



Grant compliance practices for commercial entities

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Introduction

Since 2018, major global events resulted in economic disruptions that required federal stimulus intervention to communities, businesses, and households across the United States. These interventions have been operationalized through congressional appropriations and significant grant funding programs. These programs have been focused on a wide range of areas including economic stabilization, small business assistance, public health, education, transportation, infrastructure, digital transformation, and energy. These disruptions—coupled with the general upward trend in federal spending—resulted in unprecedented grant opportunities for a wide range of entities, including public, nonprofit, and commercial entities.

This paper provides background information on federal spending trends affecting commercial entity access to funding; summarizes trend data indicating additional future spending increases; and explores

how leading grants management practices can help enhance the private sector's strategic access to and use of federal funding options.

Unprecedented federal spending

The global pandemic created a surge in federal spending, representing an unprecedented increase in peacetime spending. Figure 1. displays recent federal spending on grants and fixed charges, which increased to \$7.5 trillion in FY2021 and remains higher than pre-pandemic.¹ In general, federal spending increased during and after the pandemic as well. From 2015 to 2019, federal spending was around 21% of the gross domestic product annually. In 2020 and 2021, this spend increased to 31% and 30%, respectively, trending back down to 22% in 2023.² Several large spending packages, such as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)³ and the American Rescue Plan Act⁴ increased annual federal spend by more than \$2.1 trillion. All told, the US government committed \$5.2 trillion to the pandemic response.

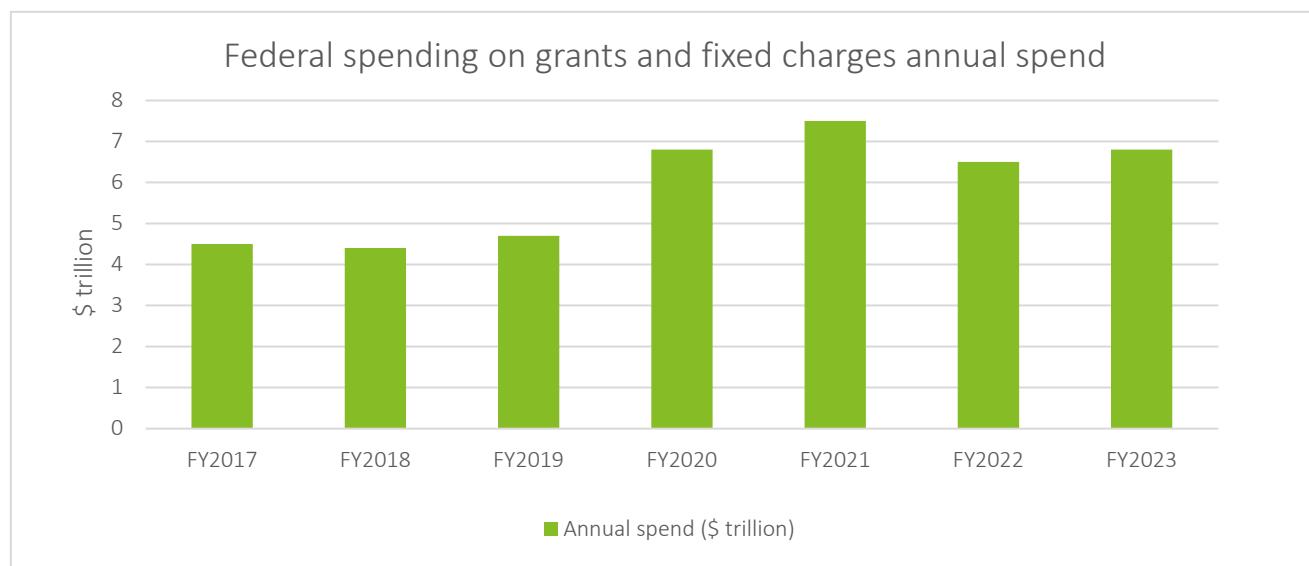


Figure 1: Grant and fixed charges annual spend by the federal government through FY2023

¹ USAspending.gov, "[Grants and fixed charges](#)," accessed April 2, 2024.

² Fiscal Data, "[How much has the U.S. government spent this year?](#)," accessed January 24, 2024.

³ Congress.gov, [S.3548 – CARES Act](#), 116th Congress (2019–2020).

⁴ Congress.gov, [H.R.1319 – American Rescue Plan Act of 2021](#), 117th Congress (2021–2022).

The future of federal funding

When looking at the future of federal funding, we can look through the lens of both disaster and non-disaster funding. While the pandemic and the associated funding opportunities were frequently described as “unprecedented,” disasters both national and global are only predicted to increase in frequency. Recent decades have seen warming temperatures, habitat loss, and changing precipitation patterns, leading to a greater emergence of infectious disease and billion-dollar weather disasters. Before 2005 (and Hurricanes Katrina, Rita, and Wilma), the Federal Emergency Management Agency’s (FEMA) Disaster Recovery Fund spending averaged \$5 billion annually; since 2005, this spend has increased to an average of \$16.5 billion annually, including the pandemic response.⁵ FEMA grants specifically have increased an average of 6% from fiscal year 2018 through the present.⁶ These realities have increased private-sector funding opportunities as well, and trends show a correlation between crises and increased federal funding programs.

In terms of non-disaster funding, recently, the Inflation Reduction Act (IRA)⁷ and Infrastructure Investment and Jobs Act (IIJA)⁸—also known as the Bipartisan Infrastructure Law (BIL)—allocated significant investments in infrastructure improvements across the United States, opening up grant opportunities for both public- and private-sector projects and partnerships. Programs range from strengthening water infrastructure to community building, offering commercial entities significant funding

opportunities. The IRA provides \$369 billion in funding for clean energy and energy efficiency initiatives, including \$270 billion in tax credits.⁹ The BIL includes \$550 billion in new federal infrastructure investments over five years,¹⁰ including more than \$62 billion in funding for the US Department of Energy to invest in power and grid infrastructure, energy efficiency, and advanced transportation.¹¹

The IRA and BIL—in combination with the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act¹² and other Department of Energy initiatives—have also brought a new wave of federal grant subrecipients related to energy. The fact that the current administration has made energy a central pillar of its policy goals, combined with the fact the United States is looking to build onshore energy capacity, has increased overall energy funding available. This funding is being used by both public- and private-sector companies. Both public and private sectors have embraced the need to advance new technologies that reduce emissions and use more renewable forms of energy, as demonstrated by the electric vehicle market, as well as the decarbonization and clean hydrogen hub effort.

To take advantage of these new programs, and those in the future, it’s critical for commercial entities to bolster end-to-end grants management skills, from application through implementation and closeout. The following section contains insights into leading practices for managing federal grant funding that commercial entities can consider as they move into this uncharted territory.

⁵ Jon Sperl, “[FEMA’s Disaster Relief Fund: Budgetary history and projections](#),” *Budget Spotlight*, US Congressional Budget Office, November 2022.

⁶ US Department of Homeland Security (DHS), “[DHS budget](#)” (specifically the FEMA “grants” dollar amount), last updated January 10, 2024.

⁷ Congress.gov, [H.R.5376 – Inflation Reduction Act of 2022](#), 117th Congress (2021–2022).

⁸ Congress.gov, [H.R.3684 – Infrastructure Investment and Jobs Act](#), 117th Congress (2021–2022).

⁹ US Department of the Treasury, “[Treasury announces guidance on Inflation Reduction Act’s strong labor protections](#),” press release, November 29, 2022.

¹⁰ The White House, “[FACT SHEET: Historic bipartisan infrastructure deal](#),” news release, July 28, 2021.

¹¹ US Department of Energy (DOE), “[DOE Fact Sheet: The bipartisan infrastructure deal will deliver for American workers, families and user in the clean energy future](#),” November 9, 2021.

¹² Congress.gov, [H.R.4346 – Chips and Science Act](#), 117th Congress (2021–2022).

Leading practices for working with federal grant funding

There are a few actions that can be taken up front as commercial entities choose to apply for federal grant funding. Understanding the applicable rules ahead of receiving funding can help teams better understand the administrative efforts required on the back end. Below, we discuss the following steps in further detail:

- Build a regulatory framework
- Take note of procurement requirements
- Review equipment policies
- Staff and/or train your team
- Check the grant administration requirements
- Create a grants management policy

Build a regulatory framework

Organizations should curate and rationalize the federal regulations and programmatic requirements they are obligated to follow upon signing a grant agreement with the grantor. For federal awards in general, at a minimum, this includes the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, also known as the Uniform Grant Guidance. This can be found in Title 2 of the Code of Federal Regulations (CFR), part 200 or [2 CFR 200](#). Other common CFRs to consider are [2 CFR 910](#) for funding received from the US Department of Energy, [45 CFR 75](#) for the US Department of Health and Human Services, and [Federal Acquisition Regulation Part 31's](#) Contract Cost Principles and Procedures. While these documents may seem long, they are written in fairly colloquial language to be understood by grant stakeholders.

We recommend creating a regulatory framework at the start of a project listing the regulations the project will be subject to in one document to reference throughout the project. In addition to the overarching CFRs, organizations should also review their grant agreements, relevant executive orders, granting agency communications, policy and procedure guides, and/or frequently asked questions. Project

managers, or their designees, can also consider creating a calendar reminder to periodically check for guidance changes that may have been released by the granting entity to stay up to date.

Take note of procurement requirements

One common area we see challenges, even within government and the public sector, is within the procurement requirements for utilizing federal grant funding. While there are many specific rules to follow, the important thing to know is they are in the spirit of creating open and free competition with federal dollars. Organizations must follow the stricter regulations between the federal guidance and guidance in their own organization's procurement policy. Check the grant agreement for guidance that may deviate from this, especially for organizations that do not have their own procurement policy.

From a practical standpoint, what follows are a few things to consider when it comes to procurement:

- **The thresholds created for needing approvals, quotes, and competitive bidding.**

Below the micro-purchase threshold, no procurement documentation is required. Per 2 CFR 200, this amount is \$10,000 but can be increased to \$50,000 by organizations. Above the simplified acquisition threshold, which is defined as \$250,000 by 2 CFR 200, organizations must provide evidence of competitive bidding and a cost or price analysis prior to procurement. Competitive bidding includes advertising in order to promote open and free competition. For the in-between values, an adequate number of quotes is required. Usually, this is three, but it may be more depending on the quality of the quotes received and the level of effort expended. The threshold is calculated using the overall contract value, not the value of each individual purchase or invoice. Save the documentation associated with each step of this process including written method for conducting technical evaluations of the proposals received and making selections.

- Organizations must take “all necessary affirmative steps to assure that minority businesses, women’s business enterprises, and labor surplus area firms are used, when possible,” per 2 CFR 200.321. Teams can work with local chamber of commerce organizations to find lists of these businesses or search the internet to find minority supplier firms. There are six required affirmative steps listed in the regulations.
- **Review contract templates for required contract clauses.** Appendix II to 2 CFR 200 lists the required contract clauses that must be utilized and under what circumstances and contract thresholds each one should be included. This may include the Davis-Bacon Act, which requires that contractors and subcontractors must pay their laborers and mechanics employed on the contract no less than the locally prevailing wages and fringe benefits on a weekly basis.¹³ This may also include the Buy America requirements for infrastructure projects.
- **Noncompetitive procurement must be able to be supported as a reasonable cost.** Because the purpose of the procurement requirements is to create open and free competition, there are very limited circumstances when sole source procurement is permitted per 2 CFR 200.320(c). This justification should be documented and added to the procurement file in the instance the project is audited in the future.

Review equipment policies

There are specific equipment requirements per 2 CFR 200.313. These include uses, management requirements, and disposition requirements. Within management requirements, there is specific guidance relating to property record description requirements, inventory requirements, control systems, and maintenance procedures.

It is also a leading practice to tag equipment purchased with grant funding for tracking purposes and to notify the person who may dispose of the equipment in the future there may be additional disposition requirements based on the funding source.

Staff and/or train your team

Managing and administering grants requires a team that is both strategic and detail-oriented. Leadership looks ahead to understand the overall value add and possible risks, as well as relationship management with program stakeholders, while program managers require a background in eligibility, compliance, and procurement reviews. It is important for your team to identify red flags in order to keep the program running smoothly. Training the team on these red flags may include a closer look at the regulations; step-by-step review of the procedures; simulations; and fraud, waste, and abuse training.

While these skill sets can be taught, it is sometimes more efficient to bring on team members already trained in this area. And in instances where funding is temporary, it may be worth looking into bringing on contractors for the duration of the period of performance plus closeout.

Check the grant administration requirements

Below are a few high-level requirements organizations may need to meet when utilizing federal grant funding:

- **Audit requirements:** Per 2 CFR 200.501, a non-federal entity that expends \$750,000 or more during the non-federal entity's fiscal year in federal awards must have a single or program-specific audit conducted. The single audit is reserved for governmental entities, while the program-specific audit is reserved for corporate entities.

¹³ Additional information on Davis-Bacon can be found in Appendix II to Part 200, 2 CFR subsection (D).

- **Pass-through entity requirements:** If organizations pass grant funding to another entity as a subrecipient, there are additional requirements that may need to be met including creating official sub-award documents; evaluating the subrecipient's risk; monitoring; providing technical assistance; and reviewing audits.
- **Reporting requirements:** Each grant and granting agency has its own reporting requirements, which may include financial, programmatic, impact, and/or data. These will be listed in the grant agreement. The final reporting requirement is to submit the final expenditure report to execute project closeout. Mark these dates on the calendar and work backward to determine when you need to contact stakeholders to compile information because missing these reporting deadlines may increase overall risk as a recipient of funding, creating additional administrative burden over time.
- **Document retention:** Documents must be retained for at least three years after the submission of the final expenditure report per 2 CFR 200.334. It is a leading practice to keep this information organized, accessible, and secure.

Create a grants management policy

While there are some policies and procedures that are required per 2 CFR 200, such as procurement procedures, a grant management policy is not one of them. However, we have found that creating a single document where the processes, roles and responsibilities, and approvals can be captured is a leading practice to help create effective internal controls and to maintain good financial mechanisms. This helps to standardize processes, provides documentation for possible future auditors, and eases the burden of unexpected employee turnover.

Policies should establish clear responsibilities and accountability and be communicated conscientiously. A grants policy may include roles and responsibilities; details about pre-award, award, and post-award processes; documentation requirements; overall grant administration, monitoring, reporting, and audits; and closeout and document retention requirements.

How Deloitte can help

Before organizations elect to utilize federal grant funding, there are many important details to note. Knowing these details up front can help organizations establish the right systems to effectively manage funding upon award. Creating these systems and retaining the associated documentation with the grant funding can help mitigate the risk of future auditors finding an issue resulting in the granting agency clawing back, or taking away, funding after closeout and build confidence before submitting the final expenditure report.

However, organizations do not need to do this alone. Many grants have a component of administrative costs associated with them that can be used for internal or contractor costs associated with the labor and resources required for administering and managing the grant. Contractors will need to be procured through a process that aligns with the funding requirements if federal grant funding is utilized. Deloitte can help organizations in the following six ways:

1. **Identify grants for which an organization may be eligible:** With numerous funding sources available, it is difficult to navigate where to look and what is applicable to your organization. Deloitte can help identify funding sources that align to project goals. It may even be possible to braid multiple funding sources together to increase dollars available.

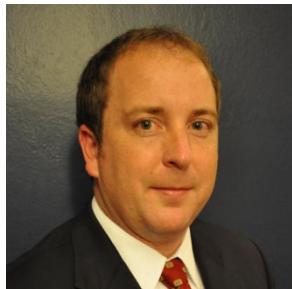
2. **Perform a grant readiness assessment:** A readiness assessment can help organizations identify gaps in current policies and procedures that do not align with the rules and regulations in place associated with the relevant grant programs.
3. **Develop tools and procedures:** The development of tools and/or procedures can help organizations create a strong foundation as they administer and expend their federal grant funding. This can be as simple as creating spreadsheet templates with automation and tying into already existing systems or as personalized as building out a custom technology solution. Deloitte can help write these procedures to align with grant requirements, as well as train team members to understand new duties.
4. **Execute grant eligibility, compliance, and monitoring:** Employees already have full-time jobs. In the instance the finance and procurement teams do not have the resources to be able to take on additional responsibilities, Deloitte is able to help set up and execute application review, reimbursement requests, and subrecipient monitoring processes internally or for subrecipients. This can include eligibility and compliance reviews, as well as subrecipient monitoring requirements, if applicable. Our team has developed and utilizes tools to accelerate grant administration, eligibility, and compliance leveraging cloud solutions, machine learning, and artificial intelligence.
5. **Set up a project management office and facilitate grant administration:** If the doers are already in place, Deloitte can help organizations navigate the process and identify high-level risks when or before they appear through creating baseline schedules, managing to-do lists, monitoring important dates and activities, coordinating with stakeholders, and creating dashboards highlighting key performance indicators.

6. **Provide ad hoc technical assistance:** Deloitte has assisted grantors, recipients, and subrecipients on some of the costliest disasters in US history ranging from hurricanes to the COVID-19 pandemic. Having a team nearby that has worked at the grantor, recipient, and subrecipient levels can help provide perspective as grant funding is administered. In addition to subject-matter knowledge, the team can assist with training development, training facilitation, office hours, and one-off questions to help build a well-managed program.

Before closeout, grant administrators and managers should feel confident each expense submitted as part of the project was eligible and compliant and has the required supporting documentation to build the story of the expense. Auditors can review these files for a period of up to three years from the date of submission of the final expenditure report for a one-time award per 2 CFR 200.334. During these three years, it is possible there is turnover that could make questions about the projects harder to answer without this documentation readily available.

There are many rules and regulations when it comes to federal grant funding. Understanding the regulations with which funding must comply, building a knowledgeable team of people to get the job done, following procurement guidelines to a tee, creating strong systems and processes, and retaining required supporting documentation can set organizations up for success. The federal funding available right now is there to help change the world; don't let the regulations stand in the way of doing something great.

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