reside in the Grants System or even on the same physical/logical platform. It does mean, however, that these capabilities should be clearly captured during the requirements gathering phase and be captured and tracked on the Requirements Traceability Matrix (RTM) to ensure they are satisfied. Let’s delve a bit deeper to discuss why this is so important.

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The Importance of Accounting/Funds Control

The word “anti-deficient” strikes fear in even the most staunch accounting professional. Put simply, the “The Antideficiency Act” prohibits federal employees from making an expenditure or even obligating funds that are in excess of what is available in their provided and approved appropriation. Violating this act could result in the loss of employment and possibly stiff fines. In spite of this risk, accounting continues to be somewhat of an afterthought when entities begin to modernize their grant systems. In fact, oftentimes, the accounting department is only a bit-player on the modernization team. This frequently leads to a weak and fragile connection between the grants and accounting systems, which in turn results in the following:

- The need for frequent reconciliation between the two systems (Grants and Financial).
- Lack of confidence from auditors.
- Poor and inaccurate reporting to stakeholders.
- Inability to make decisions based on analytics.
- Inadequate Risk Management.
- Inability to receive clean opinions on annual Financial System Audits.
- The need to frequently reset account balances by issuing adjusting entries.

The Benefit(s)

The previous section discusses the risk of not including these capabilities as requirements in the Grants System modernization initiative. But there are also benefits. Consider the following benefits of including tight accounting system integration that:

- Eliminates or at least significantly lowers the risk of going antideficient.
- Eliminates the need for frequent reconciliation exercises that burn time and human resources.
- Supports a robust budget formulation and execution process.
- Supports a faster and cleaner financial system audit by quickly showing the balance between the Accounting System Ledger and the grants system subledger or its balances.
- Supports better decision making through trusted analytics.
- Supports a more robust Risk Management process.

The Challenge(s)

Though including the accounting requirements in the grants modernization process comes with many benefits, it would be inappropriate not to discuss the challenges of not doing so. When including these requirements for tight integration, it oftentimes comes with the following risks:

- Depending on the integration architecture, tight accounting system integration can inadvertently slow down the grant-making process due to an "inelegant" funds checking step.
- Tight integration may mean that the grants system must be brought down when maintenance is done on the accounting system. This may increase the number of times the grants system must be brought down, given it has its own maintenance program and cycles.
- Tight integration may be limited due to technology platform limitations.
- There may be disagreements about who owns the process, the accounting shop, or the grants office.
- There is, oftentimes, confusion about who pays for the integration work, accounting, or grants.
- There is occasionally finger pointing when there are systems or financial data problems associated with grants.

Overcoming the Challenge(s)

Fortunately, overcoming the above-mentioned challenges is a lot easier if the following recommendations are followed:

- Ensure your systems integrator develops a very elegant, fast, and stable connection to the accounting system G/L. It is important to test not only the accuracy of the connection but also the speed and stability using maximized performance testing approaches.
- Consider mirroring the grants system maintenance windows with that of the accounting system.
- Architect a connection that does not force the shutdown of the grants system when the accounting system must come down. There are creative ways of using a middleware balance-table between the two systems that are automatically reconciled once both systems are brought back online. Funding thresholds can be set that avoids antideficiency during the period of disconnection.

- Work cooperatively with the accounting shop to demonstrate that tight integration is in the best interest of both entities. Ownership of the process, then, becomes a moot point. Additionally, making the accounting professionals part of the grant modernization effort further drives this philosophy.

The Final Thought

Developing a tight connection between your grant-making platform and your accounting system is in the interest of everyone. Auditors have more confidence in the balances they review. Stakeholders have a higher degree of confidence in the analytics they receive from this data and are better able to make decisions. Federal employees avoid being put in harm's way by inadvertently creating an antideficient scenario. Accounting and grants personnel form a tighter bond to maintain the entities' fiduciary responsibility. Reducing the need for frequent reconciliations returns lots of person-hours to analyze the important data being processed. The benefits are numerous. And as discussed above, the challenges can all be overcome or avoided altogether. Finally, all of this does not suggest that this integration be done within the grant system. It merely argues that the requirements be considered mandatory, tracked, and thoroughly tested before the system goes live. Grant-making shouldn't just consider financial management, from a fiduciary perspective, it "is" financial management.

To further discuss how Zenius is assisting federal agencies modernizing their grants ecosystem and bringing fiduciary stewardship, please contact Zenius Corporation's CEO, Prasanna Amitabh, at pamitabh@zeniuscorp.com.

About Zenius Corporation

Zenius Corporation (Zenius) is an SBA certified HUBZone company, Minority-Owned Small Disadvantaged Business (SDB) firm comprised of highly experienced and exceptionally knowledgeable industry experts. As trusted advisors to our clients, we offer expertise in solving complex and multi-dimensional operational and technical challenges. Headquartered in Leesburg, VA, Zenius Corporation's management and technology consulting services include IT Infrastructure and Modernization Support, Cloud Transition Support, Business Intelligence and Analytics, Cybersecurity Support, and Program Management. We have extensive expertise in developing and providing Grants Management systems and solutions, IT Assessment and Optimization systems and services, and Financial Management systems and consulting. For more information, go to https://www.zeniuscorp.com.