



A Navigar Consulting White Paper

Efficient Grant Allocation and Control

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Introduction

The United States National Institute of Health (NIH) awarded over 54,000 grants, worth over \$21 billion to more than 2,600 Higher Education Institutions, Independent Hospitals, Medical Schools, Research Institutions, and other Non-Profit organizations in 2008¹.

‘NIH funds grants, cooperative agreements, and contracts that support the advancement of fundamental knowledge about the nature and behavior of living systems to meet the NIH mission of extending healthy life and reducing the burdens of illness and disability’². NIH awards ‘grant opportunities that support research-related activities, including: construction, training, career development, conferences, resource grants and more’². NIH encourages grant proposals of high scientific caliber that are relevant to public health needs and within NIH Institute and Center priorities. NIH strongly encourages investigator-initiated research across the spectrum of their mission. NIH also encourages unique research projects to support their mission².

The research and development from so many different organizations contributes greatly to the advancement and success of so many national health initiatives.

The NIH allocates grants to over 54,000 different organizations. These organizations must allocate the grant funds according to the rules and regulations established. Business rules are necessary to ensure that the funding is spent as it was directed to and proper reporting is provided back to the NIH.

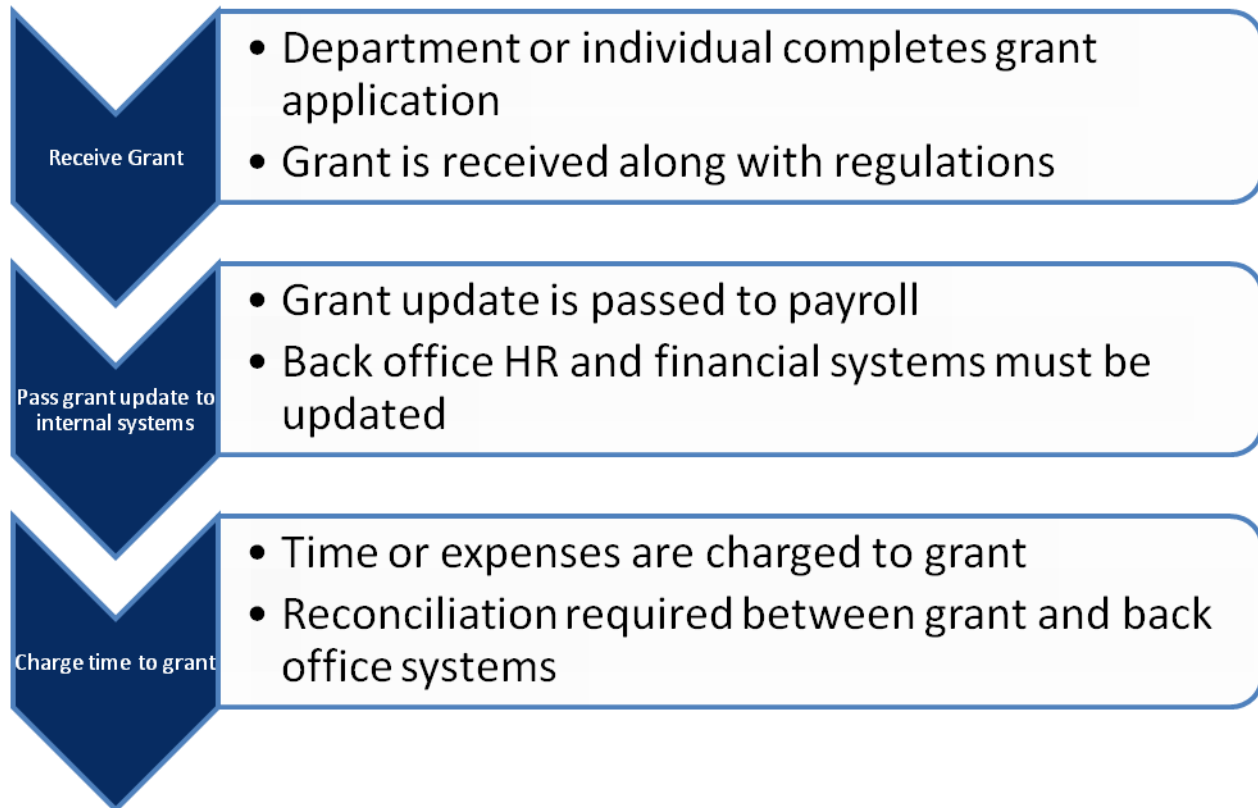
The industry offers some great Grant Management products but what they lack is complete leverage of the existing financial systems, controls, workflow, and visibility to all of the stakeholders involved.

To ensure that grants are spent according to the rules and regulations established organizations must have business processes and controls in place to ensure that monies are allocated to the right projects and resources and this must be done in a cost effective and streamlined approach.

Problem Statement

For the organization receiving the NIH grant, the funds must be tracked and allocated to be spent according to the grant rules and regulations. There are multiple steps and controls that should be included in this process to ensure proper allocation and management of the funds.

Grant Allocation and Control Process



The above process interfaces with many people, paper, and systems. Traditionally, organizations use a paper intensive process to allocate grant fund updates. The above process presents three major problems including timing, user errors, and compliance risk.

Timing

The timing of processing grant allocations can take several days and sometimes weeks for a single update. There is often a lack of visibility of where the grant money is, if it has been received, if it has been allocated to payroll, and if it has been reconciled. This impacts not only the grant process but also the overall payroll process and financial status of the receiving organization.

Because many organizations may have multiple HR and Financial systems in place, the integration points are many and proper edits required to ensure proper accounting occurs take significant amounts of time. One organization surveyed spent 4 days on average to process a grant change. When one considers that an organization processes thousands of these grant changes, the time required multiplies exponentially.



After the grant change is allocated, time or expenses charged to the grant need to then flow back through the process to the grant system and office for compliance and regulatory reporting.

User Errors

Because there are often thousands of grant changes processed in organizations, there are many user errors as a result of the labor intensive nature of the process. Some organizations have experienced error rates as high as 50% in their paper based grant allocation process. Most organizations have grant processes that touch at least 5 different individuals and 3 different systems. A process that has so many touch points and is not orchestrated and streamlined will be exposed for errors from each of those touch points.

Compliance Risk

The risks if the funds are not managed correctly are numerous. Not using the funds according to its regulations creates a risk that the grant may be rescinded and creates a risk that an entire research project could be discontinued.

Much of the time an individual or department's expenses are not fully paid for by the grant and therefore the grant must be set up to pay only a portion of the expenses and additional funding must come from other sources.

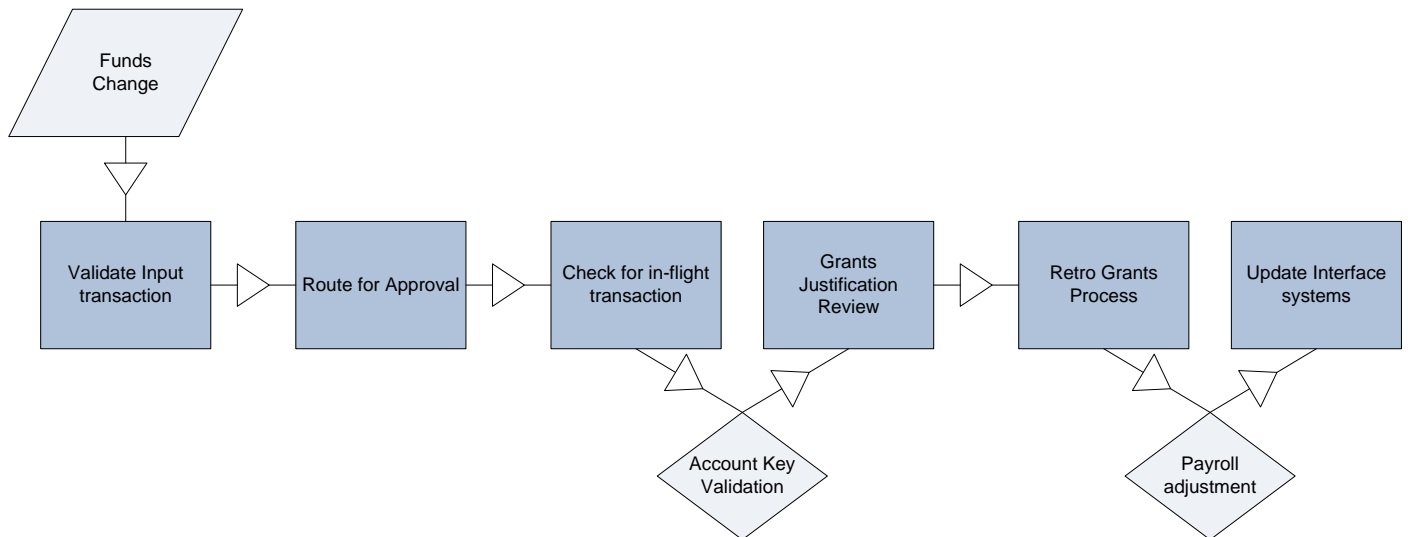
Navigar Solution

Navigar Consulting proposes a business process management (BPM) approach to streamlining the grant allocation process to create a faster process with fewer errors and ensuring compliance with grant regulations and requirements.

Navigar works with leading Business Process Management Suites (BPMS) to streamline and automate the Grant Allocation Process. The BPMS centric approach provides the organization with:

- Detailed workflow
- Identified integration points
- Business rules and edits to check that funds are used according to regulations and used in the approved grant year
- Visibility
- Communication

Navigar Grant Allocation and Control Workflow



The grant allocation process has many steps, sub processes, integrations, and data involved. There are nine major milestones in this process.

- **Funds Change:** The grant allocation process begins with a fund change request task from the department receiving the grant. The department generally completes a form with a request for a fund change. This can be a new grant or an update to an existing grant.
- **Validate Input Transaction:** Once the fund change is received, the data must be validated to ensure that it is complete and valid. This includes validation of the receiving individual or department, validation of the research funded, and validation of the proper accounting codes.
- **Route for approval:** Any grant allocation must be approved by appropriate designated supervisory personnel to approve fund changes for departments or individuals. The approval process is based on the management structure of the organization.
- **Check for In-Flight Transactions:** As many grants have multiple phases and funds are disbursed and then allocated in a sequential manner it is necessary to ensure that funding requests and disbursements are processed in a correct order.
- **Account Key Review:** To ensure proper reconciliation with the general ledger, the account key must be verified and if necessary, created. This ensures consistency across the systems and a single version of the truth in the general ledger.
- **Grants Justification Review:** Often times funds used for a different purpose than originally planned and as a result they need to be reviewed to ensure that they are being used in compliance with the grant specifications. Departments may increase, decrease, add a new person, or some other change to the way the funds are being distributed. The Grants



Management department would review the request to make sure the grant guidelines were still being met and either approve or reject the change based on the guidelines established for that specific grant.

- **Retro Grants Process:** Grant updates often come in after the fact and funding change requests must be made retroactive. Part of this process must also ensure that the rules for the grant are met and that funds are available for the retro period.
- **Payroll Adjustment for Retro Grant Changes:** Upon a retroactive grant change updates must be made to the Payroll system or Payables system for the designated individuals or expenses.
- **Update Interface Systems:** The final phase in the process is to update the back office systems, including Grant, ERP, financial, and operational systems of the fund change requests.

Throughout all of the above phases multiple parties must be kept current on the process and what step it is at. This includes the original requestor of the grant, the department head, and the designated financial representative.

Benefit - Time Savings

The Navigar solution to grant allocation and control provides for significant time savings. The process of processing a grant can be reduced from 4 days to 40 seconds. Business rules are created to direct the flow of the business process and it becomes almost 100% automated and required human intervention is reduced to less than 5%.

Benefit - Reduced margin of error

Because integrations are built, edits are created, and user intervention is reduced, the margin of error is also reduced. The Navigar solution will eliminate the re-keying of data, automatically update back office systems, and eliminate rework caused by entering invalid data then having to back it out. Data is validated and only valid complete Fund Change transactions to Human Resource Management, Grants and Contract Accounting, the Payroll Office, and the Budget Office are passed.

One organization Navigar worked with improved their margin of error from 50% to less than 15%.

The quality of a process is a reflection on the organization and its leadership. When processes are run efficiently and employees have confidence in a process, employee morale improves and in turn so does overall productivity.



Benefit – Improved Compliance and reduced risk

The risk of not meeting required compliance regulations is great. The organization risks losing the funding and in turn the beneficial research or project being completed. The proposed approach will:

- ✓ Ensure that the Funding percents add up to 100%.
- ✓ Ensure that every required field has a value and the value meets edit criteria
- ✓ Validate User Defined Account key
- ✓ Automatically update back office accounting and Human Resource systems if no human intervention is required.
- ✓ Verify that the proper grant year is entered (if necessary)
- ✓ Ensure that the encumbrance date is in the proper budget
- ✓ Ensure that the effective date is in an open account

The Navigar proposed approach will also create visibility and an environment of continual process improvement. Specifically, our approach will:

- ✓ Provide status data to back office system to allow tracking of Fund Changes thru the various steps in BPM
- ✓ Provide rejection reasons for any rejected transactions
- ✓ Provide historical tracking of Fund Changes in BPM
- ✓ Provide a report to aid in tracking State FTE statistics
- ✓ Provide a report to aid in tracking “Bridge Funded” projects

Summary

Navigar Consulting can help your organization to streamline and automate your Grant Allocation Management process to save time, money, and reduce your level of risk. Navigar will work with your existing technologies and create a business process based approach to provide you with the visibility and controls necessary to meet your needs and also create an environment of continual process improvement to plan proactively for future needs. A Navigar Solution will help organizations to achieve greater efficiency and accuracy in the fund change request process by implementing BPM to manage the processes and workflow between the requestor and the departments involved in implementing the changes. These include Human Resources Management, Grants & Contracts Accounting, the Payroll Office, and the Budget Office



FootNotes

¹ Aggregate Data 2008. (n.d.) National Institutes of Health – Research Portfolio Online Reporting Tool. Retrieved from: <http://report.nih.gov/award/trends/AggregateData.cfm?Year=2008>

² About NIH. (5/1/2009). National Institutes of Health. Retrieved from: <http://www.nih.gov/about/index.html>