

STATE OF ILLINOIS

GRANT ACCOUNTABILITY AND TRANSPARENCY ACT



**2nd ANNUAL REPORT TO THE
GOVERNOR AND GENERAL ASSEMBLY**

January 1, 2017

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Key Contributors

We recognize and thank the sponsors, stakeholders, volunteers and staff who have worked diligently to plan, support and make progress towards a successful implementation of the Grant Accountability and Transparency Act (GATA) including:

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More than 200 Subcommittee and Workgroup Volunteers

EXECUTIVE SUMMARY

Effective July 16, 2014, the Grant Accountability and Transparency Act (GATA) became law as Public Act 98-0706. The purpose of this Act is to establish uniform administrative requirements, cost principles, and audit requirements for state and federal pass-through awards to non-federal entities while we continue to focus on improving performance and outcomes, while ensuring transparency and the financial integrity of taxpayer dollars. The Act is significant because grants comprise approximately two-thirds of the Illinois State Budget.

GATA encompasses the entire grant life cycle and provides uniformity and guidance for all grant-making agencies in state government. Illinois is the first state in the nation to require uniform rules for the full life-cycle of grants management. The Act serves to build capacity of the grantee community by mandating grant-related training, and providing guidance and support to correct occurrences of non-compliance with fiscal, administrative and programmatic requirements.

The budget impasse has posed challenges to state agency leadership and staff in ensuring that adequate resources are available for the implementation of federal Uniform Guidance and GATA legislation. Limited resources within the grantee community have also strained progress on complete implementation. Recognizing these limitations, the Grant Accountability and Transparency Unit (GATU) made a strategic decision to focus on the pre-award phase during calendar year 2016. GATU was able to utilize Department of Information Technology (DoIT) resources to develop an automated grantee registration, pre-qualification and risk assessment framework. GATU was also able to implement the Centralized Indirect Cost Rate System. The grantee community and state agencies readily accepted the automation we were able to deliver.

Much has been accomplished during the second year of the GATA Implementation Phase focusing on the pre-award functions despite operating with only 4 full-time equivalent staff in the Grant Accountability and Transparency Unit. We are grateful to the continued support and engagement of state agency personnel and grantee community volunteers who have supported GATU staff and enabled the GATA implementation efforts to progress on schedule and with less than the estimated budget.

GATU estimates the following savings or cost avoidance to the state as a result of calendar year 2016 accomplishments:

Accomplishment	Estimated Savings / Cost Avoidance
Centralized grantee pre-qualification	\$325,000
1 day of live webinar training	\$420,000
Centralized framework for fiscal and administrative risk assessments	\$530,000
Assignment of State Cognizant Agency to review centralized Internal Control Questionnaires	\$450,000
Centralized indirect cost rate negotiations	\$6,050,000
Estimated savings / cost avoidance	\$7,775,000

The following paragraphs highlight the 2016 accomplishments and provide support for the savings and cost avoidance estimate. Please refer to the body of this annual report for additional details on each area of focus.

Grant Accountability and Transparency Unit and the GATA Fund

GATU provided technical assistance, policy and frameworks for statewide implementation of federal Uniform Guidance and GATA. The methodology for the allocation of GATA expenses was approved by the State of Illinois Federal Cognizant Agency (U.S. Department of Health and Human Services) for indirect costs. Through a revolving fund, administrative funds provided under existing and future state and federal pass-through grants can be used for GATA expenses. GATA will charge each agency for estimate costs and true up actual expenses during the final quarter of the fiscal year.

Coordination with Chief Accountability Officers (CAOs) and the GATA Advisory Group

GATU facilitated periodic meetings with the CAOs and the Advisory Group throughout calendar year 2016. These groups are instrumental in serving as the liaison between the state agency and GATU. Determining feasibility of implementation frameworks, coordinating with leadership and front-line staff, and messaging within the grantee community are critical responsibilities of the CAOs and Advisory Group. GATU highly values these partnerships and will continue to collaborate with these two groups throughout the implementation and monitoring phases.

Coordination with Agency Subject Matter Experts for Indirect Cost Rate Negotiation

Due to complexities in the negotiation and application of indirect cost rates, grantmaking agencies have identified representatives to serve as subject matter experts (SMEs) to support grantees' indirect cost rates. The SMEs meet with GATU weekly to address how to apply negotiated rates to grant award budgets, the Centralized Indirect Cost Rate System (CICRS), and statutorily driven indirect cost rate restrictions, caps and limitations.

Uniform Rules

GATU is establishing statewide policy for the grant life cycle pre-award phase through the adoption of Administrative Rules. Coordination with the Secretary of State's Indexing Division and the Joint Committee on Administrative Rules (JCAR) will enable rules to be filed and promulgated. This second set of rules will expand upon the initial rules which became effective July 24, 2015.

Adoption of Supplemental Rules for Grant Management

As part of Uniform Rules, GATU proposed supplemental rules on multi-year grants and for advance payments under grant agreements.

- It is proposed that grants be limited to a one-year term unless the program has been in existence for five (5) years and the grantee has at least five (5) years of experience administering grants. Multi-year grants would be limited to a three (3) year term and state agencies are advised to stagger grant terms and subsequent renewals.
- It is proposed that advance payments be limited to two (2) months of estimated expenses in accordance with actual, immediate cash requirements for the grantee to administer the grant. Advance payments must be reconciled to actual expenses prior to the next payment.

GATA Website – www.grants.illinois.gov

The website gives public access to overview information about federal Uniform Guidance and GATA, an extensive Resource Library, twelve (12) webinars and more than twenty (20) training presentations. Public notices of funding opportunities are also posted from the website. Grantees utilize www.grants.illinois.gov to initiate the federally required registration and pre-qualification processes. Pre-award risk assessments and the State's Indirect Cost Rate System are also supported from the website. As of December 8, the GATA website has received more than 47,000 hits and serves as the primary medium for stakeholder outreach.

Catalog of State Financial Assistance

As required by GATA, GATU developed a Catalog of State Financial Assistance (CSFA) as the single authoritative, statewide, comprehensive source of state financial assistance program information. The public-facing CSFA, to be released in January 2017, includes seventeen (17) data elements required for each financial assistance program. Through CAO coordination, state agencies have populated the CSFA with all federal, federal pass-through and state awards received. The internal CSFA includes all public-facing information and additional grant-related data required for life-cycle grant management. Agencies are required to report grantee data under each CSFA number for management tracking purposes.

There are currently 1,108 federal, federal pass-through and state program entered into the CSFA. Over 46,800 grant awards are recorded in the system. Automated data feeds enable state agencies to populate the CSFA directly from their internal grant management system.

Grantee Compliance Enforcement System – Illinois Stop Payment List

Illinois is utilizing a federal framework to establish the Grantee Compliance Enforcement System to drive grantee compliance with grant requirements. This System promotes cross-agency information sharing to improve risk assessment processes and enhance fiscal management transparency. GATA mandates the Governor's Office of Management and Budget (GOMB) to maintain a list of individuals and entities temporarily or permanently ineligible to receive an award of grant funds. This list, called the Illinois Stop Payment List, is a component of the Grantee Compliance Enforcement System. The Illinois Stop Payment List was modeled after the Federal Do Not Pay List and establishes statewide uniformity in administering the List and managing grantee non-compliance.

As of December 9, 2016, there are 974 entities on the Illinois Stop Payment List. Effective January 1, 2017, GATU policy establishes statewide, uniform requirements and procedures for the Illinois Stop Payment List. As a result, more state agencies will be participating in the Grantee Compliance Enforcement System. Additional performance statistics regarding the enforcement of grant requirements will be tracked and reported in the next years' GATA Annual Report.

Grantee Registration and Pre-qualification

Effective with fiscal year 2017 awards, all entities must register with the State of Illinois through the GATA website to be eligible to receive a grant award from a state agency. Beginning in

fiscal year 2018, the registration and pre-qualification process must be completed prior to submitting a grant application.

Entities must provide four (4) pieces of information to register: organization name and address, contact information for the organization's representative, Dun and Bradstreet (DUNS) number, and federal employer identification number (FEIN). The pre-qualification process is automated and includes verification of the following: active DUNS number, active FEIN, active SAM CAGE code, good standing with the Illinois Secretary of State (if applicable), not on the Federal Excluded Parties List, and not on the Illinois Stop Payment List.

Under prior federal regulation, state agencies were mandated to perform similar verifications. New procedures centralize and automate the verifications eliminating agencies from performing separate verifications.

GATU utilized DoIT resources to develop internal systems for grantee registration and pre-qualification. By leveraging the federal clearing house, www.SAM.gov, for automated grantee verifications, GATU was able to save approximately \$325,000.

Grantee Risk Assessments

Grantee risk assessment continue to be required under federal Uniform Guidance. New regulations require these assessments to be conducted *prior to* awarding a grant. The financial and administrative risk assessment called the Internal Control Questionnaire (ICQ) has been centralized and is performed once for each grantee through an automated questionnaire. Entity registration triggers an email to the entity with a link to the ICQ. The completed ICQ equates to a calculated financial and administrative risk profile of the grantee. A programmatic risk assessment is grant specific and required by each awarding agency for each grant application. The programmatic risk profile of the grantee is compiled from the completed risk assessment. Specific conditions may be imposed on the grantee as a result of their financial and administrative and programmatic risk assessments.

It is estimated that the State of Illinois will save approximate \$530,000 by centralizing the fiscal and administrative ICQ framework. An additional \$450,000 will be avoided through the use of State Cognizant Agencies assigned to review the ICQ on behalf of all agencies funding the grantee.

Approximately 50% of all grantees receive grants from two (2) to five (5) state agencies. Additional savings and cost avoidance are projected in future years. Just as the results of the ICQ are shared, the ICQ cost will also be shared among all awarding agencies. And, GATU will continue to work with grantees to estimate grantee cost avoidance associated with completing one ICQ applicable to all state agencies versus separate ICQs for each awarding agency. These additional cost savings and cost avoidance measures will be computed and reported in next year's GATA Annual Report.

Notice of Funding Opportunity and Uniform Application

A public notice is still required for all competitive or discretionary grants. (Public notices are not required for statutorily authorized funding.) The funding source dictates whether the award must be competitively let. A uniform notice of funding opportunity (NOFO) template was implemented to comply with federal public notification requirements. To standardize the look of grant applications, a uniform grant application was also developed and implemented. The awarding agency customizes the NOFO and the uniform application to include program-specific requirements.

During fiscal year 2017, all grants that could be competitively awarded were required to utilize a public notice compliant with federal Uniform Guidance. Through this concentrated effort to promote public notices and competitive awards, the State has realized more applicants for funding opportunities.

As a result, state agencies saw an increase in competition for grant awards. GATU has been informed of instances where competition allowed the agency to obtain better pricing for required services or expanded services at the same cost. Illinois' compliance with public notices also emphasized to the grantee community that, unless statutorily mandated, grants will be awarded competitively based on the merits of the application.

Uniform Grant Agreement and Budget

Uniform grant agreement and uniform budget templates were implemented for fiscal year 2017. The grant agreement must document statutory-driven requirements. The budget template utilizes the most frequently used detailed line items and allows state agency flexibility to add line items as required by the funding source.

Centralized Indirect Cost Rate Negotiation

Federal Uniform Guidance allows grantees to change indirect costs to grants unless these costs are statutorily restricted or exempted by the funding source. Illinois received permission from the federal government to centralize negotiation of indirect cost rates instead of requiring each agency to separately negotiate with their grantees. GATU estimates that 83% of Illinois grantees receive grants from more than one state agency. Substantial statewide savings will result from full implementation of centralized indirect cost rate negotiations and sharing the information with all grantmaking agencies.

If grantees do not select a rate, they will not be allowed to charge any indirect costs to their grants in fiscal year FY17. Therefore, GATU estimates that approximately 50% of the grantees who have not yet made an election will select the De Minimis Rate before the fiscal year 2017 deadline. As more grantees become familiar with the indirect cost rate process, it is anticipated that a larger percentage of grantees will negotiate a rate with the State of Illinois.

It is anticipated that the State of Illinois will avoid approximately \$6 million by centralizing indirect cost rate negotiations. Grantees negotiate or make an indirect cost rate election once and that rate applies to all state agency awards. GATU recognizes that some funding sources impose statutory limitations or caps on indirect costs. The framework for Illinois' indirect cost rate system is built to accommodate this flexibility.

Exception to Federal Uniform Guidance and GATA

GATU established an exception process modeled after the federal process. If the federal awarding agency has approved an exception, GATA will accept that exception. All exceptions cited in 2 CFR 200.101 apply to federal and federal pass-through awards. If Illinois funds an equivalent program, the state award will be subject to the same exceptions.

To date, GATU has approved approximately 300 program exceptions. The majority of the exceptions fall into the following categories: award is not a “grant”, exception provided in 2 CFR 200.101, award is a payment to a beneficiary, or statutory parameters restrict or limit indirect costs.

GATA Communications

GATU recognizes the critical importance of effective, timely communication to state agencies implementing new compliant frameworks and grantees striving to be compliant with the requirements. In April 2016, GATU individually met with leadership and key program and fiscal personnel of the largest grantmaking agencies to walk through new pre-award processes and templates implemented for fiscal year 2017. During 2016, GATU also delivered twelve (12) live webinars and more than twenty (20) trainings on federal Uniform Guidance and GATA. GATU continues to engage with stakeholders and serve as a guest speaker to various state agency groups, nonprofit organizations, community-based associations and other facets of the grantee community.

Federal Office of Management and Budget (OMB) recognized Illinois’ vision under GATA and has raised our statewide efforts as a promising practice. During June 2016, GATA was showcased in a collective series of webinars hosted by the Council on Financial Assistance Reform (COFAR) on topics ranging from subrecipient monitoring to indirect cost rates. Illinois was one (1) of two (2) states invited to participate in this webinar.

GATU is pleased to provide this annual report which communicates additional information about GATA accomplishments during calendar year 2016. Efforts were wide-ranging and reflect a concerted joint effort by state government and the grantee community. With a focus on the pre-award phase of the grant life cycle, this report articulates a statewide framework from grantee registration and the public notice of funding opportunities, negotiation of indirect cost rates, to the execution of uniform grant agreements.

HISTORICAL EVOLUTION OF GATA

Public Act 97-0558 created the Management Improvement Initiative Committee (MIIC), effective August 25, 2011. Among other suggestions, MIIC recommended that Illinois follow federal grant rules as a method to unify and simplify processes and remove redundancies.

In December, 2013, the U.S. government published Federal Uniform Guidance, 2 CFR 200, to take effect in December 2014. Federal Uniform Guidance, applicable for all federal and federal pass-through grants, provided a framework for state funded grants. Senator Althoff, Representative Bellock, Representative Crespo, Senator Kotowski, sponsored legislation that established the Grant Accountability and Transparency Act. Because of their efforts and the support of many others, Illinois is streamlining current inefficient grant practices and improving the management of all grants.

GATA was driven by a need to spend taxpayer funds more judiciously while supporting constituents' needs to simplify and improve grant accountability processes. This is critically important because grants are a major component to the operation of the State of Illinois.

- Grants comprise approximately 66% of Illinois' State budget.
- Federal grant revenue is the largest single state revenue source.
- The majority of grants issued in Illinois are federally-funded or utilize state funds as matching, in-kind, or maintenance-of-effort as a condition of existing federal grants.
- Illinois received approximately \$8.2 billion in federal funds in fiscal year 2015.
- Federal funds comprised more than 11% of the entire fiscal year 2015 State of Illinois budget.

(Source: Illinois 2015 Budget)

There were forty-nine (49) state agencies with grantmaking appropriations in fiscal year 2015. Of those agencies, ten (10) account for \$44.7 million or 95% of grant appropriations. The fiscal year 2015 State of Illinois budget included eight hundred and nineteen (819) grant lines ranging from \$400.00 to \$4.5 billion.

It is estimated that 6% of total revenues are lost to fraud, waste and abuse. Federal grant estimates of fraud, waste and abuse range from 10% to 26%. A mere 1% to 2% return on investment for Illinois would net \$500 million to \$1 billion. GATA provides a framework to allow state agencies to more readily identify anomalies that may lead to occurrences of fraud, waste and abuse.

GATA strives to reduce redundant administrative burdens. Analysis was performed on grantees receiving grants from two (2) or more social service agencies regarding two (2) required compliance activities: audit report review and on-site fiscal and administrative review. Based on the calculations, more than 350,000 labor hours for state employees (230 full time equivalents) were duplicated during one (1) fiscal year at a cost equal to or greater than \$33.7 million. This duplication is due to a lack of coordination within compliance activities and data not catalogued or shared among state agencies. For Illinois grantees, an estimated 250,000 labor hours (167 full time equivalents) were duplicated at an estimated cost of \$15 million.

The complexities of establishing a framework for state-wide compliance with statutory requirements of this magnitude necessitate a three (3) phase structure for implementation. The following section highlights each of the GATA phases:

Rulemaking Phase – Completed in Calendar Year 2015

- Subcommittees reviewed applicable state and federal regulations within the Uniform Requirements and in GATA in order to make informed recommendations to the GATA Steering Committee.
- Subcommittees made rule recommendations in areas where the state and federal regulations allow for flexibility (state rules can be more stringent).
- Subcommittees determined where additional requirements were needed for all grants.
- Subcommittees emphasized the need for flexibility for unique requirements of individual grant programs.
- Training topics were identified for curricula development to meet the needs of state grant making agency staff and grantee staff.
- High level technology needs were identified for the Implementation Phase.

Implementation Phase – Focus of Calendar Year 2016

- Based on the rules, Subcommittees established a uniform framework for statewide grant policies and procedures. Framework was developed to allow flexibility for unique requirements for individual grant programs.
- Subcommittees reviewed policies and procedures to ensure GATA objectives were met: lessen the administrative burden and remove duplication of effort among grant making agencies and their grantees.
 - Policies and procedures considered limitations of small providers and grant awards. Emphasis was placed on building capacity through training and technical assistance.
 - Policies and procedures considered the cost / benefit of monitoring required to meet the state and federal grant rules and regulations.

Monitoring Phase – Beginning in Calendar Year 2016

- Implementation is an ongoing process. GATU and the subcommittees are reviewing the rules, policies and procedures throughout the pre-award phase.
- GATU and the subcommittees are making necessary enhancements to rules, policies and procedures as issues are identified to ensure that the frameworks are working as intended and align with the objectives of GATA.

THE VISION OF GATA

GATA provides standardization that will eliminate the duplication of effort for audit report reviews, indirect cost rate negotiation, on-site reviews and training.

Goals and Objectives

- Assist state agencies and grantees in implementing the new Federal guidance at 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Requirements),
- Increase accountability and transparency while reducing redundant administrative burdens,
- Promote cross-sector cooperative efforts including both state agency and grantee input for rulemaking and implementation recommendations,
- Strive to maintain a uniform process throughout the entire grant life cycle by leveraging the Uniform Requirements,
- Optimize resources including coordination of grant-monitoring activities to promote efficient use of scarce resources,
- Focus on program outcomes,
- Provide training and technical assistance for state agency staff and grantees, and
- Assist grantees in using Uniform Requirements to build capacity and improve Illinois resources.

Guiding Principles

- Identify core requirements while recognizing the need for flexibility for unique program requirements. Uniformity is key. Do not manage by outliers.
- Create efficient and effective policies and procedures using a zero-based approach,
- Stay mindful of cost benefit relationships for small grants and the grant management requirements of state grantmaking agencies, and
- Identify interrelationships between workgroups and subcommittees and communicate to avoid duplication of effort and overlapping processes.

Strategic Plan for GATA Implementation

A GATA implementation plan includes twenty-eight areas of focus. For each area, deliverables have been defined, a GATU lead has been identified, and a prioritized target date has been established. The Strategic Plan for GATA Implementation is a framework for managing the scope of effort required to execute GATA and a guide for resource management.

The Timeline for GATA Implementation is provided in the Appendix. The implementation plan is structured around three categories of initiatives:

- Rulemaking Initiatives that require JCAR coordination to codify State of Illinois rules and the finalization state agency rules;
- Workgroup Initiatives associated with the scope of responsibility assigned to the GATA Workgroups and Subcommittees; and
- GATU Initiatives executed internally by GATU for state-wide implementation.

Under Rulemaking Initiatives, JCAR codification of Federal, Federal Pass-through and State rules are scheduled for completion in early 2017. Efforts to finalize Agency Rules to support the pre-award phase including federal exceptions, Illinois Compiled Statutes and/or Illinois Administrative Code are projected to continue through second quarter 2017.

Strategic Plan accomplishments in calendar year 2016 include:

- Grantee registration, pre-qualification;
- Grantee risk assessment differentiated between the centralized Fiscal and Administrative Internal Control Questionnaire (ICQ) and the individual Programmatic Risk Assessment;
- Templates for Uniform Notice of Funding Opportunity and Uniform Grant Application;
- Merit based review policy;
- Template for uniform budgeting;
- Development of the Catalog of State Financial Assistance;
- Evolution of the Illinois Stop Payment List;
- Development and implementation of an Exception Policy for federal Uniform Guidance and GATA;
- Development and implementation of the GATA Fund;
- Recommended performance metrics to measure GATA success;
- Templates for Uniform Grant Agreement and Inter-governmental Agreements;
- Curriculum and training delivery for federal Uniform Guidance and GATA; and
- Execution of stakeholder outreach.

The strategic focus for calendar year 2017 will include:

- Pre-award implementation - Continuous assessment and monitoring of the implementation phase to identify necessary improvements
- Post-award implementation including:
 - Centralized audit report review;
 - Coordinated on-site review;
 - Templates for periodic, uniform reporting of financial data, performance measures and year-end reporting; and
 - Implementation of an Information Warehouse to as the repository for the most frequently requested documents from grantees for monitoring purposes.
- Improvements to Pre-award Implementation including:
 - Monitor pre-award implementation and perform ongoing assessments; and
 - Identify and implement changes to enhance current pre-award templates, policies and procedures.

GATU's Strategic Plan will continue to be a working document. The Plan remains adaptable to support administrative priority and resource constraints.

It is recognized that target dates specified in the Timeline for GATA Implementation may require adaptation. GATU will manage milestones and contingencies to assure completion of required

tasks. Through regular GATU staff meetings and accountability to the GATA Steering Committee and ILSAC, GATU will remain proactive to the timelines and objectives and strive to educate and inform stakeholders throughout GATA implementation.

The GATA motto: “Successful grantees = Successful Illinois”

ILLINOIS IS A LEADER IN GRANT MANAGEMENT

National and International Recognition of GATA

Illinois is the first state in the nation to require the implementation of a comprehensive set of standards that mandate accountability and transparency throughout the entire grant life cycle.

The following examples highlight public awareness of GATA:

- The National Council of Nonprofits believes this Act should be the national model.
- COFAR and the President's Office of Management and Budget are encouraging other states to follow Illinois' lead.
- Federal Office of Management and Budget (OMB) recognized Illinois' vision under GATA and has raised our statewide efforts as a promising practice.
- GATA was showcased in a collective series of webinars hosted by COFAR on topics ranging from Subrecipient monitoring to indirect cost rates. Illinois was one (1) of two (2) states invited to participate in this webinars. A link to the webinars are provided as an Appendix to this report.
- States, including Texas, Colorado, Kansas, Kentucky, Florida, New York, Pennsylvania, North Carolina, and South Carolina have reached out to Illinois to discuss common business practices that can be addressed through uniform frameworks for grant management. Some states also requested guidance in passing and implementing legislation similar to GATA.
- Dialog with Canada has included a discussion of Illinois' grant reform model and accountability as a model of best practices.
- GATA training has been recognized as one of the most comprehensive sets of educational materials on 2 CFR 200. Other states are currently utilizing GATA training materials.
- The National Council of Nonprofits highlighted Illinois' centralized approach to indirect cost rate negotiations in its August 2016 online publication, Trends – Policy - Issues. A link to their article is provided as an Appendix to this report.
- Representative Bellock began working with the Commonwealth of Kentucky legislature to write grant reform legislation similar to GATA.

GATA IMPLEMENTATION ACCOMPLISHMENTS – 2016

Calendar year 2016 has been challenging in many respects. Without a full-year budget, GATU, state agency and grantee efforts have been strained, but significant strides have been made towards improving the grant process through the development and implementation of rules, best practices, and the identification of technology solutions.

GATU has been operational for two (2) calendar years. Four (4) full-time equivalents staff the Unit. Joint efforts from the grantee community, state agencies and their individual staff members have been invaluable. Subcommittee volunteers have allowed input from both the grantee and state agency perspective in the deliberations for the rulemaking and implementation phases. GATU recognizes the efforts of over 200 people that serve on the subcommittees, including 60% from the state agencies and 40% from the grantee communities. The majority of the work of these subcommittees has focused on post-award during calendar year 2016. The subcommittee work has been and will continue to be involved, but the differing perspectives are needed to understand the details of grants from the viewpoints of the grantmaking state agencies and their respective grantees.

As statutorily mandated by GATA, GATU is developing a framework for grant management success. This is a new territory and Illinois is the first state in the nation to attempt this following the federal government's adoption of 2 CFR 200. In charting this new territory, GATU and its volunteers have been careful to adhere to the goals and objectives of the Act. The following sections highlight calendar year 2016 accomplishments related to the implementation of the pre-award phase of the grant life cycle.

Grant Accountability and Transparency Unit

Throughout calendar year 2016, GATU provided technical assistance and interpretations or policy requirements to ensure effective and efficient implementation of this Act by State grantmaking agencies. GATU worked with state grantmaking agencies to review and approve exception to the requirements of the Act and wrote policy and procedure governing criteria to be considered when requesting an exception.

During 2016, the methodology for the allocation of GATA expenses was approved by the State of Illinois Federal Cognizant Agency for indirect costs. The federal government allows the use of administrative funds provided under existing and future State and federal pass-through grants.

GATA Funding Mechanism – the GATA Fund

A revolving fund has been implemented. The revolving fund will pay for the cost of GATA and allocate those costs based on budgeted estimates for the functions for GATA. The revolving fund allows GATA to charge each agency for estimated costs and allows for a true up during the final quarter of the fiscal year.

Actual costs incurred for items including GATA staff, and the agency's portion of centralized and contract costs include:

- indirect cost rate negotiation;
- audit report review;
- Grantee portal including grantee registration, validation and pre-qualification including assessing the risk posed from a fiscal and administrative perspective;
- maintenance of the Catalog of State Financial Assistance including the assignment of a Illinois Cognizant Agency;
- training and technical assistance to grantees and state agency grant administrative staff;
- coordination of on-site reviews, including design and implementation of standardized review protocol, reporting, corrective action and distribution of information;
- maintenance of state and federal general grant rules;
- development and maintenance of the Grantee Compliance Enforcement System and the Illinois Stop Payment List;
- design, development and maintenance of statewide monitoring systems and interfaces with the statewide Enterprise Resource Planning (ERP) System;
- design and negotiation of the cost allocation plan for GATA with the federal government including writing the Advance Planning Document; and
- on-going monitoring and assessment of GATA.

The variable portion of the agency's charges will be determined based on the number of grantees provided services for the centralized functions of GATA. When a grantee has grants with multiple agencies the amount charged to the agency will reflect the proportionate share. The fixed expenses will be based on the number of programs administered by the state agency.

Coordination with Chief Accountability Officers

To effectively implement GATA in state agencies, each grant making agency assigned a Chief Accountability Officer (CAO). A list of CAOs is provided as an Appendix to this report. The CAOs are a contact point between the agency and GATU and are also responsible for agency engagement in GATA implementation tasks necessary for their agency's successful implementation.

Coordination with GATA Agency Advisory Group

The GATA Agency Advisory Group representing the eight (8) largest grantmaking agencies was established in May 2016. This group serves as state agency advisors to GATU during the statewide implementation and monitoring phases. The role of this group was elevated as grantees and front-line agency personnel needed additional support disseminating and applying pre-award frameworks.

The Advisory Group discusses implementation issues in detail and supports best practices sharing to strengthen support for the administrative changes necessary to ensure compliance with federal regulations in 2 CFR 200.

Coordination with Agency Subject Matter Experts for Indirect Cost Rate Negotiation

Because of the need for state agency personnel to assist their grantees with indirect cost rate negotiations and the application of the negotiated rate to budgets and billings, it was determined that indirect cost rate negotiation Subject Matter Experts (SMEs) were needed in addition to the GATU training provided. The SME group meets weekly in an open forum to discuss:

- Applying the negotiated rate to grant award budgets;
- Centralized Indirect Cost Rate System (CICRS) navigation and improvement;
- Indirect cost rate restrictions, caps, ceilings and limitations;
- Clarifications on complex issues; and
- Unique situations on the application of cost principles.

Uniform Rules and the JCAR Process

GATU adopted an initial sets of rules for the Grant Accountability and Transparency Act by the Joint Committee on Administrative Rules (JCAR). The effective date of the first set of rules is July 24, 2015.

A subsequent set of rule which includes state wide policy for the pre-award phase of the grant life cycle is under development with the Secretary of State's Indexing Division. It is anticipated that the filing of the updated JCAR rules including the pre-award implementation will be submitted in January 2017.

Adoption of Supplemental Rules for Grant Management

Through Administrative Rules, GATU proposed supplemental rules on multi-year grants and supplemental rules for advance payments.

Multi-year grants, grants must be limited to a one-year term unless the program has been in existence for five (5) years and the grantee has at least five (5) years of experience administering grants (from any source). Multi-year grants are limited to a three (3) year term - one-year initial term with the option to renew for up to two (2) additional years. Agencies have been advised by GATU to use a rolling multi-year schedule to manage the administrative responsibilities of re-bidding. Under eligibility terms, agencies have discretion to stagger the grant terms and subsequent renewals.

Advance payments shall be limited to two (2) months of estimated expenses in accordance with the actual, immediate cash requirements of the grantee to carry out the purpose of the grant. Advance payments must be reconciled to actual expenses on a monthly basis or prior to the next payment.

GATA Website - www.grants.illinois.gov

The GATA website, www.grants.illinois.gov was publically released in 2016. From this website, the public can access overview information about GATA and the Grant Accountability and Transparency Unit administering GATA, an extensive Resource Library, twelve (12) webinars

delivered during 2016, and more than twenty (20) training presentations on Federal Uniform Guidance and GATA.

From the Grants tab of the website, the public can access notices of funding opportunities and will soon view the CSFA.

Entities initiate registration from the Grantee Links tab of the website. The four-step process of registration, pre-qualification and risk assessment is clearly described and links are provided for ease of access to the automated forms.

The website also serves as our education mechanism for the State Indirect Cost Rate System. Because of the complexities of indirect cost rates and federal Uniform Guidance's emphasis on promoting grantee claiming of indirect costs, GATU is heavily emphasizing indirect cost rate training materials, webinars, supporting documents and instructional guides throughout its website. Materials can be accessed directly from the home page and through various page views based on search criteria.

As of December 8, 2016, the GATA website has received 47,032 hits. We recognize the significance of this internet traffic as the website is GATU's primary medium for stakeholder outreach. Based on the number of visitors to the site, it is apparent that the website is highly utilized. GATU is committed to update the website regularly and welcomes feedback on how the site can be more functional and user friendly to all stakeholders.

Catalog of State Financial Assistance

GATA requires a state catalog of grants similar to the federal Catalog of Federal Domestic Assistance (CFDA). GATU has developed a Catalog of State Financial Assistance (CSFA) as the single, authoritative, statewide, comprehensive source document of state financial assistance program information. The CSFA establishes a complete, centralized list of state and federal grants available in the State of Illinois. The release of the CSFA has been delayed to funding limitations. Fiscal year 2015 is the last full year of funding.

There are two (2) parts to the CSFA: the public-facing site and an internal database available to authorized state personnel. The public CSFA site includes seventeen (17) data elements required for each financial assistant program. Through CAO coordination, agencies have populated the CSFA with all federal, federal pass-through and state awards received. Each award is automatically assigned a CSFA number for management tracking purposes.

The internal CSFA data includes all information from the public CSFA site and additional grant-related data required for GATA life-cycle grant management. Agencies are currently compiling specified grantee data under each CSFA number. This grantee data is required for GATU to identify State Cognizant Agencies. State Cognizant Agencies have a vital role in indirect cost rate negotiations, audit report corrective actions, and grantee monitoring functions.

State agencies record program-specific exceptions and exemptions into the internal CSFA for management purposes. State agencies also have the functionality to generate public notices of funding opportunities directly from the CSFA.

Additional fields will incrementally be added to the internal CSFA. Data fields to track grant awards at the Federal Award Identification Number (FAIN) level and to associate appropriations and expenditures to a specific CSFA will be incorporated. Overview documentation and promotional efforts will be undertaken to support the public release of the CSFA.

Grantee Compliance Enforcement System - Illinois Stop Payment List

GATA is utilizing a statewide Grantee Compliance Enforcement System to drive compliance with grant requirements. Federal guidance on enforcing a stop pay framework is provided at 2 CFR 200.338.

The Act requires the Governor's Office of Management and Budget (GOMB) to maintain a list of the names of individuals and entities that are temporarily or permanently ineligible to receive an award of grant funds from the state. The list, termed the Illinois Stop Payment List, is a component of the Grantee Compliance Enforcement System. The Illinois Stop Payment List was modeled after the Federal Do No Pay List, and establishes statewide uniformity in managing grantee non-compliance. The Illinois Stop Payment List was introduced in December 2015. This phase establishes a uniform, statewide framework for administering the Illinois Stop Payment List. A standard process has been defined for state agencies prior to the issuance of a Stop Pay Status.

The Illinois Stop Payment List serves as a central repository of any individual or entity found to be ineligible, either temporarily or permanently, to receive grant funds. As of December 9, 2016, the list contains 974 entities on Stop Payment Status. The List is maintained internally and available to authorized state personnel. It promotes cross-agency information sharing to improve risk assessment processes and enhance fiscal management transparency. Management tools were developed to track agency utilization of the Illinois Stop Payment List and to quantify benefits received through application of Illinois Stop Payment List.

Due to technology limitations, statewide payments cannot be blocked at this time. However, automated notices to the applicable state agency are generated when a payment is initiated to an entity on the Illinois Stop Payment List. It is incumbent on state agencies to refer to the Illinois Stop Payment List before they enter into or modify grant agreements.

Grantee Registration and Pre-qualification

Effective for fiscal year 2017 awards, all entities must register with the State of Illinois through <https://www.illinois.gov/sites/GATA/Grantee/Pages/default.aspx> to be eligible to receive a grant award from a State agency. As of December 12, 2016, 3,422 grantees have completed the registration process and been notified of a pre-qualified status.

During FY17, entities can complete the application process before registering. Beginning in fiscal year 2018, the registration and pre-qualification must be completed prior to submitting a grant application.

Registration is a simple, automated process that requires the entity to enter:

1. Organization name and address;
2. Contact information for the organization's representative;
3. Dun and Bradstreet (DUNS) number; and
4. Federal Employer Identification Number (FEIN) number.

Based on the information provided by the entity, pre-qualification includes a federally required pre-award verification of the following: active DUNS number, active FEIN, verification of an active SAM CAGE code, good standing with the Illinois Secretary of State (if applicable – Counties and Municipalities are not required to be registered with the Illinois Secretary of State), Federal excluded parties list, and the Illinois Stop Payment List. Illinois has automated these verifications through www.SAM.gov, a federal clearinghouse. (As federally required, all entities must have an active SAM CAGE code which is available from www.SAM.gov.)

A real-time registration response is returned confirming that the entity is 1) qualified for a grant award, 2) not qualified but can remediate the specific issue, or 3) not qualified due to a debarred status. Entities are required to register once annually. (Under prior federal regulation, agencies were mandated to perform similar verifications. New procedures centralize and automate the verification eliminating agencies from performing separate verifications.)

Due to budget constraints, GATU utilized DoIT resources to develop internal systems for grantee registration and pre-qualification. By leveraging the federal clearing house, www.SAM.gov, for automated grantee verifications, GATU was able to save approximately \$325,000 during fiscal year 2017.

Grantee Risk Assessments

Grantee risk assessments continue to be required under federal Uniform Guidance adopted under GATA. New regulations require the assessment to be conducted prior to awarding a grant. The financial and administrative risk assessment or *Internal Controls Questionnaire* (ICQ), has been centralized and is performed once for each grantee through an automated questionnaire. Entity registration triggers an email to the entity with a link to the ICQ. As of December 12, 2016 3,206 grantees have completed and received notice that their ICQ has been accepted. The ICQ calculates the fiscal and administrative risk profile of the grantee. The results of the centralized ICQ are shared with all state awarding agencies. Specific conditions may be imposed if the grantee is determined to be higher risk. The Notice of State Award (NOSA) distributed by the agency prior to the grant agreement communicates applicable specific conditions. During the first year of implementation, it is clear that additional training on fiscal and administrative internal control is needed for state agency staff and grantees. The internal control training will be added to GATU's training curriculum for fiscal year 2018.

A programmatic risk assessment is grant specific and therefore required for each grant application. The awarding agency is responsible for administering the programmatic risk assessment. Similar to the ICQ, specific conditions may be imposed and will be communicated through the NOSA.

It is estimated that the State of Illinois will save approximate \$530,000 by centralizing the fiscal and administrative ICQ framework. An additional \$450,000 will be avoided through the use of State Cognizant Agencies assigned to review the ICQ on behalf of all agencies funding the grantee.

Approximately 50% of all grantees receive grants from two (2) to five (5) state agencies. Additional savings and cost avoidance are projected in future years. Just as the results of the ICQ are shared, the ICQ cost will also be shared among all awarding agencies. And, GATU will continue to work with grantees to estimate grantee cost avoidance associated with completing one ICQ applicable to all state agencies versus separate ICQs for each awarding agency. These additional cost savings and cost avoidance measures will be computed and reported in next year's GATA Annual Report.

Notice of Funding Opportunity (NOFO) and Uniform Application

A public notice is still required for all competitive or discretionary grants. Public notices are not required for statutorily authorized funding. The funding source dictates whether the award must be competitively let and the State awarding agency communicates the application requirements for each program it administers. A uniform Notice of Funding Opportunity (NOFO) template was implemented to comply with federal public notification requirements. If the award is competitive, a NOFO will alert the public of the available funds. The awarding agency customizes the NOFO to include program-specific requirements. A uniform grant application template customized by the agency was also implemented. NOFOs and applications are available from the State awarding agency.

During fiscal year 2017, all grants that could be competitively awarded were required to utilize a public notice compliant with federal Uniform Guidance. As a result, state agencies saw an increase in competition for grant awards as more entities applied for select funding opportunities. GATU has been informed of instances where competition allowed the agency to obtain better pricing for required services or expanded services at the same cost. Illinois' compliance with public notices also emphasized to the grantee community that, unless statutorily mandated, grants will be awarded competitively based on the merits of the application. (GATU is continuing to work with state agencies to quantify savings associated with a competitive award process. It is anticipated that a GATA performance measurement will be reported under this element in the 2017 GATA annual report.)

Uniform Grant Agreement

A uniform grant agreement template was implemented for fiscal year 2017. There are three (3) parts to the agreement. Part 1 is uniform for all state agencies. Part 2 is unique to the state agency awarding agency. Part 3 is grant-specific. The text of the grant agreement must take into account statutory-driven requirements. The State awarding agency communicates the grant agreement requirements for each program it administers.

Budget Template

A uniform budget template was implemented for fiscal year 2017. As required by GATA, the most frequently used detailed line items were incorporated into the budget template. To ensure flexibility where federal grants require additional line items, the grantmaking agency can add lines to the template.

Centralized Indirect Cost Rate Negotiation

Federal Uniform Guidance allows grantees to charge indirect costs to grants, unless such costs are statutorily restricted or exempted by the funding source. Illinois received permission from the federal government to centralize negotiation of indirect cost rates instead of requiring each agency to separately negotiate with their grantees. It is estimated that 85% of Illinois' grantees are receiving grants from more than one state agency. The cost savings resulting from this centralization will be substantial. The centralization of indirect cost rate negotiations has been heralded as a promising best practice by Federal OMB.

Under federal regulations, indirect cost rates must be negotiated annually on behalf of Illinois grantees and State agencies through the centralized indirect cost rate system. Once registration is completed and the ICQ has been accepted, the entity will be invited to the centralized indirect cost rate system. A grant award must be pending or executed to complete the centralized indirect cost rate process.

As of December 12, 2016, 2,074 grantees have received an invitation to the centralized indirect cost rate system. Of that total, 1,148 grantees have negotiated an indirect cost rate or made an indirect cost rate election as follows.

- Approximately 50% have elected the De Minimis Rate.
- Approximately 27% of the grantees will not claim indirect costs.
- Approximately 12% will utilize a federally negotiated rate.
- Approximately 10% are negotiating a rate with the State of Illinois.

Of the 926 remaining:

- Approximately 71% have not accessed the system, yet.
- Approximately 21% are in the system but have not made an election, yet.
- Approximately 7% are awaiting notification of their fiscal year 2017 award from the state agency.

If grantees do not select a rate, they will not be allowed to charge any indirect costs to their grants in fiscal year FY17. Therefore, GATU estimates that approximately 50% of the grantees who have not yet made an election will select the De Minimis Rate before the fiscal year 2017 deadline. As more grantees become familiar with the indirect cost rate process, it is anticipated that a larger percentage of grantees will negotiate a rate with the State of Illinois.

It is anticipated that the State of Illinois will avoid approximately \$6 million by centralizing indirect cost rate negotiations. By centralizing this function, grantees negotiate or make an indirect cost rate election once and that rate will apply to all state agency awards. GATU recognizes that some funding sources impose statutory limitations or caps on indirect costs. The framework for Illinois' indirect cost rate system is built to accommodate this flexibility.

Due to the complexities of indirect cost rates, GATU has developed comprehensive trainings to support grantees and state agencies. Entities are strongly encouraged to review supporting materials from www.grants.illinois.gov.

Each grantee is assigned a state cognizant agency who is responsible for accepting negotiated indirect cost rates. The roles and responsibilities of state cognizant agencies for indirect costs include:

- Assist Contractor in obtaining incomplete submission information;
- Participate in the Appeals Process;
- Assign Subject Matter Experts for advance training;
- Apply NICRA and De Minimis rates to the budgets, billing, and reporting;
- Assign main contacts to GATU for technical assistance;
- Maintain a complete listing of all federal and state indirect cost limitations and salary caps for inclusion in the Catalog of State Financial Assistance;
- Provide information for FAQs; and
- Serve as the internal source for questions specific to individual grant programs.

Exceptions to Federal Uniform Guidance and GATA

GATA modeled its exception process after the federal process. If the federal awarding agency has an approved exception from OMB, GATA will accept that exception. 2 CFR 200.101 cites types of awards with exceptions to Federal Uniform Guidance. All cited exceptions apply to federal and federal pass-through awards. If Illinois funds an equivalent program, the state award will be subject to the same exceptions as the federal award it mirrors.

State agencies will complete and submit a "GATA Request for Exception Form" which must include the statutory federal or state reference authorizing the exception. All exceptions must be based on statutory authority. GATU will review all Requests for Exceptions and consult with the Governor's Compliance Office as necessary for final determination on the exception request. GATU shall provide written notice of exception to the requesting State agency. All exception shall be requested in writing from the State Agency and authorized in writing by GATU in the

official Notice of Exception. Based on the Notice of Exception, State agencies are required to record the exception(s) in the CSFA, the NOSA and the Uniform Grant Agreement.

To date, GATU has approved approximately 300 program exceptions. The majority of the exceptions fall into one (1) of 4 (four) categories:

- The award by definition is not a “grant;
- 2 CFR 200.101 exempts this type of program;
- The award is a payment to a beneficiary; or
- Statutory parameters restrict or limit indirect costs.

All federal, federal pass-through and state-funded programs will be assumed to be subject to Federal Uniform Guidance and GATA unless a Notice of Exception has been distributed to the State Agency.

GATA Communications

Effective communication continues to be a fundamental focus of GATA. Ongoing communication is especially important to the state agencies implementing new compliant frameworks and grantees striving to be compliant with the requirements. In April of 2016, GATU individually met with leadership and key program and fiscal personnel of the largest grantmaking agencies to walk through the new pre-award framework and templates implemented for the fiscal year 2017 grant award process. The engagement of state agency leadership and their commitment towards compliance with the federal Uniform Guidance and GATA was critical to implementing the new pre-award framework.

During calendar year 2016, GATU delivered 12 webinars and more than 20 training sessions, and organized many stakeholder meetings to educate and inform around federal Uniform Guidance and GATA. GATU continues to release its own newsletters (posted on our website, www.grants.illinois.gov) promoting implementation efforts. Throughout the year, stakeholders have requested GATU representatives to speak with various state agency groups, not-for-profit organizations, community-based organizations and associations representing specific facets of the grantee community. The opportunity to directly address stakeholder questions and emphasize Illinois’ approach to comply with federal requirements has been invaluable. GATU is grateful for these engagements and the resulting partnerships.

The GATU Director has also emphasized the impact of GATA to the Illinois CPA Society and state internal auditors in preparation for the changes they must be aware of in their capacities as fiscal agents and/or auditors.

OBSTACLES REALIZED / LESSONS LEARNED DURING 2016

Complexities of Cost Principles and Negotiating Indirect Cost Rates

Under federal Uniform Guidance, the pass-through agency (state grantmaking agency) is required to negotiate an indirect cost rate with the subrecipient (grantee). Cost principles and the process to prepare and negotiate an indirect cost rate are very complex and require a basic to intermediate level of fiscal and accounting knowledge. As a result, many grantmaking state agency staff and their grantees have difficulty understanding fundamental concepts such as the identification of direct and indirect costs.

This is a nation-wide issue, not limited to Illinois. OMB has provided webinars on the topic – promoting Illinois’ centralized indirect cost rate negotiation framework as a promising practice. In addition, GATU has devoted significant time to provide training and support materials on cost principles and indirect cost rates and technical assistance to both grantees and state agencies on the application of cost principles.

Although many resources have been devoted to this area, GATU is concerned that its grantees lack the basic and intermediate fiscal and accounting knowledge to fully comprehend the training. A more rudimentary level of basic principles is needed as a pre-requisite to GATU’s indirect cost rate training. Both the National Council of Non-profits and GATU believe this fundamental training is not the responsibility of the pass-through agency. GATU is working with the National Council of Non-profits to provide additional basic and intermediate training courses to assist the state in addressing this issue.

In addition, GATU has established a state agency Cost Principles Subject Matter Expert group to assist agencies in addressing basic to complex nuances in applying rules that govern cost principles and indirect cost rates. These Subject Matter experts convene regularly and are supported by GATU’s Indirect Cost Unit.

Need for Fiscal Agent Assistance Among Select Grantees

Through GATU’s implementation of the ICQ to assess the fiscal and administrative risk profile of the grantees and the Indirect Cost Rate System, the need for fiscal agent assistance among select grantees has become quite pronounced. GATA recognizes that strength of program delivery is not negated by a limited fiscal capacity. However, it is critical that the fiscal requirements of the grantee be executed by someone with the knowledge, experience and skill set to effectively perform fiscal functions.

Based on first-year experience with the ICQ and indirect cost rate negotiations, GATU is developing fiscal agent qualifications that will be applicable for fiscal year 2018 grant awards. These qualifications will be shared with the grantee community to aid and advise grantees in the selection of a fiscal agent. GATU recognizes that it cannot suggest or recommend specific individuals or entities for the fiscal agent function. By developing standard fiscal agent qualifications, GATU intends to support grantees seeking fiscal assistance in obtaining an individual / entity qualified to meet the compliance requirements under federal Uniform Guidance and GATA.

Need for Centralized Grant Compliance Unit within State Agencies

Many state grantmaking agencies do not have a centralized grant management and monitoring unit. This is problematic because adequate separation of duties may not exist within the responsibilities of:

- awarding grants,
- managing grant performance,
- monitoring the execution of grant,
- overseeing fiscal and performance reporting requirements,
- oversight of grant close out, and
- review and acceptance of corrective action plans.

Due to staffing limitations within the state agency, there are instances where the same individual is performing many if not all of these functions. This increases the likelihood that fraud, waste and abuse is occurring and would go undetected either deliberately or due to inadequate oversight.

Under GATA, select grant management functions are being centralized through GATU or within the state cognizant agency. This creates opportunity for existing positions, formerly staffed at the state agency, to be redirected to other grant management functions. It also creates a platform for reviewing other grant management responsibilities to assess personnel qualifications needed to perform those responsibilities. GATU recognizes that many state agencies lack headcount necessary to perform the scope of grant oversight envisioned under federal Uniform Guidance. It is equally noted that staff qualifications may not align to the roles and responsibilities needed for effective and efficient grant management. The skill sets under existing personnel code titles does not take into account the complexities of administering federal Uniform Guidance. GATU will address the need to establish new grant administration titles with appropriate minimum education requirements and proficiency levels. The evolution of centralized grant compliance units within state agencies will be a significant undertaking. GATU is committed to collaborating with state agency leadership towards this initiative.

ERP / Lack of Grant Management System

To the fullest degree possible, GATU is utilizing automation within the uniform framework for life cycle grant management. Where functions are centralized, a single technology solution has been designed and implemented. However, many grant management functions are inherent to the awarding agency and therefore tied to the computer systems available to that agency. Because all state agencies operate from their own systems, including accounting software and grant management platforms, significant efficiencies cannot be realized even though statewide policy has been articulated. Each agency must update their individual protocols, technology solutions and operating structures to support the policy direction dictated under federal Uniform Guidance and GATA.

The State of Illinois is working towards implementing a statewide grant management system. Until such system exists, state agencies will have to maintain existing technology and protocols to comply with federal and state requirements for grant management. The State's ERP solution

does not appear to have a comprehensive grantor solution. Research on off-the-shelf grant management systems indicates that these systems do not address all federal uniform guidance requirements for pre-qualification and monitoring. Therefore, GATU's centralized systems and state agency systems that feed into the centralized systems must be maintained to ensure full compliance with federal requirements.

Through a single ERP solution, documented administrative rules will be the basis for the single technology solution that will apply to all state agencies. Because federal Uniform Guidance evolves, the ERP solution must be adaptable to support changes and clarifications provided by the federal government.

Learning Management System

GATU anticipated purchasing a learning management system (LMS) early in calendar year 2016 to coordinate and manage access to GATA webinars and trainings. Due to budget constraints, this purchase did not occur. As a result, GATU had to limit the number of webinar participants based on parameters of an existing Adobe Connect license. Additional state agency personnel and representatives from the grantee community required training so webinars and supporting documents were posted to the GATA website, www.grants.illinois.gov.

By posting webinars directly to the website, GATU was not able to control or record who viewed these materials. A count of webinar "hits" based on website statistics is available. To date, the Webinars tab of the website has received 18,923 hits. It is estimated that GATA webinars have been viewed from our website more than five and half times the number of people who participated in the live original webinars.

Comprehensive training on federal Uniform Guidance is highly valued as evident by the market price of available training. On average, in the marketplace, a day of general training on Uniform Guidance ranges from \$300 – 400 per day. GATU estimates it provided 14 hours of webinar training during calendar year 2016. During a full day of pre-award training in March 2016, GATU trained approximately 1,400 people (1,000 registrants plus 400 participants at hosted sites.) By providing this one day of training internally, the State saved approximately \$420,000 in training costs (1,400 people at \$300 a day) and additional savings by not incurring travel-related expenses.

GATU training has been recognized by the federal Office of Management and Budget (OMB), the US Council on Financial Assistance Reform (COFAR), and by other states as among the best in the industry. Once a LMS system is acquired, the State of Illinois might consider charging third parties (e.g., entities that are not grantees or state agency personnel) for GATU webinars and supporting materials with the proceeds offsetting the cost of GATA.

In preparation for fiscal year 2018 grant awards, GATU will provide webinars for the pre-award and post-award phases. GATU was able to purchase a larger Adobe Connect license raising the participant count from 100 to 1,000. Alternative approaches to control access to webinars and training materials posted on the website are being considered, as are additional electronic management tools to exactly track participants' attendance.

Perception: Requirements Driven by GATA vs. Federal Uniform Guidance

One of the biggest misconceptions among state agencies and grantees is that GATA is setting forth grant management rules for the State of Illinois. GATA adopted the federal rules for both federal and state grants. For uniformity, GATA allows the same rules that are applied to federal and federal pass-through grants to also apply to state grants.

It is estimated that nearly 90% of state funding is used for matching and maintenance of effort requirements as a condition of federal funding. Therefore, a very small amount of grant funds are subject to federal rules that would not have been prior to GATA.

GATA is removing redundancies and making state government more efficient statewide. State agencies are subject to federal Uniform Guidance with or without GATA. The framework of GATA simply provides a format for state agencies to be compliance. Many stakeholders are now seeing these results. It is becoming more apparent as we progress through the implementation phases and as technology solutions are finalized.

Inconsistent / Erroneous use of the term “Grant”

There are occurrences where the allocation of taxes and fees without restrictions on the use of the funds is incorrectly described in statutory language as a Grant. For example, the Illinois Racing Act of 1975 (230 ILCS 5/27a-5) references the distribution of “purse grants” from the Quarter Horse Purse Fund associated with a pari-mutuel tax imposed on advance deposit wagering. In this and similar instances, statutory language should not classifying these allocations of taxes and fees as “grants”.

This is further complicated due to the lack of detail object codes for Grants and Awards including non-grant expenditures. Prizes at the Illinois State Fair, for example, are coded under Grants and Awards, when these payouts are clearly not intended to be grants. A dedicated detail object code should be established at the IOC to isolate grant awards for more strategic grant management.

Request for GATU Systems, Indirect Cost Rate Negotiation and Training

GATU staff have received numerous requests from grantees to use the pre-qualification, ICQ and indirect cost rate negotiation frameworks. These requests have been initiated by grantees and their subrecipients, counties and municipalities, and external third parties who do not directly receive state and federal pass-through funding from the state of Illinois. Other states and government entities are also requesting to use GATU’s training and webinar materials due to their comprehensive coverage of these federally mandated topics.

As entities develop a better understanding of the federal requirements, they recognize the value of the centralized frameworks Illinois is developing under GATA. GATU is deliberating how the State might be able to offer these components for an administrative fee which could be applied to offset the cost of GATA.

GATA IMPLEMENTATION FOCUS FOR CALENDAR YEAR 2017

GATU's focus for calendar year 2017 is implementation of post-award processes and the ongoing monitoring and continuous improvement of pre-award processes implemented in calendar year 2016. The following sections highlight the 2017 implementation focus for GATU and its stakeholders.

Centralized Audit Report Reviews

A contract has been awarded to centralize the review of the audit reports of grantees receiving state, federal and federal-pass through funds from the State of Illinois. Uniform audit requirements have been established for all grantees, including for-profit entities. The audit report review protocol and requirements for a case management system are expected to be finalized by the end of January 2017.

The reasons for outsourcing the audit report reviews is twofold. One reason is the cyclical nature of the report submission and required review. Approximately 70% of the audit reports are due at the same time. Under federal regulations, the state is required to review the audit report and issue a management decision on the acceptance of the report and the corrective action plan within 180 days. The second reason is the lack of qualified staff to conduct a thorough review to determine if the audit report meets the required standards in an efficient and effective manner. On average, it takes one to two days of state staff time to review an audit report. Under the contract, the cost per audit report review is \$180 for a financial statement audit and \$280 for a Single Audit. This will result in substantial cost savings as Illinois awarded approximately 33,000 grants to approximately 5,600 unduplicated grantees in fiscal year 2015.

Full implementation of the centralized audit report review process will start July 2017. Currently based on the last fully funded fiscal year of 2015, it is estimated that approximately 83% of grantees receive funding from 2 or more state agencies. Each agency would review the audit reports individually. This would result in audit reports being reviewed up to 5 times per grantee. Under GATA centralization, a review will be performed once with results shared. This will eliminate hundreds of thousands of duplicated labor hours.

Another area that resulted in duplication of effort is the review and approval of corrective action plans. Many times the corrective action plan would be accepted by one or more agencies but rejected by others which resulted in numerous iterations. This would require the grantee to re-write the corrective action unnecessarily to gain approval of all funding agencies. The centralized framework will require all state agencies to collectively agree on the grantee's correction action plan. This will greatly reduce time and effort of the grantee in responding and implementing necessary corrective action plans.

The result and cost savings of this centralized framework will be reported in future annual reports, once a full fiscal year of results are available.

Framework for Grantee Monitoring and On-site Reviews

The fiscal and administrative on-site review process was analyzed to remove redundancies when a grantee receives grants from multiple state grantmaking agencies. Under federal Uniform Guidance, pass-through grants require monitoring and management. Since the fiscal and administrative requirements are basically the same regardless of the grant program it was determined that the fiscal and administrative on-site reviews could be conducted once and shared by all state grantmaking agencies.

Fiscal and administrative on-site reviews are required when a grantee is deemed to be high risk based on the overall grantee risk profile. To standardize policies and procedures for conducting the fiscal and administrative on-site reviews, a uniform grantee risk profile was developed. This included the uniform fiscal and administrative risk assessment internal control questionnaire, an assessment of previous performance, and a review of prior audit findings or other regulatory reviews.

The next step is the development of a fiscal and administrative on-site review protocol. In developing the protocol, reliance is placed on the audit conducted. It will take into consideration areas covered in the audit tests performed to ensure areas tested are not duplicated in the fiscal and administrative on-site review. However, the fiscal and administrative on-site review requires follow up on the status of prior year audit findings and their corrective action plans.

Each cognizant agency is responsible for conducting the fiscal and administrative on-site reviews for their assigned grantees. The uniform fiscal and administrative on-site protocol and report template will be used and the results will be share with all state grant making agencies that provide grant awards to the grantee or subrecipient. This will eliminate the other agencies from conducting duplicate fiscal and administrative on-site reviews.

To promote coordination, electronic workpaper software will be procured to assist in efficient scheduling, tracking, and distributing of results from the fiscal and administrative on-site reviews. The coordinated fiscal and administrative on-site reviews will be implemented in fiscal year 2018.

Information Warehouse

During the Management Improvement Initiative Committee (MIIC), the Central Repository Vault (CRV) concept was developed and implemented. It enabled the state's human services agencies to centrally file grantee documents required for grant processing and monitoring. During calendar year 2017, GATU will expand on the functionality of the CRV and establish a centralized, statewide information warehouse so all state agencies can access commonly requested grantee documentation. A statewide information warehouse will create efficiencies by enabling grantees to submit documents once and allowing state agencies to access the common documents from the centralized database on demand. As experienced with MIIC, the percentage of time to conduct site reviews will diminish as state agency personnel we be able to perform more efficient desk reviews. This will result in a reduction in travel expenses associated with required monitoring activities.

Uniform Reporting Template

Based on the detailed line items of the budget template, a uniform financial reporting template will be finalized. The financial reporting template will be used for required periodic reporting including monthly, quarterly and close out. The template will also be used for budget to actual reporting and required performance reporting.

Pursuant to federal Uniform Requirements adopted under GATA, grantees will be required to articulate and quantify, where possible, performance objectives against actual accomplishments. A computation of the cost per unit accomplished must be required if the information is deemed to be useful by the awarding agency. The state agency may also require other types of information under performance report, such as trend analysis, reason why established goals were not met, and analysis of cost overruns or high unit costs.

A Standard Annual Financial Report will require each grantee to report all state and federal pass-through grants received from Illinois within one reporting template that must tie out to audited financial statements. The annual report will require an “In relation to” opinion be provided by their auditors. This Annual Financial Report was required under MIIC and was found to be a very useful report for both state grantmaking agencies and the grantee’s management.

Fiscal Agent Qualifications

As previous discussed, potential grantees may be determined to have inadequate fiscal capabilities. Pursuant to federal Uniform Guidance sub-section 207, a state agency may require the grantee to obtain fiscal agent services so that the grantee has the capacity to comply with fiscal and administrative requirements of the grant.

To support the utilization of fiscal agents, GATU will establish guidelines for the roles and responsibilities of grantee fiscal agents and articulate a set of standard qualifications for fiscal agents. These parameters will aid the grantee community in selecting and managing the entity performing fiscal agent functions on their behalf. A working group of state agency personnel and representatives from the grantee community will be charged with developing fiscal agent qualifications and statewide supporting implementation.

TRACKING GATA PERFORMANCE

Grantee Performance Reporting

Federal Uniform Guidance (2 CFR 200.301) mandates grant performance reporting. Effective with fiscal year 2017 grant awards, all grant agreements must include performance measures and performance standards. Performance measures and subsequent standards are unique to each grant program and therefore set by the grantor state agency. To aid state agencies in developing, analyzing and using performance data, the Performance Measures Workgroup is developing Performance Measurement Guidance for State of Illinois Grant Programs. This guidance will highlight best practices at the federal and state level to assist Illinois in formalizing grant performance oversight into the spectrum of statewide grant management functions.

The Performance Measures Workgroup will also coordinate with the Performance Reporting Workgroup to ensure a cohesive approach to periodic grantee reporting. In accordance with federal Uniform Guidance, the state agency must require the grantee to relate financial data to performance accomplishments of the state award. A uniform template for financial and performance reporting will be designed and implemented in calendar year 2017.

GATA Performance Reporting

Section 95 of GATA specifies the performance measures to be used to evaluate the efficiencies, cost savings and reductions in fraud, waste and abuse as a result of the implementation of this Act. GATA-level performance measures enable the State of Illinois to identify if the intended goals of the Act are being accomplished. During the monitoring phase, enhancements will be made to improve and streamline the grant management framework implemented by GATU. Oversight of GATA performance measures will track the State's ability to assist in identifying where changes are needed.

The GATA Annual Report is required to provide an update on the five (5) GATA performance components identified in the Act:

1. Number of entities placed on the Illinois Debarred and Suspended List;
2. Savings realized as a result of the implementation of this Act;
3. Reduction in the number of duplicative audits;
4. Number of persons training to assist grantees and subrecipients; and
5. Number of grantees and subrecipients to whom a fiscal agent was assigned.

As stated previously in this report, GATA implementation efforts are in process which will enable GATU to provide quantitative performance data and ultimately evaluate the execution of the Act.

During this second year of implementation, GATU is able to articulate GATA performance results related to the following measurements:

Performance Measure	Estimated Savings / Cost Avoidance
Centralized grantee pre-qualification	\$325,000
1 day of live webinar training	\$420,000
Centralized framework for fiscal and administrative risk assessments	\$530,000
Assignment of State Cognizant Agency to review centralized Internal Control Questionnaires	\$450,000
Centralized indirect cost rate negotiations	\$6,050,000
Estimated savings / cost avoidance	\$7,775,000

The following table details Uniform Guidance and GATA-related trainings held during calendar year 2016.

Training Provided during Calendar Year 2016

Audience	Training Topic	Participants/ Meetings Held
Legislative Sponsors, State Operating Officer Cabinet, Governor’s Office, Illinois Office of the Inspector General	GATA Overview Briefings (face-to-face presentation, webinars, meetings, conferences)	80
Legislative Sponsors, State Agency CFO, Legislative Appropriation Directors, Governor’s Office	Implementation Updates Briefings (face-to-face presentation, webinars, conference calls)	100
8 largest grantmaking state agencies	Pre-award Phase Overview (face-to-face presentation)	80
State Agencies, Grantees, other state and local governments, other external parties	20 Live Webinar Training Website Views*	22,324
ILSAC	Implementation Updates (face-to-face presentation, video conferences)	2 meetings
GATA Steering Committee	Implementation Updates (face-to-face presentation, video conferences)	5 meetings
State Agency CAOs	Implementation Updates (face-to-face presentation, video conferences)	15 meetings
GATA Agency Advisory Work Group	Implementation Updates (face-to-face presentation, video and open forum conference calls)	25 meetings
Indirect Cost Rate SMEs	Indirect Cost Rate Negotiations	12 meetings
National Association of State Comptrollers	GATA Overview	200
National Council of Nonprofits	Passing Legislation Similar to GATA	100

Office of Management and Budget Council on Financial Assistance Reform	Promising Practices in Implementing Federal Uniform Guidance (nationwide webinar)	Unknown
Illinois CPA Society	GATA Overview and Audit Requirements	150
Springfield Chapter of the Institute of Internal Auditors	GATA Overview	60
Association of School Business Officials	GATA Overview, Impact on LEAs	50
Illinois Partners for Human Services	GATA Overview	130
Early Learning Council	GATA Overview	25
Illinois Network of Centers for Independent Living	GATA Overview, Indirect Cost Rate Negotiations	30
Illinois Association of Rehabilitation Facilities	GATA Overview	50
Public Health Administrators	GATA Overview	45
IDOT Rural Transit	GATA Overview	200
IDOT Local Roads	GATA Overview, Impact Analysis	35
Senator Althoff's Domestic Violence Management Improvement Hearing	GATA Overview	40
Illinois Municipal League	GATA Overview	10
Total Training Participants		23,709

*Recordings of live webinars are posted to the GATA website. Based on website statistics, there have been 18,923 hits to GATA webinar / training material.

2016 GATA ANNUAL REPORT SUMMARY

Illinois is leading by example in grant management. GATA is the first legislation in the nation to govern the entire grant life cycle. Illinois had the vision and foresight to consider a uniform approach to grant management. Federal OMB recognition is evidence that Illinois and GATA are working towards a transferable, compliance-focused grant life cycle framework.

Legislative sponsors and state agency leadership have embraced this holistic approach to grants management. The complexities of the grant life cycle necessitated an initial focus on the pre-award phase which broadly included grantee pre-qualification, the application process and related risk assessments. Funding and staffing resources are crucial for GATU to implement the technology solutions required for efficiencies and maximum cost savings.

GATU is committed to continue aggressive implementation efforts in calendar year 2017. We sincerely appreciate the engagement and support from our stakeholders, including the grantee community, state agency leadership and front-line staff, and our state legislators during 2016. Through such strong stakeholder commitment to GATA implementation, Illinois is able to realize significant efficiencies and strengthen controls against fraud, waste and abuse.

APPENDICES

- I. Chief Accountability Officers
- II. Timeline for GATA Implementation
- III. Internet links:
 - a. Statute 30 ILCS 708 – Grant Accountability and Transparency Act
 - b. GATA Website - www.grants.illinois.gov
 - c. OMB webinars
 - d. National Council of Non-profits publication

Appendix I

Chief Accountability Officers

Yazoo Hall	Illinois Arts Council Agency	Ravi Sahota	Illinois Department of Human Services
Jody Hunt	Illinois Board of Higher Education	Trish McGill	Illinois Department of Military Affairs
Jane Fields	Illinois Commerce Commission	Lisa LaBonte	Illinois Department of Natural Resources
Sarah Robinson	Illinois Community College Board	Nicole Griffith	Illinois Department of Public Health
Janinna Hendricks	Illinois Council on Developmental Disabilities	Cory Staley	Illinois Department of Revenue
Kevin N. Givens	Illinois Criminal Justice Information Authority	Jeff Heck	Illinois Department of Transportation
Jeff Squibb	Illinois Department of Agriculture	Rosanna Nance	Illinois Department of Transportation
Derek Hobson	Illinois Department of Children & Family Services	Connie Watson	Illinois Department of Veterans Affairs
		Theresa McKeon	Illinois Department on Aging
Megan Buskirk	Illinois Department of Commerce and Economic Opportunity	Phillip Anello	Illinois Emergency Management Agency
		Jennifer Ricker	Illinois Emergency Management Agency
Debra Miller	Illinois Department of Corrections	Mark Edmiston	Illinois Environmental Protection Agency
Linda Demore	Illinois Department of Employment Security	Marc Gibbs	Illinois State Board of Education
		Tim Imler	Illinois State Board of Education
Bryan Martin	Illinois Department of Financial and Professional Regulation	Eric Mayland	Illinois State Police
		Scott Taylor	Illinois Student Assistance Commission
Ron McKechan	Illinois Department of Healthcare and Family Services	Denise Matthew	Law Enforcement Training and Standards Board
		Larita Reed-Clark	Metropolitan Pier and Exposition Authority
		Ronny Wickenhauser	Office of the State Fire Marshal

TIMELINE FOR GATA IMPLEMENTATION

IMPLEMENTATION AREA/ACTIVITY	CALENDAR QUARTERLY SCHEDULE									
	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	
	Rulemaking Initiatives	[Green bar spanning all quarters]								
1. Finalize General Federal, Federal Pass-through and State rules	[Green bar spanning all quarters]									
2. Finalize Agency rules to support Federal exceptions, Illinois Compiled Statutes and/or Illinois Administrative Code	[Green bar spanning all quarters]									
Workgroup Initiatives	[Green bar spanning all quarters]									
3. Establish internal control questionnaire and pre-qualification process to pre-qualify grantees	[Green bar]									
4. Establish template for notice of funding opportunity and uniform grant application	[Green bar]									
5. Establish policy and procedures for merit based review of grant application	[Green bar]									
6. Establish questionnaire for programmatic risk assessment	[Green bar]									
7. Establish uniform budget template	[Green bar]									
8. Establish uniform grant agreements and IGAs	[Green bar]									
9. Develop and implement cost principles training	[Green bar]									
10. Procure the audit review vendor		[Green bar]								
11. Procure the agreed-upon procedures vendor						[Green bar]				
12. Implement core training plan	[Green bar spanning all quarters]									
13. Establish measurements to GATA performance reporting	[Green bar spanning all quarters]									
14. Establish template for periodic grantee reporting (financial and performance, year-end)						[Green bar]				

IMPLEMENTATION AREA/ACTIVITY	CALENDAR QUARTERLY SCHEDULE									
	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	
	15. Establish policy, procedures and templates for fiscal and administrative onsite reviews				[Green bar spanning 3Q16 to 4Q17]					
16. Centralize audit report review pursuant to an RFP		[Green bar spanning 1Q16 to 4Q17]								
17. Execute Communications plan	[Green bar spanning 4Q15 to 4Q17]									
GATU Initiatives	[Green bar spanning 4Q15 to 4Q17]									
18. Populate and release CSFA publically	[Green bar spanning 4Q15 to 2Q17]									
19. Finalize GATU budget and staffing	[Green bar in 4Q15]									
20. Draft and distribute GATA Annual Report	[Green bar in 4Q15]				[Green bar in 4Q16]				[Green bar in 4Q17]	
21. Implement grantee registration portal	[Green bar spanning 4Q15 to 2Q16]									
22. Establish and Implement UG and GATA exceptions / exemption policy		[Green bar spanning 1Q16 to 4Q16]								
23. Establish and implement the Grantee Compliance Enforcement System (Illinois' Stop Payment List)	[Green bar spanning 4Q15 to 4Q17]									
24. Develop and incrementally implement the GATA Grants Manual						[Green bar spanning 1Q17 to 4Q17]				
25. Establish qualifications / parameters for grantees to utilize Fiscal Agents						[Green bar spanning 1Q17 to 2Q17]				
26. Develop and implement the Advanced Planning Document for the cost allocation structure of the GATU revolving fund		[Green bar spanning 1Q16 to 4Q16]								
27. Negotiation indirect cost rates and execute related terms under the Indirect Cost Rate vendor agreement				[Green bar spanning 3Q16 to 4Q17]						
28. Develop and refine the technology implementation plan in conjunction with ERP efforts	[Green bar spanning 4Q15 to 4Q17]									

Appendix III

Internet links:

- a. Statute 30 ILCS 708 – Grant Accountability and Transparency Act,
<http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=3559&ChapterID=7>
- b. GATA Website - www.grants.illinois.gov
- c. OMB webinars, <https://cfo.gov/cofar/training/>
- d. “Clarity, Promising Practices, Respect Featured in OMB Uniform Guidance Training” by the National Council of Nonprofits,
<https://www.councilofnonprofits.org/trends-policy-issues/clarity-promising-practices-respect-featured-omb-uniform-guidance-training>