

Capacity and Skills Needed to Manage Funds

Introduction

Effective fiscal management is crucial for community-based organizations to ensure long-term sustainability, especially when managing both public and private funds. This JFF resource helps organizations assess the capacity and skills required for fund management, including budgeting, compliance, and financial monitoring. It also provides a checklist to guide organizations in deciding whether to manage funds in-house or outsource to a third party. This resource aims to help organizations evaluate their internal resources, financial expertise, and long-term needs to make an informed decision that supports organizational growth and compliance.

Checklist to Determine In-House vs. Third-Party Capacity

While financial grant management is critical for an organization, yours may not yet have the capacity for in-house financial management, and instead may choose to hire a third party. The following questions can help you determine what to do:

Topic Area	Key Questions to Consider
Organizational Capacity	<ul style="list-style-type: none"> Do we have staff with the necessary expertise to manage complex grants (e.g., government, foundation) and meet compliance requirements? Can our existing team handle the additional workload, or would this strain their capacity? Are we able to provide staff with ongoing training in grant management, compliance, and financial reporting? Does the team have the internal systems/technology to manage multiple grants and the related data and reporting required?
Cost Considerations	<ul style="list-style-type: none"> What are the financial implications of outsourcing grant management? Can we afford third-party fees in the long term? How does the cost of hiring a third party compare to the cost of expanding or training an internal team?
Compliance and Risk Management	<ul style="list-style-type: none"> Do we understand the specific compliance requirements for the grants we're managing (e.g., reporting deadlines, allowable costs, audits)? Does our team have experience with external audits and maintaining compliance records for government grants? Would outsourcing reduce compliance risks and ensure we are audit-ready at all times?

Topic Area	Key Questions to Consider
Strategic Implications	<ul style="list-style-type: none"> • Will outsourcing grant management affect our ability to adapt quickly to changes in funding priorities or opportunities? • Can a third-party provider align with our organizational goals and values, or would this distance us from our funders and our mission? • Are there sensitive aspects of funder relationships or financial details we would prefer to manage internally?
Sustainability	<ul style="list-style-type: none"> • Are we investing in building our organization's internal capacity for long-term sustainability by managing grants in-house? • Will reliance on a third party for grant management hinder our ability to build internal expertise and future-proof our organization? • Can a hybrid approach (outsourcing some tasks while managing others internally) allow us to build internal capacity over time?

Key Financial Management Skills

Whether your organization chooses to keep this piece of work in-house or plans to build out this capacity, here are the key skills needed.

Financial Management

Implement financial policies and controls to ensure effective and efficient deployment of financial resources for grantmaking.

Performance Indicators	Knowledge Needed
<ul style="list-style-type: none"> • Keep current and follow fiscal guidelines, regulations, principles, and standards. • Adhere to internal controls that detect and prevent misuse of funds. • Seek ways to improve internal financial controls. • Apply creative solutions to unusual circumstances. • Plan and monitor a grantmaking budget. • Monitor and report financial data to drive effective decision-making. 	<ul style="list-style-type: none"> • Organization's policies and procedures • Organization's fiscal guidelines and internal controls • Grantmaking budget • Relevant regulations, principles, and standards • Financial data reporting approaches • Fiscal management best practices • Accounting fundamentals of various forms of charitable contributions

Source: PEAK Grantmaking: Grants Professionals Competency Model <https://www.peakgrantmaking.org/build-your-expertise/grants-management-professional-competency-model/>

Other Resources

- Workforce GPS: Financial Management Self-Assessment Checklist
https://ina.workforcegps.org/resources/2015/04/14/19/27/Financial_Management_Self-Assessment_Checklist
- JITASA: Nonprofit Bookkeeper vs. Accountant: What's the Difference?
https://www.jitasagroup.com/jitasa_nonprofit_blog/nonprofit-bookkeeper-vs-accountant/