Grant Tracking Problems And How To Fix Them

6 min read

Key Takeaways

- **Grant Giving Is On The Rise:** $10.7 billion across 24,349 grants by foundations, corporations, and large individual donors has been tracked to respond to the COVID-19 pandemic in the U.S. [1].
- **You Experience Reporting Challenges and Struggle to Stay Compliant:** Implement automated expense tracking applications to enable centralized expense reporting across your nonprofit organization for simplified cost allocation.
- **You Have No Indirect Cost Allocation Plan:** In a nonprofit, indirect expenses (employee salaries and benefits, office space, utilities, etc.) can be costly and often difficult to fund when many of the grants and donations you receive are restricted.

Nonprofit grants are booming- and at a record rate. While **grants fuel your nonprofit** to do more good, if you don't have proper processes in place, they also create additional work.

Grants generate a need for better financial management strategies and obligate you to follow reporting requirements for compliance.

Nonprofits in early stages may only be dealing with one grant at a time, so it might be possible to manage and track grant funds by hand. However, as organizations grow, there is an increase in demand on time and resources, and quickly run into common grant tracking problems that trigger the need to implement a better system for grant management.

The New World And Nonprofit Grants

Despite the economic challenges 2020 presented**, grant-giving is on the rise.**

The numbers speak for themselves: Candid tracked $10.7 billion across 24,349 grants by foundations, corporations, and large individual donors to respond to the COVID-19 pandemic in the U.S. [1]

But not only is the magnitude of capital being committed by major philanthropists skyrocketing, it's also being given at record speed, with fewer conditions, and in greater collaboration with others.

More than 750 foundations have signed a public pledge to streamline grant-making processes. [2] On top of that, individual donors are partnering up with fellow peers to make sizable grants with less paperwork.

However, an increase in demand means an increase in competition. Nonprofits are experiencing the same challenges they were experiencing seeking grants, but on a larger scale: lack of time, lack of staff, lack of money, and a lack of understanding of what makes the best fit for funding.[3]

→ Stay up to date on funding opportunities: **www.grants.gov/web/grants/search-grant** to see what grants are available, and what you need to apply.

Here are some common grant tracking problems we see, and what you can do to fix them...

5 Grant Tracking Problems and How to Fix them

1. Your Nonexistent Central Management System Makes Collaboration and Expansion Difficult

When a nonprofit receives its first grant, there's usually one person managing and tracking it. With a single grant in a small nonprofit, this can work okay. However, as your organization grows, you'll have more and more people working on grants- managing, writing, reporting, tracking, and coordinating.

Without a central, streamlined, and uniformed system for grant tracking and management, you'll run into workflow bottlenecks, redundancies, miscommunication, and mistakes. As a result, you might find your organization out of compliance with reporting requirements and failing to make the most of the funds you've been awarded.

Creating a bookkeeping and accounting system of policies, procedures, boilerplate forms, and centralized tools will help you keep everyone in your organization on the same page regarding grant management.

You'll be able to scale your organization's efforts more quickly with respect to applying for and managing multiple grants simultaneously.

2. You Experience Reporting Challenges and Struggle to Stay Compliant

As you know, each grant you are awarded comes with a contract that outlines specific requirements for reporting and sometimes other deliverables. Noncompliance with these obligations due to grant management, tracking, and reporting problems not only puts you at risk of losing your existing funding and incurring penalties, but it also puts your opportunities for future funding at risk.

Grant tracking is essential to your organization's successful operation, and it is also vital to being audit-ready and in compliance with all of the stipulations in your grant award

contracts. As you spend your funds, every cent of your grant awards must be 100% documented and traceable.

Implement automated expense tracking applications to enable centralized expense reporting across your nonprofit organization for simplified cost allocation. Additionally, Establishing budget vs. actual reports to outline the proposed use of grant funds will help you establish your intentions for grant funds from the start.

As you progress, using funds from a grant, you will be able to more easily compare actual expenses with your estimates to determine whether or not your use of funds is on target.

3. You Have No Indirect Cost Allocation Plan

In a nonprofit, indirect expenses (employee salaries and benefits, office space, utilities, etc.) can be costly and often difficult to fund when many of the grants and donations you receive are restricted.

For some organizations, using a cost allocation plan makes the most sense. This type of indirect cost allocation assigns a percentage of overhead expenses to certain categories.

However, certain grant funds, such as those awarded by the government, often come with prescribed methods that outline how an organization is allowed to allocate indirect expenses. In these cases, the government will often reimburse indirect expenses based on an organization-wide indirect cost rate (ICR). This rate is often mandated in the grant contract's terms, but it is sometimes negotiable.

Having sound systems for cost tracking and allocation will ensure you have everything you need to put the greatest possible amount of grant dollars toward your indirect expenses.

4. Your Cash Flow Is A Mess

Cash flow is a struggle for any organization- nonprofits and for profits. But, with fewer levers to pull, cash flow in a nonprofit is particularly challenging.

Unlike a for-profit, nonprofits can't offer a discount to attract new clients, or add a new incentivization structure to boost sales. If a government grant can't cover their unit economics, a nonprofit needs to have a development plan to compensate.

Stay current with government grant conditions and policy changes to prepare for the possibility of unexpected loss of grants due to a shift in sources.

Having a financial management system in place for performing accounting functions, and to provide timely and accurate reporting, will help you stay on top of your cash flow.

With an automated and improved system for grant tracking, you can create a system for reporting that allows you to see at a glance how much money you have available. As a result, you can more quickly determine which grant funds should be used to cover direct or indirect expenses and whether your expenditure deadline on any grant awards is approaching.

5. You Don't Know How Best to Use Grant Funds

When you receive a grant, you should already have a fairly clear plan for how best to use the money you receive. If you're not clear about where grant funds will help you do the most good, then you're missing opportunities and preventing your mission from achieving its potential.

While grant tracking and management is essential, you must also keep an eye on your organization's internal management reports and strategically selected list of nonprofit KPIs that'll help you identify the places where your funds have the most impact.

By keeping a close watch on your nonprofit's financial trends, drivers, and your impact, your board of directors will be able to make the data-driven decisions necessary to realize your nonprofit mission's potential.

Why Your Nonprofit Needs a Better Grant Management Solution

A highly [automated solution for grant management](#) will help you avoid the most common grant tracking problems. Additionally, it will:

- Simplify communication, scheduling, and task delegation throughout your organization.
- Streamline the reporting process.
- Ensure you remain compliant with all grant stipulations.
- Help you avoid costly penalties or complications for noncompliance.
- Increase the efficiency and strength of every dollar awarded in grant funding by identifying where funds will be best placed.
- Enable you to manage multiple grants simultaneously while continuing to apply for additional funding.

Perhaps most importantly, automated grant tracking will save time, freeing you and the people working in your nonprofit to focus on higher-value tasks that directly further your mission like networking, fundraising, and working with your community.

With an outsourced solution for your nonprofit's back office, your nonprofit can make the most of your back office budget with professional expertise and robust accounting systems designed to improve your grant tracking, while helping you take your nonprofit's mission to the next level.

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[1] https://www.ncrp.org/2021/02/covid-19-philanthropy-and-4-big-questions-for-2021.html

[2] https://www.mckinsey.com/industries/public-and-social-sector/our-insights/a-transformative-moment-for-philanthropy

[3] https://www.thebalancesmb.com/finding-funders-for-grant-2501982