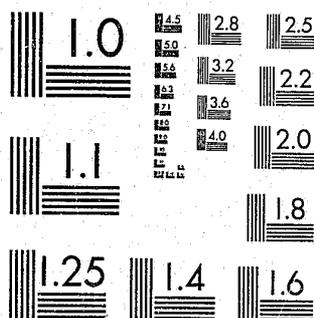


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**GRANT MANAGER'S  
MANUAL**

37460



U. S. DEPARTMENT OF JUSTICE  
LAW ENFORCEMENT ASSISTANCE ADMINISTRATION

DISCRETIONARY GRANT  
PROGRESS REPORT

GRANTEE Toledo-Lucas County Criminal Justice Regional Planning Unit		LEAA GRANT NO. 75-TA-05-0004	DATE OF REPORT August 31, 76	REPORT NO.
IMPLEMENTING SUBGRANTEE Same		TYPE OF REPORT <input type="checkbox"/> REGULAR QUARTERLY <input type="checkbox"/> SPECIAL REQUEST <input checked="" type="checkbox"/> FINAL REPORT		
SHORT TITLE OF PROJECT Grant Manager's Manual		GRANT AMOUNT \$25,000	OCT 19 1976	
REPORT IS SUBMITTED FOR THE PERIOD April		THROUGH June, 1976		
SIGNATURE OF PROJECT DIRECTOR		TYPED NAME & TITLE OF PROJECT DIRECTOR Michael J. Maginn, Deputy Director		

RECEIVED

PROJECT CONTROL

COMMENCE REPORT HERE (Add continuation pages as required.)

The goal of the project was met in that the Grants Management Manual was completed and distribution is underway in the State of Ohio and through the National Association of Criminal Justice Planning Directors. The publication has been received favorably.

The manual is included as part of the final report for review.

NCJRS

NOV 1 1976

ACQUISITIONS

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# GRANT MANAGER'S MANUAL

by James L. Fletcher

Michael J. Maginn, Project Director

The project was supported by Grant Number 75-TA-05-0004 awarded to the Toledo-Lucas County Criminal Justice Regional Planning Unit by the Law Enforcement Assistance Administration, U.S. Department of Justice, under the Omnibus Crime Control and Safe Streets Act of 1968, as amended. Points of view or opinions stated in this document are those of the author and do not necessarily represent those of the U.S. Department of Justice.

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## GRANT MANAGER'S MANUAL

### Introduction

This manual is intended to give the grant manager an understanding and facility with the general skills of management within the setting of an LEAA funded project. Management is in many ways an art in that a manager's intuition and interpersonal skills can be every bit as important as the technical approaches derived from the application of scientific method to program management. Therefore, the objective of this manual is not to develop the reader, whoever he may be, into an effective grants manager, but rather, to present to the person knowledgeable in criminal justice, with demonstrated interpersonal and leadership skills, certain techniques of management to aid him in his role as a decision maker within the criminal justice system.

## The Grant Manager's Job

Broadly speaking, management is the process of making decisions concerning the expenditure and allocation of resources to obtain maximum results in achieving a defined goal. Management is composed of three primary functions:

1. Planning encompasses the setting of objectives; deciding on what activities will be required to meet them; and scheduling, budgeting and organizing resources, including staff, facilities and equipment.

2. Leading consists of providing the coordination and communication required to perform the planned activities. Leading is primarily dependent on a manager's interpersonal skills in motivating others and getting their cooperation. Presumably the grant manager is picked for this position because he has these interpersonal skills and specific knowledge of the program area. Consequently, this paper does not deal with the leadership function of management.

3. Controlling is the process of collecting relevant information on which to base the decisions that maintain the focus of the program on its objectives. No matter how comprehensive the planning, both external and internal pressures will require some changes to be made to the mix of resources, program activities and occasionally, program objectives.

The grant manager's role in each of these functions is frequently limited by his position in the overall federal, state and local organization. For example, in managing a program funded by the LEAA certain responsibilities for each of these functions are shared

by individuals other than the program manager. A State Planning Agency or Regional Planning Unit will have many inputs in project planning and control and may impose a number of reporting requirements on a grant's management. The specific program is usually organized under a local agency, with other primary responsibilities, but which may involve itself heavily in the management of the project and set additional requirements on the grant manager who is usually a permanent employee of the local agency.

However, regardless of the extent of outside involvement, the grant manager must not view his job as merely to execute decisions made by others. Given the complexities of human behavior related to criminal justice, an effective program manager must be prepared to make decisions continually through the life of his program, to steer his organization's activities toward the established targets and where appropriate to readjust his understanding of what those targets should be and communicate any changes to everyone affected by them.

In reality, most of the planning, budgeting and reporting activities imposed by the LEAA and state planning agency on the grant manager are very limited as management tools. While the intent of these requirements may be to aid in management control, in reality their main impact is to provide administrative checks over the grant manager and to limit his discretionary power. The success or failure of the program then, depends not on the manager's ability simply to follow the rules and to complete the activities set out by the state planning agency, but almost wholly on his ability to make the numerous decisions required of him as the grant program proceeds.

### The Criminal Justice Grants Organization

The grant manager has to relate to at least three, and some times four or more, levels of criminal justice organization. While the ultimate goals of all levels of the organization are similar, (i.e., the reduction of crime and the alleviation of social problems related to crime) the responsibilities of each level are different. The grant manager can find himself in the middle, facing federal, state and local officials with somewhat different approaches to the problem. For example, while the regional LEAA office may be interested in establishing a number of innovative programs, the state planning agency may be interested in applying a consistent statewide approach to a particular problem area. At the same time, the local government may be interested in maintaining the status quo. The officials at the local level with their general governmental responsibilities cannot give criminal justice their undivided attention. Criminal justice is only one of many community needs for which they are responsible. Likewise, it is only one of many needs competing for the local tax dollar.

Certainly the grant manager must be aware of the differing attitudes and responsibilities of each level of the grant-in-aid system and shape his program to fit in with their conflicting desires. One of the best means of achieving this is to become familiar with the Federal Criminal Justice Standards and Goals established by the National Institute of Law Enforcement and Criminal Justice as well as the Standards, Goals and Comprehensive Plans prepared by State Planning Agencies and Regional Planning Units. Beyond this, the manager's political insights and interpersonal skills are his best tools in dealing with the differing approaches

and attitudes of the three levels of administration over him.

Due to the limited nature of the scope of LEAA resources available, under the provisions of the act, local views and political realities must take precedence ultimately if a program is to have the resources to guarantee its long-term existence. Therefore, the success of a program is, in the last analysis, highly dependent on the manager's ability to sell it to local government. To do this, the grant manager has to develop hard evidence that his program will be more useful to the community than other programs or projects for which funds may be demanded.

Because of the differing viewpoints and responsibilities of participants in LEAA funding process, it is necessary to program success that the three levels of government have general agreement on the basic goals of the criminal justice system. This is why at the national level the National Institute of Law Enforcement and Criminal Justice was established to set Federal criminal justice standards and goals, and why comprehensive state plans are required annually in line with these goals. The effect of this agreement on goals is to restrict the state planning agency's authority in granting funds to local programs. The state agency must establish priorities and distribute funds to local programs based on the likelihood that each program will impact the agreed upon goals.

With so many levels of administration involved, objectivity is more necessary than perhaps it would be in a purely local system. People who hardly know and seldom meet one another share the responsibility of planning and implementing grant-in-aid programs. Hence

intuition and subjective beliefs about the beneficial effects of a program are not good enough. The grant manager must be able to prove the benefits of his program and to convince other people removed from the scene that these benefits are worth the program's costs. Therefore he must have objective measures of both the inputs to his program and proof of its results if he is going to be able to successfully compete with other program managers for the available funds. Furthermore, the state planning agency wants to be able to prove objectively to both local and federal officials that it administered the funds efficiently and fairly. An explicit objective method of management is necessary to make an effective functioning grant-in-aid management team out of a group of geographically separated people with differing viewpoints, authority and responsibilities. Therefore every allocation of LEAA resources must be made to a program based on a logical thesis, designed to meet measurable objectives that can be linked to agreed-upon goals.

#### Management by Objectives

Put another way, the administration of LEAA funds utilizes the technique of management by objectives in that it is based on the belief that relationships exist between criminal justice methods and crime or crime-related problems; that these relationships can be objectively measured; that reductions in crime and crime-related problems can be made and that these improvements can be measured.

The development of each LEAA grant program ideally would entail the following steps:

1. Thesis - Someone has an idea, supported by available objective data, that doing certain things will have a favorable impact on specific crime or crime-related objectives.

2. Implementation - A program is planned and scheduled, resources are budgeted and the activities performed based on this thesis.

3. Evaluation - The results of the program are measured in terms of the effectiveness of the thesis determined by progress toward the objectives and in terms of the efficiency in use of resources (cost) and time (schedule).

4. Feedback - Based on this evaluation of objectively measured performance criteria, adjustments are made to the program to improve its future effectiveness and efficiency. These adjustments could range from abandoning the program in favor of a different method, to expanding the program to other jurisdictions, depending on the initial program's success or failure.

In essence the concept of management by objectives offers three advantages for effective program management. First, management by objectives promotes agreement among diverse participants in a management system since goals and methods are defined and committed to writing at the start of the program. In addition, management by objectives is an essential part of applying scientific method to overall management by providing objective feedback of results for future analysis and decision making. Finally, management by objectives promotes "management by exception" by focusing attention on those programs or areas which are not producing the results expected. Consequently, the manager can give those activities that are meeting the objectives a free hand, and concentrate on the exceptions that need to be managed.

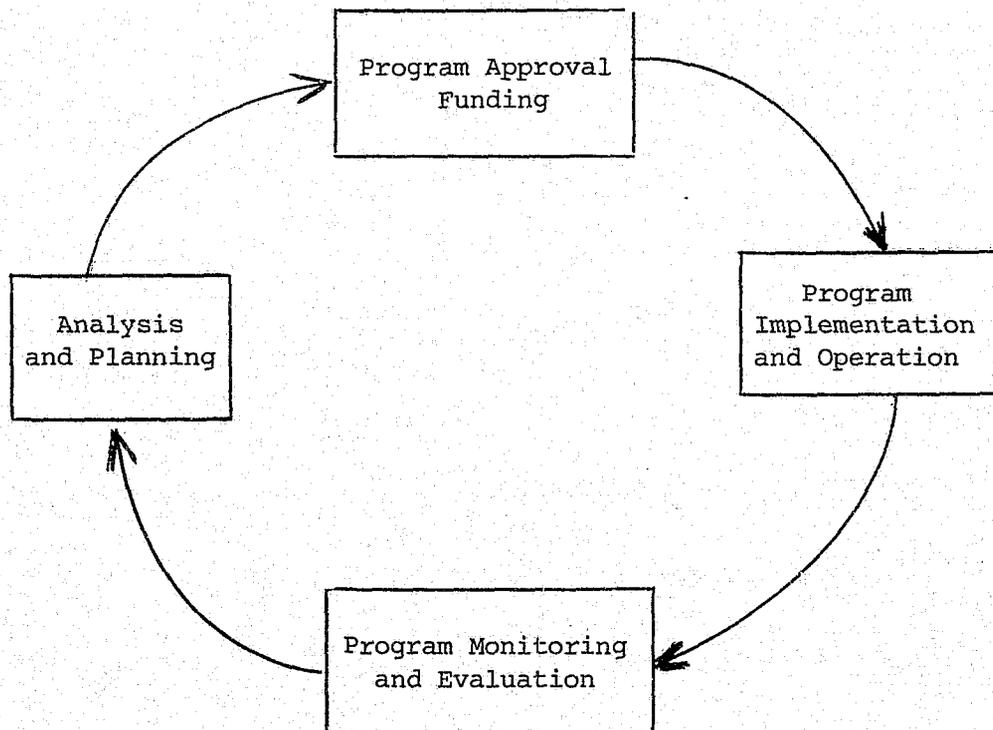
The LEAA and state planning agencies require monitoring of grant activities and occasionally, "intensive evaluation" to pinpoint

their true impact. While the specific requirements vary widely from state to state and by type or complexity of program involved, these requirements are essential to the "feedback loop" followed by state planning agencies and the LEAA regional offices in making multi-year funding decisions objectively.

A feedback loop describes the procedures for collecting information on effectiveness and efficiency of programs in order to modify future plans and actions. Completion of this loop is done once each funding year, as most decisions made concern the funding for succeeding years' programs. Figure 1 illustrates the feedback loop of a state planning agency.

Figure 1

**STATE PLANNING AGENCY FEEDBACK LOOP**

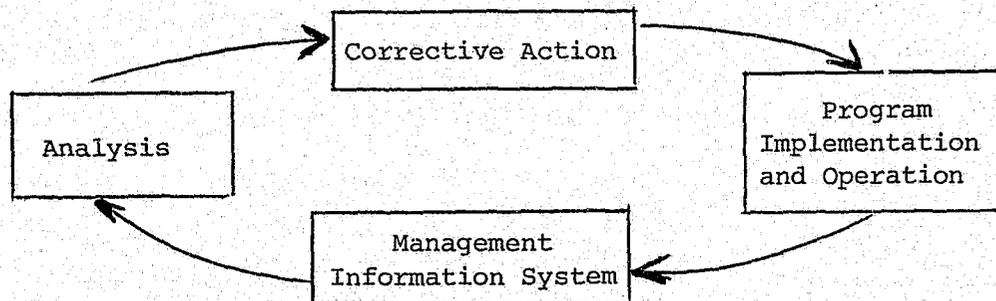


Management By Objectives for the Grant Manager

Excluding interpersonal skills, a manager's "style" is his approach to decision making. This style can range from arbitrary action (or inaction) to intuition to scientific method in which maximum use of objective information is made. All decision makers resort to some degree to all three approaches. However, as arbitrary action has only luck going for it, over time a manager's success will be greater the less arbitrarily he operates. Many managers are able to find long-term success using intuition. However, it is very difficult to prove to others that success is the result of the manager's efforts and it is difficult to get the support of others behind decisions based on intuition. A top business executive with good intuitive abilities can successfully use intuitive decision making because he doesn't have to explain or justify his actions as long as the financial results are acceptable to the owners of the business. But, because responsibility over LEAA programs is shared at several levels, the grant manager must be able to back up his decisions with facts and figures whenever they can be reasonably collected, that make sense. To do this he needs a management information system tailored to the program's decision needs. The grant manager's decision needs are shown graphically by the grant manager's feedback loop in Figure 2.

Figure 2

**PROGRAM MANAGER'S FEEDBACK LOOP**



The formal reporting and control systems required by the state planning agencies (monitoring and intensive evaluation) provide information tailored to the annual funding and long-term direction decisions for which the state and federal agencies are responsible, but are of little use to the grant manager, who needs to have timely (monthly, weekly or sometimes even daily) knowledge of how each activity is progressing and how well it is coordinating with other local efforts and meeting near-term objectives. The real difference between the program manager's feedback loop and that of the state planning agency is that the manager's loop has to get information about problems in program activities to him quickly enough for the manager to make the adjustments needed to steer an off-track program back onto course. Therefore, the information the manager receives must be detailed and tailored specifically to the particular program. Secondly, because of the need to circuit the loop rapidly and frequently, the information system should be designed to draw the manager's attention only to problem areas. Therefore, as early as possible, preferably in the pre-award planning phase, a program manager should determine at what points during the project he can make decisions and what kinds of information he will need to make them. When this thinking takes place early, the manager can design a program reporting system which gives him useful internal decision-making information while it is also part of the system he sets up to comply with the monitoring and evaluation requirements of the funding agencies.

### Development of the Grant Proposal

The grant proposal begins as an idea and grows into an approved program based on the ability of the person developing it to marshal local support and resources, and based on the extent to which information and data can be provided to establish that the proposed program will support the federal standards and goals and coordinate with the state's comprehensive plan.

The most creative, and consequently the most difficult part of developing a grant proposal, is conceiving the original idea. The first logical step in this process is to make a thorough examination of the local system's methods of dealing with the given problem area: how the system is organized, what resources are being used and how responsibilities are divided up among local agencies. This examination will give you an understanding of the present local commitment to solving the problem. It will also provide you with the perspective necessary to compare the local system with possible alternative systems being used elsewhere. Only with a thorough understanding of the magnitude of the problem locally and the scope and methods presently employed to combat it, will it be possible to come up with creative alternatives that are realistic opportunities.

### Problem Identification

Analysis of system performance is critical to development of a successful grant application. From the point of view of good management, it makes sense to know how well a problem area is being handled before you consider new approaches. Additionally, objective appraisal of present performance is necessary in asking for federal funds because funding agencies must be able to demonstrate why funds

are granted to one proposal over others and they must be convinced that the funds are being used to improve the overall system rather than merely to pick up the tab for local criminal justice. The successful grant proposal must offer a new approach to solving local problems and not request federal funds to support existing operations.

This analysis of system performance should be based on three criteria: (1) effectiveness in achieving system goals, (2) efficiency in use of resources, and (3) a subjective appraisal of the social acceptability of the system.

Effectiveness in achieving goals is critical to development of a grant proposal because it is the measure of need. The basic responsibility of the LEAA and state planning agency is to distribute funds to maximize their impact on the reduction of serious or Part I crime (murder, rape, aggravated assault, robbery, burglary, larceny, auto theft). Therefore, the first step in developing a grant proposal is to identify those areas in the local criminal justice system that are least effective in their impact on Part I crime. Because criminal justice involves a number of activities all of which bear on the complexities of human behavior, measures of effectiveness must, of necessity, vary with the local circumstances. Often it is impossible to make direct statistical comparisons with the past or with other localities because detailed records have not been kept, or are not kept on a comparable basis. Consequently, while the measurement of effectiveness may be objective, it is often a matter of subjective judgment whether the objectively measured results of a given approach are effective. One method of minimizing the problem of subjectivity is to make as many

contacts as possible with other people responsible for similar activities in other localities and with state planning agency personnel. In addition to offering opportunities for valuable insights, this contact will help to put the local situation in perspective.

The second criterion for problem identification is efficiency of the present system in its use of resources. Like the determination of whether a problem area is being handled effectively, determination of efficiency is also a matter of judgment. However, a number of comparisons can be made to help you decide if a particular part of the local system is efficient. Often it is difficult to determine directly from routine accounting records just what resources are being applied to a specific problem area. This is because, although many agencies and employees in them have a number of simultaneous roles and responsibilities, the accounting systems generally make no effort to assign costs to each responsibility. Therefore, detailed analysis is usually necessary to determine reasonably what resources are being applied to a specific problem area. Often it is difficult to generate truly objective data for either effectiveness or efficiency. As the problem is wrestled with over time and as awareness of the importance of objective measures of specific responsibility areas increases among agency personnel, improved routine data collection systems can be achieved. However, in the short-run detailed analysis is almost always necessary to generate data applicable to alternative organizational structures since the traditional structure of cost accounting is by organizational unit and category of expenditure and not by program responsibility or problem area. For example, the cost of incarceration

in a police jail may not be directly available in a given jurisdiction because expenditures for operating the jail are not recorded separately from other police activities.

It is quite possible for the numbers to look good in terms of effectiveness and efficiency and for the system not to be delivering the quantity or quality of justice the community should have. From the point of view of victims of crime, offenders and others, such as the families of offenders, there may be significant improvements possible in the system even though the statistics and costs appear reasonable. This aspect of system evaluation is almost totally subjective and deals with questions such as: Are victims of crime being further victimized by criminal procedures? Are those accused being treated fairly and humanely? Are offenders receiving adequate opportunity and assistance to lead a socially acceptable life? Are the families of victims and offenders receiving the assistance necessary to recover satisfactorily from the effects of crime? The answers to these and other subjective questions are just as relevant to the evaluation of criminal justice performance as are effectiveness and efficiency. The attempt to answer these questions ( and to think about additional questions that should be asked) is probably the best method of developing a creative and effective new approach to a problem because it expands the thought processes beyond the existing methods and procedures on which statistical and cost data are based.

#### Determination of Proposed Solutions

It is a productive strategy to involve as many participants in the system as possible in the development of alternative solutions to

the problems identified. Not only does this increase the chances for obtaining more good ideas, but also involving all system participants generates valuable support in gaining the approval of required local matching funds and sets the stage for the eventual local assumption of all program costs. This is crucial to long-term program success because LEAA funds are not intended to be permanent in nature. They are provided as an incentive and to assist state and local government in developing, implementing and testing new methods. Therefore, while the first steps in developing proposed solutions should include all personnel directly involved in the defined problem area, the interests and concerns of the leaders of the local government and of any local governmental planning agencies should also be determined. In many instances, citizens groups, business associations and ex-offenders can provide aid and insight to the specific local situation.

It is rarely necessary to invent a program to solve local problems. Adapting a solution developed elsewhere is often the best way to get the job done. Communication is the key to finding optimal solutions to problem areas by utilizing the knowledge and experience of outside agencies. The state planning agency is a good first contact because its personnel can familiarize you with all grants funded in related program areas in your state. You may also be able to get some ideas about potential solutions (as well as some insight into the state planning agency's policies) by inquiring about proposals in similar problem areas that have not been approved. The state planning agency can also help you contact people in other parts of your state who are faced with responsibilities and problems similar to yours. Contacts gained through chief-of-police, sheriff's associations and similar

organizations might also prove helpful. Beyond this, any LEAA studies and publications relevant to your area of concern should be consulted. Even general library research can in some instances uncover ideas that, when coupled with your knowledge of your own situation, could lead to possible solutions. A trip to the nearest big city library and the aid of the reference librarian to find appropriate professional publications and periodical and newspaper indexes could be particularly valuable. At the least, after some research you will know what, if any, novel approaches exist elsewhere and what their known impact has been on the problem you have identified.

#### Organizational Considerations

Once a problem has been identified and alternative solutions are under consideration, the potential effect of each solution on the various agencies concerned should be considered carefully. It is important to know what will happen to the resources presently employed if the new solution is enacted. Since federal funding rules prohibit grants which simply replace existing local activities, care must be taken to establish that any resources to be replaced can be transferred to another criminal justice function. The proposed solution should be tailored to make it compatible with the other agencies involved and to eliminate needless duplication of effort. When multiple jurisdictions are involved, particular care should be taken to ensure that the "right" agency is given responsibility for implementation of the proposed program. While multi-jurisdictional solutions often appear most efficient on paper; if the political, organizational and personality factors are wrong, expecting too much cooperation can kill a conceptually perfect program.

In such a case it would be much better to implement the new solution in the most receptive jurisdiction and avoid the temptation to attempt the impossible. It might subsequently be feasible to reexamine the multi-jurisdictional issue after a period of successful results in a single jurisdiction.

In planning service delivery projects, the short-term political and organizational considerations have to be balanced against the long-term necessity to marshal enough local resources to eventually replace the federal funding. From the project's beginning the grant manager must have a strategy for developing new revenue sources and integrating the new program into local government or other funding sources. Obviously, good public relations and demonstrated success are fundamental to future funding. Where all other factors are equal, it makes sense to make the project's strongest organizational and political ties with the local jurisdiction or agency having the best sources of funds. It is also a good strategy to make facility and equipment decisions such that the program will be able to present a strong physical appearance of value for minimal annual cost to the local agency that ultimately will be asked to fund it. Thus, for example, if the project manager should have the alternative choice of leasing or purchasing equipment, purchasing may be the best strategy because when federal funding ceases, the annual cost to the local agency will be less, and the agency's leaders may be impressed with the idea that they are acquiring physical assets as well as the program. The idea is to minimize the fixed costs required to maintain the program at a normal level of operation after federal funding ceases by maximizing the acquisition of such things as facilities,

equipment and training in the early years of the program.

A hard look at the realities of the local ability to furnish needed resources should be taken early in proposal development. Is the particular problem of high enough priority to justify long-range local commitment of funds adequate to its future success? It is a false economy to attract federal, state and local matching funds to create a program that is too expensive to be assumed as a local responsibility when federal funding expires. Such a program might even have a long-term detrimental effect on the local system in terms of the human waste of attracting interested employees and or participants only to shut down a promising program due to poor financial planning.

Five steps can be taken to prevent long-term financial disaster. First, no program should be undertaken of such large scope that it's takeover would significantly impact the overall financial capabilities of the local funding source. Second, early strong public commitment to the program should be obtained from local officials. Third, a realistic multi-year plan for financing the program, projecting its operations and needs beyond anticipated federal funding periods, should be worked out and included in the commitment of local officials. Fourth, where appropriate, commitments for eventual funds aid from multiple jurisdictions should be sought. Fifth, the program should aim at becoming so well integrated with the overall local criminal justice organization that its replacement would require greater local cost and organizational disruption than its continuance under local funding would.

#### Identification of Program Objectives

As part of the grant application, the function of program objectives is to establish the usefulness of the proposed grant. This

demonstration of usefulness is essentially a formal comparison, in terms of effectiveness, efficiency and subjective evaluation of quality, between the local system as it is and as it would be if the proposed program were adopted. Key to this comparison is the development and collection of so-called baseline data, the objective measurement of the situation prior to the implementation of the proposed program. These baseline data are the fundamental yardstick against which the proposed program will be judged in making grant awards and ultimately, if the program is implemented, in measuring its success.

Because the objectives established in a grant proposal are used both to make the original grant decision and to evaluate the effectiveness of the programs that are implemented, zeal in setting ambitious objectives to get the original grant must be balanced by the need for achievable objectives to ensure a performance record that will convince both state and local officials to continue funding in subsequent years. The total failure of a number of programs with highly publicized but poorly developed objectives has made state planning agencies particularly receptive to objectives based on solid experimental design and empirical data. That is, objectives set should be specific to the problem area and numerical measures of expected improvement should have some demonstrable empirical relationship to the methods proposed, either in local system baseline data or in data derived from similar programs developed elsewhere.

#### Planning the Program

It is quite possible to pass satisfactorily through the stages of problem identification, development of proposed solutions and identification of program objectives without the explicit involvement

of a state planning agency or regional planning unit. However, these agencies should be relied upon heavily in planning the grant proposal itself to ensure that the proposal will comply with all applicable regulations, that it is compatible with the applicable comprehensive plan and that the timing of the program will be coordinated with funds availability. Due to the number of people and agencies involved and the number of competing uses for funds, planning is an iterative activity in that changes in each agency or program affect the resources available to other agencies and programs and may also affect their effectiveness. Close coordination in proposal planning is therefore absolutely necessary and the effective planner has to be able to adjust his thinking and programs to a number of revisions during the planning process.

The first step in preparing the plan is to prepare a list of the activities necessary to the program, and their time-phasing. The scheduling and control techniques which will be discussed in Chapter V (Gantt charts, networks, etc.) can be quite helpful in this stage of planning by providing a visual display of the required sequencing and the overall relationship of project activities over the funding year. This scheduling should identify significant mileposts for project control. It is important to determine through the LEAA, metropolitan or regional clearinghouse, and through state and local officials, any activities which must be included to comply with federal or state statutes, regulations or guidelines. For example, in terms of federal statute, depending on the nature of the project, specific actions may be required to comply with the provisions of the Equal

Employment Opportunity Act, the Civil Rights Act of 1964, the National Environmental Policy Act, the Historic Sites Act, the Clean Air Act and the Uniform Relocation Act, among others.

Once a schedule of program activities is developed, the resources demanded by these activities should be determined and plans laid for securing them. While LEAA funding rules require cash matches from state and local authorities, these rules are in no way meant to discourage local non-cash contribution of facilities, manpower and equipment from being brought into the program. The cash match requirement simply means that, in addition to any existing equipment, supplies, facilities or manpower made available to the program, the local authorities must appropriate additional funds to match the federal funds.

The 1973 amendment to the Crime Control Act requires that a minimum of 10% of the money appropriated for a non-construction project must be supplied by the state and local governments. The required state and local match is 50% for Part C construction projects and 10% for Part E construction projects. Projects using Part C funds for remodelling or renovation of existing facilities require a 10% match if the construction activities amount to less than \$5,000. If greater than \$5,000 the project is considered to be construction and the 50% match applies. The act also specifies that at least one-half the total matching funds must be supplied by the state. Because funding requirements vary it is necessary to check with the state planning agency (or the regional planning unit) to determine its specific funding policy.

### Preparing the Program Budget

The program budget is developed after the basic scope of activities and tentative agreement on a feasible level of funding have been determined. Naturally the budget cannot exceed the funds potentially available, so some adjustment in the planned scope of project activities is generally necessary during the "preapplication" period. The budget is an aid in planning and provides the basis for financial control over the program during implementation. The budget is also closely monitored by the granting agencies and restricts, somewhat, the manager's discretion in redirecting funds among budget categories during program execution. Therefore the budgeting process should receive very careful attention.

The purpose of this discussion of budgeting is to aid the project manager in setting up planning and control systems rather than to present specifically all the particular statutes, regulations or guidelines that may affect the allowability of costs under federal grants-in-aid to states and local units of government. In seeking the latter information, the grant manager should request help from the state planning agency or regional planning unit. Those sources can provide the grant manager with the necessary circulars and guideline manuals, and with appropriate interpretation and advice. Among these publications which are of particular interest to the grant manager in budget preparation are: LEAA Guideline Manual M7100.1A, Financial Management for Planning and Action Grants; and LEAA Guideline Manual M1700.6, Grant Manager Procurement Manual.

Federal Management Circular 74-4 (formerly OMB A-87), Principles for Determining Costs Applicable to Grants and Contracts with

State and Local Governments;

Federal Management Circular 74-7 (formerly OMB A-104),  
Uniform Administrative Requirements for Grants-In-Aid to State and  
Local Government.

#### Personnel

The scope of activities planned is the starting point for setting the budget. Each activity and its schedule will imply what work is required and what physical resources are necessary each month. Work can be accomplished by employees, by consultants or under contract; judgments have to be made as to what work will be performed by each of these three budget categories. These judgments depend mainly on the quantity of work requiring particular skills and qualifications. It would be unwise to hire employees having specialized skills if the need for these skills would be of short duration or would occupy a specialist less than full-time. In such cases consulting or contractual services would be more satisfactory.

The first step in determining the personnel budget is to establish a head count. That is, how many employees will be doing what jobs and when each will start. This determination is generally made based on the budgeter's "feel" for the staff complement necessary to do the work required. This "feel" can be developed by consulting other local agencies with similar work requirements and the state planning agency. On major projects, especially in areas that may be new to the planner, such as systems and electronic data processing, it may be advisable to purchase consulting help from someone experienced in budgeting and work measurement in the particular field. Determination of clerical, secretarial and other general staff, needs should be based

on the anticipated communications/transactions workload. An effort should be made to determine what the paper-flow (reports, correspondence) and public contact (telephone and reception and information gathering duties) should be. Staffing for such work should be based on the staffing required for similar workloads at other local agencies.

Once the staffing complement has been determined, it is relatively easy to project the payroll costs by conferring with other local governmental agencies and employment agencies. If the intended implementing agency will be a unit of government, applicable local civil service requirements should be checked. The fringe benefits (pension, workmen's compensation, hospitalization, unemployment insurance, etc.) applicable to the employees must also be determined and included in the personnel budget. If the proposed grant is to be administered by an existing agency, the policy of that agency should be applied to determine fringe-benefit costs. If the proposed grantee will be a new agency, similar agencies should be consulted to determine appropriate fringe benefits for the local situation.

There is a funding restriction on personnel compensation in that not more than one-third of a grant award may be expended for compensation of police or other law enforcement personnel for regular duties. Exceptions can be made to this restriction by the state planning agency which should be consulted when appropriate.

#### Consultants

The methods of budgeting for consulting are similar to those for personnel when essentially hourly or daily professional services are being purchased. However, when the consulting service being purchased is in the nature of a completed activity, such as a system design or a

management study, it is necessary to break the work down into basic elements to forecast the costs reasonably. If the program planner has adequate knowledge of the subject area and available time, he can develop the cost workup himself, perhaps with the aid of other officials who have had experience with similar projects. On particularly technical subjects it may be necessary to use local funding to hire consultants to develop a request for proposals and a cost estimate, or it may be appropriate to request preliminary proposals for budgeting purposes from competitive consulting firms. If a consulting firm is retained to prepare a cost estimate or for other services relating to the preparation of a request for proposals, federal regulations require that that firm be excluded from bidding on the work in question.

#### Travel

Budgeting for travel costs is based on scheduled travel included in planned activities. The planned activities should be detailed enough to determine which project personnel will travel to what locations and how often. The travel budget is then the application to the projected trips of the local unit of governments' travel expense policies for transportation, lodging, subsistence and related items.

The detail and effort expended in budgeting an item like travel should depend upon the relative importance of that item to the overall project. If travel is only incidental, a relatively small rounded figure should be budgeted. The state planning agency or regional planning unit can provide assistance in estimating travel needs and costs.

#### Equipment and Supplies

Equipment of a non-specialized nature should pose no particular difficulties in budgeting. As in budgeting for personnel,

the nature and amount of equipment items will be fairly well defined by each activity planned and the estimated level of the activity, work, paper flow, etc. Where similar functions are taking place in local government, equipment needs and cost information can be easily obtained. Additional local sources of budget information for routine, general purpose equipment and supplies are catalogs, budgets from other agencies and requests for price information from potential suppliers.

For unusual or non-routine equipment, items such as computer hardware, a detailed study may be necessary to determine the precise nature of the items required. As in the case of major consulting or contractual purchases, it may be necessary to purchase such a study by expert consultants, or request design and cost information from competitive suppliers. If the project manager is uncertain of the appropriate action, he should request the aid of the state planning agency or regional planning unit.

#### Contractual

The "contractual" budget category can potentially cover a large number of services of varied nature, ranging from management studies to service of public utilities. The same general approach to budgeting as has been discussed for consulting and equipment should be applied to contractual items. Such items as utilities are straightforward in terms of product available and price. Items like heat, light and power require no management decision. The only judgments required in budgeting for utilities are, for example, such things as the number of telephone units and features required. As with other equipment, this should be determined by the nature of the work planned for project personnel, and the anticipated need for interface with the public and other agencies.

Often it is a matter of judgment whether a resource will be purchased or leased. This decision should be based on balancing and trading off various economic and financial factors. For example, if there is a strong possibility that an equipment item may become obsolete for the purposes of the program in a short time relative to the asset's normally anticipated life, then short-term rental arrangements may be the best economic choice even though the annual rent may be expensive compared to the purchase price divided by the item's normal life.

The acceptability of a program to local agencies after federal funding has expired can be enhanced by pushing program costs into the early years of the project. One way of accomplishing this is to purchase equipment and facilities rather than to lease them. Then when the project is ultimately taken over by the local unit of government, the annual cost will be lower because there will be no rent on purchased equipment or facilities.

On the other hand, timing and availability of grant funds, given the competitive priority of other projects, can sometimes make leasing an attractive way to get a project started when funding for equipment or facility purchase is not available at the outset. Consequently, rent or purchase decisions should be based on an evaluation of the overall economic and financial situation with serious thought given to both the short-run and the long-term effects of each alternative.

#### Facilities

Facilities are budgeted as contractual cost, construction cost or a combination of the two. Several important funding restrictions apply to acquisition or construction of facilities. Land purchases are not allowable costs under federal grants-in-aid. Therefore, if land

acquisition is to be included in a project, the funds must be contributed, by state, local or private sources. Under some circumstances, property contributed by state and local government can not be counted against match requirements. Therefore, if land is to be contributed, close coordination with the state planning agency or regional planning unit would be wise. The match requirements are greater for construction than for non-construction activities even if construction is only a part of a project. Part C funding for construction activities requires a 50% match of state or local funds whereas other Part C activities require only a 10% match. Remodelling or repairs to existing facilities in excess of \$5,000 are treated as construction programs by the LEAA. Because facility acquisition and construction are particularly sensitive areas, administratively requiring special fiscal and procurement conditions and compliance with the Uniform Assistance and Real Property Acquisition Policy Act, planning and budgeting for such activities should be very closely coordinated to ensure that all applicable rules are complied with and that all commitments and requirements are understood by and agreeable to the local agencies involved.

Choice of facilities is dependent on local circumstances. Naturally, any choice of facilities should meet the basic physical and human needs of the project's activities. Space requirements for particular job tasks, as well as such ancillary facility needs as corridors, closets and restrooms, can be estimated by comparison with similar tasks, personnel and volume of transactions and services being performed by other agencies of government in the local environment. If the project will require construction or acquisition of specialized or particularly complex facilities it may be necessary to obtain professional architectural

or engineering services to properly identify facility specifications and budget costs.

Often the facility decision is predicated on what is presently available locally. A facility made available as a local contribution may not always be the perfect physical facility for project activities, but accepting it may be the only realistic way of obtaining the package of resources necessary to the program.

Because grants accounting is required to be on a "total program cost" basis, it is necessary to determine a fair market value even for facilities that are contributed by the state or local government. If the local unit of government has a real estate department or a real estate tax assessment department it can probably aid in estimating the rental cost of commercially available facilities equivalent to government owned facilities.

#### Indirect Costs

All the categories of cost discussed to this point are called direct program costs because they are incurred to purchase goods and services which will be used solely for the program in question. However, for the sake of convenience and efficiency, an agency or unit of local government frequently incurs costs to provide central services for the common benefit of all the programs for which it is responsible. Because these costs are not incurred directly by program management, they are called indirect program costs. Among the more common indirect costs are: accounting services, legal services, building occupancy, janitorial services, maintenance, utilities and personnel services.

Because these central services can not be accounted for

directly as program expenses it is necessary to develop some fair and consistent method of allocating these costs to various programs in proportion to the benefits each receives. Federal Management Circular 74-4 (formerly OMB A-87) establishes the federal requirements for cost allocation plans to determine the fair share of indirect costs applicable to grants and contracts with state and local governments. The procedural guideline to be used in the actual preparation of indirect cost allocation proposals is given in Department of Health, Education and Welfare Circular DASC-8, titled "A Guide for Local Government Agencies Establishing Cost Allocation Plans and Indirect Cost Proposals for Grants and Contracts with the Federal Government."

If the agency or local unit of government administering the grant program has an approved indirect cost allocation plan, program indirect cost must be determined based on that plan and a copy of the plan should be forwarded to the state planning agency. If there is no approved cost allocation plan, the state planning agency may approve indirect costs determined either as a percentage of total direct costs or as a percentage of personnel costs. Certain restrictions may be placed on allowability of some direct costs if the percentage methods are used. Also, indirect cost allocations may not be allowed under certain circumstances for equipment purchase type grants. Therefore it is necessary to coordinate budgeting for indirect costs with the state planning agency or regional planning unit.

#### In-Kind Contributions

Effective budgeting consists of (1) marshalling the available local resources and (2) budgeting for the purchase of other needed items. Because accounting for program costs is required to be on a

"total program cost" basis, that is the budget is to include in the in-kind category a reasonable estimate of the cost or value of all resources committed. This is required so that everyone who is involved in the project management or its future evaluation will be able to keep the full cost of the project in mind to give him proper perspective. Project control should, however focus on the new resource commitments being made. Therefore, while the project manager is required to include the estimated value of "in-kind" contributions, his real concentration at the time of budget preparation should be on getting the most out of the cash he has to spend.

### Internal Project Control

Effective internal project control systems must be much more detailed and timely than the grantor-required monitoring systems, but they require much less sophistication than the intensive evaluations of program impact occasionally prescribed. This is because the internal control system is intended to aid the manager in maximizing the effectiveness of his resources while the program progresses, whereas the state-required systems measure the success of the completed program in achieving its purposes. The point here is not to say that formal state-required evaluation is unimportant, but that for internal project control it is largely irrelevant. In exercising his day-to-day responsibility and making operating decisions, the effective grant manager must identify, capture and utilize internal program data that will be of little interest to the granting agencies. This internal program control system should focus on activity control; that is, keeping track of what is being done and how well resources are being utilized. The exact nature of the data collection and analysis efforts can not be generalized. They have to be designed to fit the program's methods and they must be based on the opportunity to collect and analyze data relevant to adjusting program activities. For example a head count of participants may be adequate for controlling the accomplishment or output of some human service delivery programs. For others detailed information of participant attributes and behavior may be necessary. For construction projects methods of measuring physical progress are required. No matter what the project, effective operational control demands that the manager decide what information he needs and that he devise ways to efficiently obtain and use it.

The key to project control is therefore, a well thought-out management information system that enables measurement and comparison of actual resource input and accomplishments, on a time schedule, to anticipated inputs and outputs. Measuring the inputs to a program (i.e., expenditures by budget category) is already required by state planning agencies in their procedures for preparation and approval of a program budget and the reporting of expenditures against that budget. For really effective management control, especially in a complicated program involving a lot of activities and people, it is often useful to collect cost data by activity. If this is done in regular (e.g., monthly) financial reports, problems of overruns (or underruns) in spending for key activities will show up. It is quite common for cost underruns (most often caused by being behind schedule) in some activities to conceal overruns in other activities when only aggregate total program cost information is reported.

Measuring the output or utilization of the resource inputs is not necessarily synonymous with meeting program objectives. Methods of measurement vary with the type of activity being evaluated. Output measures for a human service delivery program for example could include such items as total hours of clinical counseling provided monthly, number of client contacts made by each counselor, or similar measures of staff utilization. Generally with system development and construction activities the best control methods are to break the activity down into a number of subparts whose completion points can be determined. Project control is then achieved by comparison of actual time and cost with the estimates for each subpart.

Several project control systems have been developed for displaying program accomplishment against time and cost. They are all based on a detailed budget and schedule and a planned method of measuring accomplishment. The function of these systems is to present a comprehensive report of the status of all project activities at a given point in time, highlighting those that are behind schedule, costing too much or are short on accomplishment. These information systems are the basis for the concept of management by exception. That is, the information system tells the manager the trouble spots and the manager can concentrate his activities on these and refrain from meddling in activities that are proceeding satisfactorily. These systems are most useful for research, development, construction or implementation activities where there are a number of complex, time-phased interrelated tasks to be completed. On the other hand, they are not very useful, after the implementation phase, for programs that provide on-going routine services.

#### Calendar Control

The simplest project control system centers around the manager's desk calendar. The manager picks key dates for review during the program and lists important planned budget and expected accomplishment information for those dates. The dates he picks are logical times at which he could make appropriate revisions to the program plan. Data are collected during the program and the calendar schedule cues him as to appropriate times to compare the plan and actual accomplishment. Obviously such a system is very limited as an analytical tool and would not be adequate for a really complex program.

### The Gantt Chart

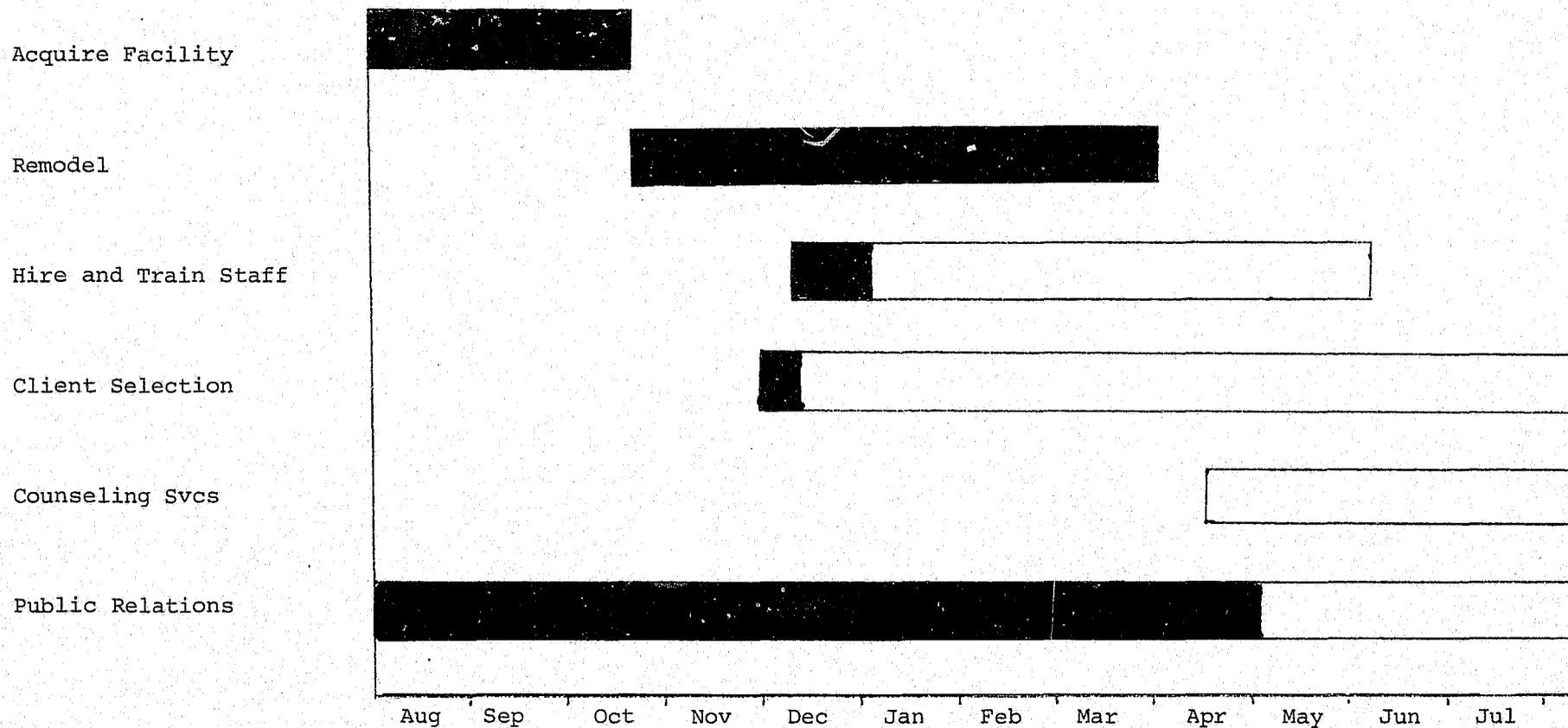
Figure 3 shows a Gantt chart (named for its developer, Henry L. Gantt.) It consists of a horizontal bar for each major program activity plotted against a time scale. Over the life of the project, progress on each activity is regularly plotted on the chart. (This is the shading in Figure 3.) For example, if the date of the chart in Figure 3 is April 30, it indicates that hiring and training staff and client selection activities are four and four and a half months behind schedule respectively and that counseling services have not started. The Gantt chart does not show costs related to activities directly, therefore, it is necessary to refer to budget and actual financial records to complete the picture.

### Gantt Chart With Milestones

One drawback of the simple Gantt chart is that it is difficult to estimate directly the fraction of an activity that is complete. This problem can be overcome largely by adding milestones to the activities as in Figure 4. The bar for an activity is shaded each time a milestone is achieved. Sometimes it may be appropriate to shade in an estimate of a fraction of the space between milestones to indicate the per cent of completion of a milestone. Reflection on the types of activities shown in Figure 4 illustrates that this charting system is useful during implementation phases of service delivery programs, but is not very useful for controlling routine operations after service delivery gets underway. When the project gets to this latter stage, statistical measures of resource utilization (such as hours of counseling per counselor, number of interviews conducted, number of clients served per dollar expended) and comparisons of budget with actual cost become

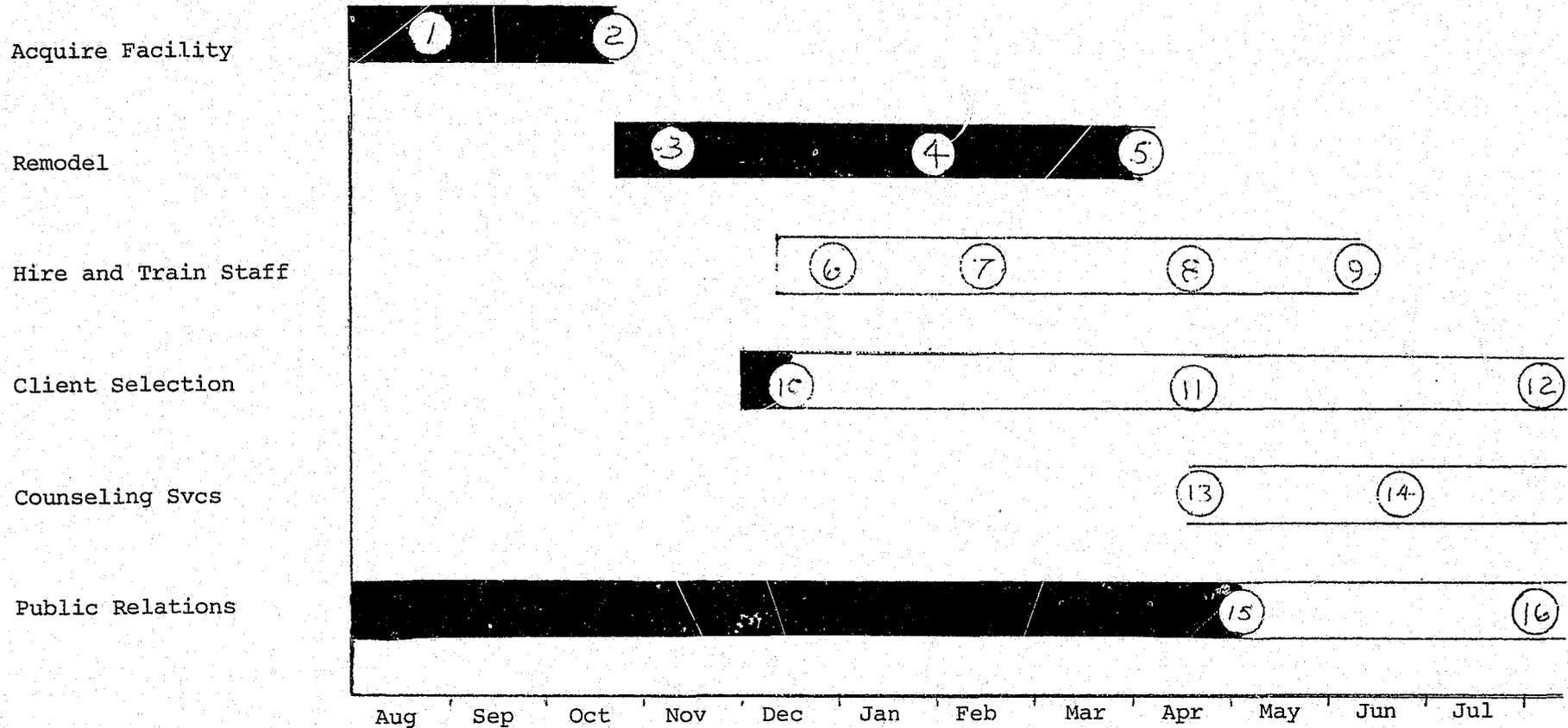
Figure 3

### SIMPLE GANTT CHART



### GANTT CHART WITH MILESTONES

Figure 4



#### Milestones

- |  |   |
|--|---|
| 1. Choose general location               | 9. Hire employment counselor                      |
| 2. Lease signed                          | 10. Formal contact with client sources            |
| 3. Obtain permits and hire contractors   | 11. Arrival of first clients                      |
| 4. Completion of electrical and plumbing | 12. Client population at capacity                 |
| 5. Completion of painting                | 13. General counseling begun                      |
| 6. Hire administrative staff             | 14. Employment counseling started                 |
| 7. Hire general counseling staff         | 15. Initial presentations completed               |
| 8. Completion of training                | 16. Commitments for employment for 50% of clients |

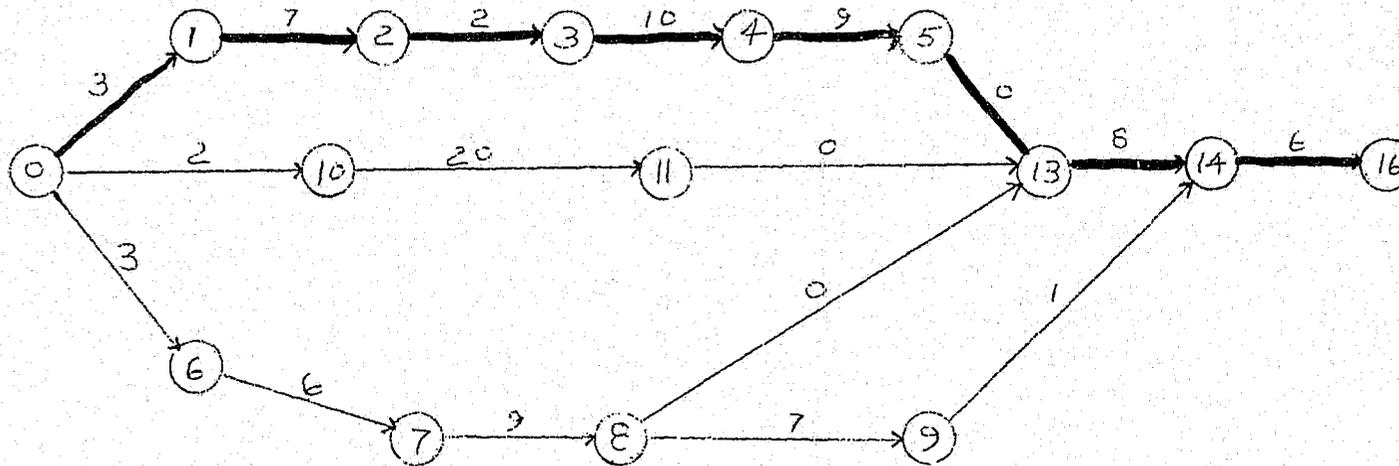
the relevant controls over day-to-day activities.

### Networks

Some projects, particularly those involving systems development and construction are composed of a great number of inter-related activities, many of which must be performed in a certain sequence. For example, in constructing a building, excavation must precede pouring a foundation, which precedes steel erection, etc. Normally construction management would be the responsibility of an architectural firm or general contractor retained because of its experience and facility with complex program management techniques. While the grant manager then would not have occasion to set up a comprehensive construction management control system, the same basic approach and techniques can be very useful to any developmental program.

In its most simple form, a network is a Gantt chart with additional lines drawn to illustrate the sequential relationships between tasks. The Gantt chart with milestones of Figure 4 only shows the sequential relationship of milestones as segments of a line depicting one general program activity. It illustrates clearly for example that facility renovation activities can't take place before the use of the facility is acquired. However, these charts do not explicitly indicate the sequential relationship of tasks or milestones between program activities. For example, the chart of Figure 4 does not show that it is not possible for human service delivery activities to take place prior to the renovation of the facility. Except for the simplest projects, then, the Gantt chart is of limited usefulness for overall program control. However, if arrows are drawn from milestones to the beginning of any segment that cannot begin until the milestone has been met, then

Simple Example of  
NETWORK WITH CRITICAL PATH



The heavy line designates the Critical Path which totals 45 weeks.

Events (Same as Figure 4):

0. Program go-ahead
1. Choose general location
2. Lease signed
3. Obtain permits and hire contractors
4. Completion of electrical and plumbing
5. Completion of painting
6. Hire administrative staff
7. Hire general counseling staff
8. Completion of training
9. Hire employment counselor
10. Formal contact with client sources
11. Arrival of first clients
13. General counseling begun
14. Employment counseling started
16. Commitments for employment for 50% of clients

the chart becomes a network showing all sequencing requirements and interrelationships in the project. Figure 5 shows the overall sequencing of the project.

#### Critical Path Method

As a project becomes more complex with a number of interrelations among the activities depicted, it is less useful to relate activities as straight lines against time as the previous illustrations did. In reality, every path from the beginning of the project to the end can be thought of as a sub-program. With this in mind, a glance at Figure 5 reveals that some of the activity paths from start to finish are no longer straight lines and hence, no longer are measurable by the time scale on the horizontal axis. To overcome this problem, it is necessary to write in the estimated time for each line segment. The amount of time required to complete each path through the network is then the sum of all the segments of that line. Of all the possible paths from start to finish, that with the largest sum of segment times is the critical path. Stated another way, if all tasks of the entire project are completed on-time, the entire project will take from start to finish the total time required to cover the critical path. The heavy line in Figure 5 is the critical path.

Critical path method is an aid both in project planning and in project control. With a complex project it is usually possible to speed up some tasks by assigning more people or other resources to them. Sometimes it is also possible to accomplish a task more cheaply if the project is rescheduled to allow more time to apply cheaper (and slower) methods to the task. When the network is laid out and the critical path determined, resources can be moved from activities not on

the critical path to the critical path to reduce total project time and/or cost as appropriate. In this way resources can be used more efficiently to get the project done on time at minimum cost.

For project control purposes, the critical path enables a certain amount of management by exception. To accomplish management by exception, it is necessary to prepare a new network periodically during the project because, depending on how work has progressed on the various tasks and on revisions of forecasts of the time required for future tasks, the critical path may change. Throughout the project major management attention should be placed on the current critical path and other paths that are close to the critical path in forecast time. Where possible resources should be shifted from slack paths to critical path activities to minimize delay and/or cost. While the critical path method permits management by exception, by focusing management attention on the critical path, caution should be taken not to ignore the management needs of particularly tricky or troublesome activities simply because they do not appear on the critical path.

Critical path method applied to network analysis can be a very useful management decision-making tool where the complexity of the project and flexibility of management control over project resources justify the additional clerical work it entails. Sometimes, however, a simple Gantt chart, while less precise than the critical path network, is more useful for communicating project progress because of its simple, uncluttered, straightforward representation of major project activities relative to calendar time. Sometimes it is appropriate to use critical path method for decision making and simplified Gantt charts for leading project personnel. The circumstances and communication

requirements of the particular project dictate what, if any, graphic techniques should be utilized.

#### PERT

PERT, which stands for Program Evaluation Review Technique, is a refinement of critical path method. It is doubtful if many LEAA funded projects would benefit greatly from this refinement. But, because PERT is often mentioned in discussions of project planning and control and often referenced as synonymous with critical path method (CPM) network analysis, it is mentioned briefly here. It is advantageous for grants managers to be familiar with this technique often used by construction contractors, among others.

The difference between PERT and CPM network analysis is that PERT introduces probability into the estimated time required to complete each task, while CPM deals only with the "most likely" or "best estimate" of the time required for each task. Generally PERT utilizes "optimistic," "most likely" and "pessimistic" time estimates and assigns a weighted average of the three as the time estimate for each task. The advantage of PERT over CPM is that it makes use of more precise and realistic forecast data. Its disadvantage is that it requires more sophisticated data inputs and in practice requires a computer to perform the necessary calculations.

#### PERT/Cost

In the discussion of critical path method it was pointed out that part of the usefulness of that technique is that the project manager can judgmentally shift resources from task paths having slack time to the critical path, in order to reduce the time required to complete the critical path. PERT/Cost is a technique that extends this

concept of trading-off cost against time to arrive at an optimal schedule. An optimal solution to a time/cost problem means that while neither time nor cost is necessarily minimized, each is taken into account in applying resources to the tasks, so that the best mix of time and cost considerations for the whole project is achieved.

A PERT/Cost system requires much more sophisticated data than does even the simple PERT scheduling system. With a PERT schedule at least three estimates of time are required for each task. PERT/Cost requires a separate cost forecast for each time estimate. From these data the relationship between time and cost can be inferred for each task of the project network. That is, it is theoretically possible to calculate for each task, how much it would cost to reduce performance time by one unit. A comparison of the cost per unit time for all the various tasks in the PERT network identifies which tasks on the critical path can be expedited at least cost. This comparison also identifies those tasks on slack paths from which resources can safely be taken to use in reducing the time required on the critical path.

PERT/Cost requires very detailed data inputs and is generally applied only to very complex research and development projects. Due to the very large number of variables involved in such a network, electronic data processing is mandatory to practical use of PERT/Cost. Off-the-shelf computer programs are generally available for PERT/Cost and related systems. The large computer time-sharing services can provide such a system for any project that can use it.

### Grants Accounting

If the grants accounting system does not adequately comply with LEAA requirements, the grantee risks the possibility of expenditures being disallowed for reimbursement. Clear presentation of monthly expenditures by budget category as a comparison with the project budget is also a basic ingredient of effective program control. The LEAA requires that:

1. The accounting system record expenditures by budget category.
2. A separate accounting of cash receipts and disbursements be kept for each source of funds.
3. Original documentation (checks, invoices, contracts, warrants, etc.) be filed and indexed to provide an audit trail verifying the propriety of every transaction.
4. Policies and procedures be adequate to safeguard the funds and ensure that expenditures can be made only for the proper purposes of the program.
5. The accounting records be accurate and current.

In addition to the grant accounting system, there are a number of other record keeping tasks required by federal, state and local government that apply to most agencies and organizations. For example, as an employer the program will be obligated to withhold income tax, and, depending on the state of enfranchisement, to withhold and/or contribute to unemployment compensation, social security or retirement plans, workmen's compensation, etc. If the grantee is an agency with existing permanent staff, arrangements can probably be made to include the grant program in the present records keeping systems. If the grant program is a new entity, then assistance should be sought from the State Planning Agency, Regional Planning Unit, Internal Revenue Service and other applicable agencies.

A simple manually produced accounting system is highlighted here to aid the grant manager in applying the LEAA accounting requirements to his program. This illustration is presented to show that the accounting system does not have to be particularly complicated to do the job. It should be pointed out that this is only one of many systems that can provide an adequate accounting for project funds. A program manager may desire a more complex system to provide him with additional financial data or controls. He may also choose to modify an existing agency accounting system to efficiently meet the reporting requirements.

#### Example of Grant Accounting System

Figures 6 and 7 are basic formats that together comply with the requirements that cash receipts and disbursements be recorded by source (i.e., federal, state, local and project revenue) that expenditure transactions be recorded by budget category and that every transaction be traceable back to its authorizing documents (invoices, contracts, checks, etc.). These formats combine the journal and ledger, making it possible to adequately record each transaction with only a one line entry. At the end of each month the fund balances are determined by subtotaling the disbursements journal-ledger and subtracting the month's disbursements from the total available cash on the receipts journal-ledger. The resulting cash balance is then reconciled with the monthly bank statement.

These examples include accounting for unpaid obligations. This feature is not required and necessitates more effort than accounting entirely on a cash basis does. Therefore accounting for unpaid obligations should be included in a program's accounting system only if the grant



Figure 7

## CASH RECEIPTS JOURNAL - LEDGER

	<u>Date</u>	<u>Received From</u>	<u>Check or Warrant Number</u>	<u>Amount Received</u>	<u>Federal Funds</u>	<u>State Funds</u>	<u>Local Cash</u>	<u>Project Revenue</u>
1/1/76 Budget					<u>\$23,040</u>	<u>\$1,280</u>	<u>\$1,280</u>	
Less Disbursements	1/15/76	State	1,298,705	\$3,960	3,752	208	-	
Cash Balance 1/31/76				<u>2,370</u>	<u>2,133</u>	<u>119</u>	<u>118</u>	
				<u>1,590</u>	<u>1,619</u>	<u>89</u>	<u>(118)</u>	
Total Available Cash	2/15/76	City	78,576	500	-	-	500	
Less Disbursements				2,090	1,619	89	382	
Cash Balance 2/29/76				<u>1,869</u>	<u>1,682</u>	<u>93</u>	<u>94</u>	
				<u>221</u>	<u>(63)</u>	<u>(4)</u>	<u>288</u>	

manager finds it useful under the specific circumstances. If accounting is done on a cash basis, an entry is made in the disbursements journal only when a check is written to make payment. When unpaid obligations are accounted for, it is necessary to enter the item in question twice; once when the obligation is incurred, and again when payment is made.

In the example, the equipment purchase from IBM, lines twelve and eighteen of the disbursement journal-ledger (Figure 6), illustrate how the unpaid obligation (accrual) accounting works. The \$400 obligation for equipment was recorded on January 31. Payment was made on February 5 relieving the balance of unpaid obligations by \$400. If this example were done on a cash basis the transaction would show up only on February 5 and would show a disbursement amount of \$400 for equipment.

## Procurement

The grantee should utilize available local purchasing procedures. If a conflict arises among federal, state and local requirements, the most restrictive procedure should be applied. For example, if formal advertising is required by local authorities for purchases greater than \$1,000 then formal advertising should be used even though federal rules would not require it.

Fairness and open competition will result in maximum efficiency in the use of program funds. In addition maintenance of the public trust is vital to the success of any governmental program. Even a hint of favoritism or inefficiency in purchasing practices can render an otherwise useful program worse than worthless. Therefore, any agency expending public funds must have procurement policies and procedures adequate to encourage maximum open competition and to guarantee the integrity of the program employees and the purchasing process. Examples of such policies would be conflict of interest standards for employees, and the prohibition of procurement bids by contractors retained to aid in the procurement process, such as in the preparation of a request for proposals.

Formal competition with adequate purchase description, sealed bids and public bid openings, is the most desirable method of assuring adequate competition and the integrity of the procurement process. However, this method is not always practical for small purchases and the federal government permits purchases under \$2500 without formal advertising. In a variety of situations, the circumstances make negotiated procurement necessary. Care must be taken that the specific criteria prescribed by the federal government for

negotiated procurement are met before entering into such an agreement.

The contract type (i.e., fixed price, cost reimbursable, purchase order, incentive, etc.) should vary with the circumstances to promote the best interest of the grant program. However, a contract which provides for "cost-plus-a-percentage-of-cost" should be avoided because this is not allowable by the federal government.

Because there are a number of state and federal statutes, rules and regulations regarding procurement, the state planning agency or regional planning unit should be consulted in determining the adequacy of local agency procurement policies and in awarding negotiated contracts greater than \$2,500. LEAA guideline manual M1700.6, titled "Grant Manager Procurement Manual," provides detailed information and guidelines of use to the grant manager.

## SELECTED REFERENCES

### Statute:

Juvenile Justice and Delinquency Prevention Act of 1974,  
Public Law 93-415

Title I of the Crime Control Act of 1973, Public Law 93-83

### Federal Management Circulars:

Principles for determining costs applicable to grants and  
contracts with State and local governments. FMC 74-4  
(Supersedes A-87)

Uniform administrative requirements for grants-in-aid to  
State and local governments. FMC 74-7 (Supersedes A-102)

### Law Enforcement Assistance Administration Guidelines:

Financial Management for Planning and Action Grants, Guideline  
Manual M 7100.1A

Grant Manager Procurement Manual, Guideline Manual M 1700.6

Guide for Discretionary Grant Programs, Guideline Manual  
M 4500.1B

State Planning Agency Grants, Guideline Manual M 4100.1D

## GLOSSARY

The "Act" - The Omnibus Crime Control and Safe Streets Act of 1968. This is the Act of Congress which gives LEAA its existence, authority, and responsibility. It is divided into seven parts, A through G. The most important are Parts B, C, and E. (See separate entries.)

Additional Local Cash - Amount of cash provided for by the subgrantee in addition to the required local cash match.

Appropriation - An account established in the Treasury to record amounts available for obligation and disbursement from the Federal Government. An amount established by the State, city, county, or township government for a specific function or purpose.

Award Date - Date on which a grant becomes effective.

Block Grant - Grants awarded to states on a population basis under the Crime Control Act of 1973. These grants to states are subsequently awarded, pursuant to the Comprehensive Law Enforcement Plan, to local units of government, combinations thereof, and State agencies.

Cancellation - A portion or all of the original grant award amount cancelled.

Cognizant Audit Agency - The Federal agency responsible for audit of all Federal grant programs at a grantee organization.

Comprehensive Plan - A document containing a state's total statement of criminal justice resources, problems, priorities, and planned programs. Comprehensive Plans are prepared and submitted by the SPA to LEAA.

Contractor - Any organization, agency, or institution retained by subgrantee to provide services or goods incident to execution of a planning or action program or project supported by Title I funds.

DEA - Drug Enforcement Administration.

DF - Discretionary Fund.

EEO - Equal Employment Opportunity.

Encumbrances - A legal obligation to pay a specific amount based on a purchase order, invoice, or contract.

Excessive Cash Balance - The amount of cash on hand at the subgrantee organization which exceeds the requirement set by the Treasury Department.

## GLOSSARY -- continued

Extension - Prior written approval from the State planning agency to extend the termination date from the date stated in the grant award.

Federal Regional Councils - A group of Federal agencies joined together to receive integrated grant proposals and to utilize common financial reports, common audit concepts, and common completion reports.

FMC 74-4 - An OMB circular that contains the governing Federal regulations on allowability of project costs in grants to State and local government. (Supersedes A-87.)

FMC 74-7, Attachment N - An OMB circular that contains the governing Federal regulations regarding property management standards. (Supersedes A-102.)

FMC 74-7 - Attachment O - An OMB circular that contains the governing Federal regulations regarding procurement standards. (Supersedes A-102.)

Freedom of Information Act - Records and other documents submitted to LEAA, including Comprehensive State Plans and grant applications, are required to be made available to the public and the press.

Fund Flow - The rapidity with which projects are initiated and funds are obligated and expended.

FY - Fiscal Year. Twelve months used for budgetary purposes.

General Conditions - All LEAA grants have standard conditions of award attached to them that guarantee that the grant recipient will comply with statutory and basic regulations governing Federal grants.

Grant Award - Document that is a contract between the State planning agency and the subgrantee.

Grantee - State planning agency (a local unit of government or State agency awarded Title I funds by the State planning agency is called the subgrantee).

Grantor - Law Enforcement Assistance Administration.

Hard Match - Local contribution of cash to a project.

Historic Site - A site included in the National Register of Historic Places, which, if affected by a LEAA grant, must have prior approval.

## GLOSSARY -- continued

Indirect Cost - Costs incurred to aid in the administration of a project, which are not collected in the projects accounts and must be allocated to the project. Central services, such as bookkeeping and janitorial services, provided by local government to the grant project are the most common indirect costs.

Lapse Funds - Funds not spent by termination date of the grant.

LEAA - Law Enforcement Assistance Administration.

Liquidation Date - 90 days after termination date by which time all encumbrances or obligations made prior to termination date must be paid.

Local Unit of Government - Any political subdivision of government below the State level. This would include counties, municipalities, boards of education, planning district commissions and towns, or any combination thereof.

Match - Subgrantees are required to furnish or "match" Federal grant monies with some contribution of their own, amounting to a certain percentage of a project.

OMB - Office of Management and Budget.

Part B/Planning Grant - Part B of Title I of the Act provides for the creation of SPAs and the provision of funds to the SPAs for the inclusion of local law enforcement agencies and governments in developing programs to improve law enforcement.

Part C/Action Grant/Comprehensive Plan/Block Grant - Part C of Title I of the Act provides for funds to carry out various programs planned under Part B of the Act.

Part E - Part E of Title I of the Act provides funds for the development and implementation of programs and projects for the construction, acquisition, and renovation of correctional institutions and facilities and for the improvement of correctional programs and practices.

P.L. 90-351 - P.L. (Public Law) 90-351st law passed by the 90th Congress. Also referred to as the "Act". (see entry.)

P.L. 91-644 - The Act passed by Congress in January, 1971, which amended the Act (see entry) to include, among other things, Part E provisions concerning corrections.

P.L. 93-83 - The revision of the Act, passed by Congress in 1973 which included a change in the matching contributions.

## GLOSSARY -- continued

Program - A group of like projects aimed at a common objective.  
(For the purposes of this manual program and project are used interchangeably.)

Project - An individual grant award having a closely defined objective and a budget.

Refund - Return of grant fund from the subgrantee to State planning agency.

RPU - Regional Planning Units.

Single Source Procurement - Only one bid received after the formal advertising method of procurement has been used.

Sole Source Procurement - Only one qualified source for procurement.

Special Conditions - Conditions attached to a grant that have characteristics needing particular resolution.

Standards and Goals - Programs developed to encourage states to analyze and assess the existing criminal justice practices and procedures and to develop realistic standards to meet their own needs. These programs are designed to increase the capabilities of states and communities to establish standards and goals that will reduce crime by increasing the participation of citizens and criminal justice practitioners in criminal justice planning.

State Buy-In - The State is required to "buy-in" to provide a percentage of the cash match for certain projects funded through local units of government.

Statewide Cost Allocation Plans - The allocation of central support services costs of the State to the various State departments.

Subgrantee - Any local unit of government or State agency awarded Title I funds by the State planning agency.

Termination Date - Expiration Date stated in a grant award or changed to another date by an authorization letter from the State planning agency.

Title 6 - Title 6 of the Civil Rights Act of 1965.

**END**