

COVID and CARES Act: Lessons for and from Hawai'i's Nonprofit Sector

JANUARY 24, 2021

Made Possible by the Hawai'i Community
Foundation

Led by Melissa Unemori Hampe, M.B.A.,
Skog Rasmussen LLC

Collaborators and Co-Interviewers:

Savannah C. Allshouse, M.P.A.

Mondenna Jamshidi Kent, M.A.

Jeeyun Lee, M.S.W.

Deb Marois, M.S.

Marina Piscalish, Ph.D.

Sujatha Raman, M.F.A.

Veronica Rocha, M.B.A.

Mary Tam, M.B.A.



EXECUTIVE SUMMARY



The COVID-19 pandemic has unleashed unprecedented impacts on every part of our island population and every sector of our economy. Hawai'i's nonprofit sector, in particular, has been taxed to its limit with many organizations called to step up and meet human needs on the front lines of the pandemic. Many have performed valiantly and served the community in ways they never could have imagined, saving and changing lives in the process. Interviews conducted for this report reveal praiseworthy exemplars – nonprofits, government funders, intermediaries – whose efforts illuminate best practices that should be recognized, studied, and learned from to the greatest extent possible.

However, the work by nonprofits has come at a cost. Constraints imposed by Federal COVID-19 relief spending deadlines, strict interpretations of Federal law, process variation between different levels of government, burdensome paperwork, and several other factors have strained many organizations. Reaching a breaking point and facing stress and burn-out, some staff left their jobs for their own mental health. More than anything, organizations have had to face longstanding issues inherent to Hawai'i's government funding infrastructure, rooted in a heavy risk management focus and a measure of a lack of trust.

This project, funded by the Hawai'i Community Foundation, involved interviews with 16 nonprofits who received a combined total of nearly \$265 million in funding (as reported by interviewees) through the Federal Coronavirus Relief Fund or from the billions of dollars provided through other established Federal programs. The team also interviewed four government funders. Report findings provide general impressions and anticipated long-term impacts of the funding process as well as specific issues facing nonprofits in the application, contracting, program implementation, financing, reporting, and auditing processes.

Goals of this Project

The receipt and distribution of such a large pool of federal funds is unprecedented for Hawai'i nonprofits. The effort resulted in exciting new partnerships, collaborative conversations, innovative approaches, and far-reaching impact. It also happened against a backdrop of stressful timelines, and difficult government processes that created both significant challenges and glimmers of ways to do things differently. The purpose of this project is to share some of this experience with the intent of identifying opportunities to improve on our government-nonprofit engagement so that we may reduce barriers and increase success next time around. All comments in this report are offered in that spirit.

Main Themes. Overall takeaways and recommendations reflect needs to address:

- TRUST – Recognize that high fear and low trust impair the ability to be agile, responsive, creative, and innovative; move the nonprofit-government relationship toward a trust-based and outcomes-focused partnership approach where one is lacking, which could ensure that nonprofits can stand up programs in the most efficient, effective, and expedient way possible to meet urgent community needs;
- CLARITY – Structure contractual agreements in a manner that is as clear as possible from early on in the process, remains constant and consistent yet allows for innovation, and supports effective programming;
- ACCESS – Create more equitable processes to reach more of the community, particularly smaller nonprofits working with those underrepresented who lack access to key decisionmakers and resources;
- EFFICIENCY – Streamline processes and reduce administrative requirements wherever possible in emergency circumstances and replicate lessons in times of non-emergency situations;

- COORDINATION and CONSISTENCY – Emphasize the need for agencies at all levels to communicate, coordinate, and ensure consistent guidance – including changes to federal guidelines as they occur;
- URGENCY – Put changes in place as soon as possible, ahead of additional Federal COVID funding coming to Hawai'i in the short-term, or for better pursuit of non-COVID funding in the longer-term; and
- RESILIENCE – Sustain efficiencies in process, policies, and technology that address needs today and ensure a better tomorrow.

RECOMMENDATIONS FOR ACTION

This table summarizes the [Recommendations](#) section, with most urgent items at the top of each subsection; see additional detail for each item in the Recommendations section.

CATEGORY	RECOMMENDATION
Operational/Administrative (as recommended by findings; see Recommendations section for more details on each point)	
To maintain or continue	<ul style="list-style-type: none"> • Create emergency funding plan, infrastructure, and processes • Emphasize communication • Learn from exemplary practices
To change, make improvements	<ul style="list-style-type: none"> • Standardize processes as soon as possible • Consult with knowledgeable service providers around program design • Increase speed, reduce burden of processes • Build cross-sector trust • Clarify required organization capacity for nonprofit participation • Emphasize coordination, set up single points of contact (POCs) for government entities • Clarify roles and responsibilities, streamline POCs for grantees • Decide program guidance early and discuss changes in advance when they are needed • Commit to implement strategies that yield measurable results • Increase awareness and outreach efforts to nonprofits • Establish emergency procurement processes • Establish payment structures that align with financial limitations of nonprofits • Ease reporting burdens • Assess and provide professional development for government staff
Policy (as recommended by findings; see Recommendations section for more details on each point)	
To maintain or continue	<ul style="list-style-type: none"> • Encourage and facilitate policymaker engagement • Support accountability • Provide funding to meet special needs • Continue modernizing systems
To change, make improvements	<ul style="list-style-type: none"> • Appropriately balance risk with the need for services • Preserve critical staff functions in hiring freezes • Consider program placement to maximize access to in-house expertise • Assist with audit tasks, costs
Additional Recommendations from Interview Team – additional detail in Recommendations section	
<ul style="list-style-type: none"> • Perform wider government lookback • Conduct simulated scenario planning to prepare for more efficient responses • Formalize master crisis plan • Provide training, technical assistance in external funding • Follow OMB Uniform Guidance • Accommodate the most vulnerable • Make pooled funds available 	

TABLE OF CONTENTS

EXECUTIVE SUMMARY 2

INTRODUCTION 5

PROJECT METHODOLOGY 8

FINDINGS 9

 Overview of Nonprofit Participants..... 9

 General Impressions of the CARES Funding Process..... 10

 Applying for and Being Awarded Funding..... 10

 Contracting..... 12

 Running or Operating the Program 13

 Financing the Program 14

 Reporting 15

 Auditing..... 16

 Longer-Term Impacts on the Organization 17

 Findings from Government Interviews 19

RECOMMENDATIONS 22

 Operational/Administrative 22

 Policy..... 25

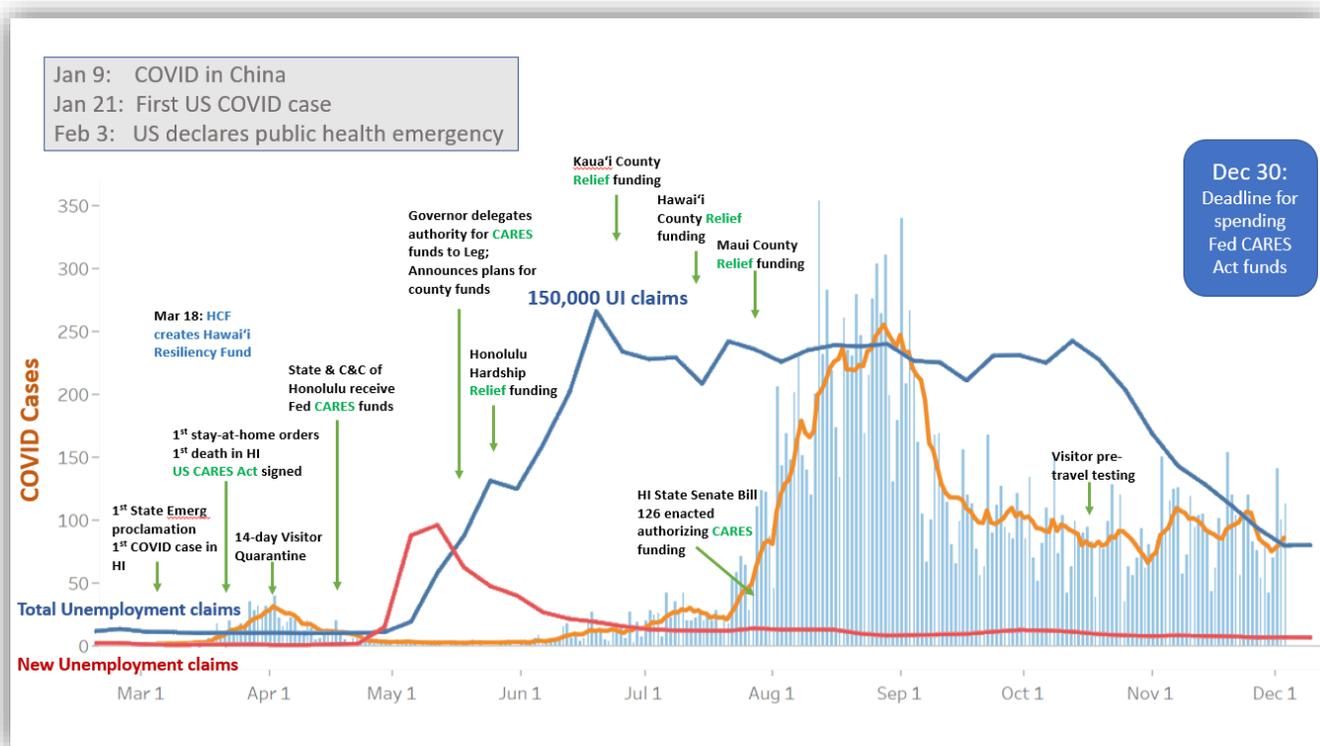
 Additional Recommendations from Interview Team 26

ACKNOWLEDGMENTS..... 28

INTRODUCTION

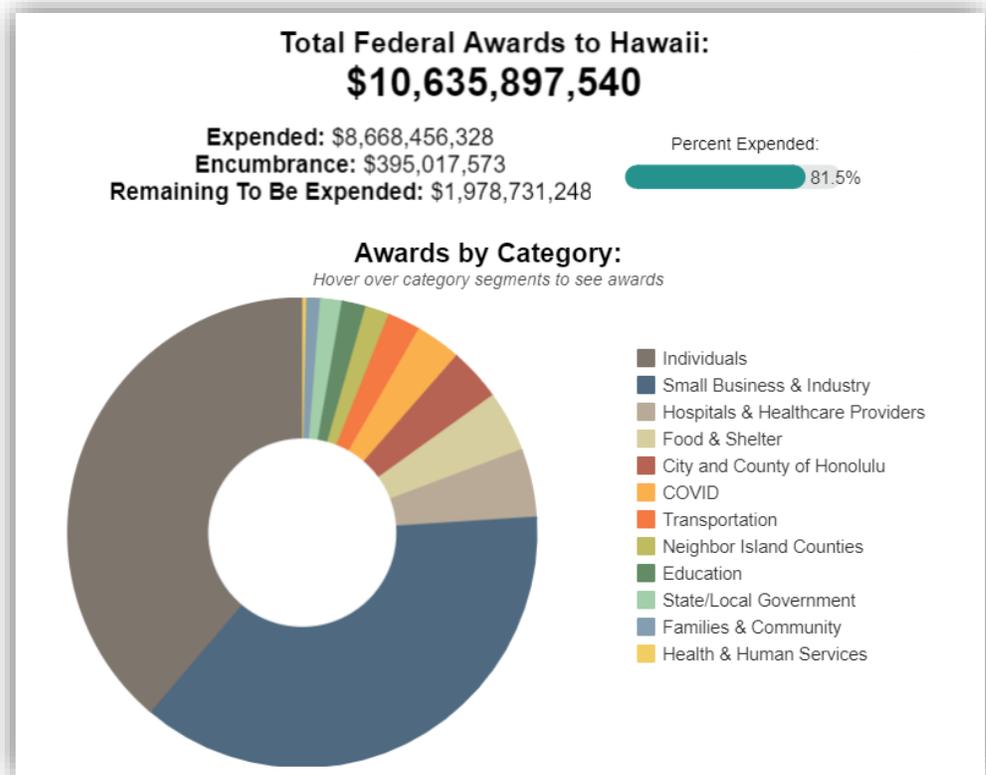
On March 27, 2020, shortly after the onset of the COVID-19 global pandemic, the Federal government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748, Public Law 116-136) to provide \$2.2 trillion in Federal relief in response to the outbreak and its health, economic, and other wide-ranging impacts. At that point, COVID-19 cases in the United States surpassed a million people and a record 6.6 million unemployment claims had been filed, including 35 COVID-19 cases and more than 51,000 unemployment filings for March 2020 in Hawai'i.

The following graphic illustrates the timeline that followed, including the trajectory of COVID-19 cases and unemployment claims in the State and points at which Federal relief funding became available:



The \$2 trillion CARES Act boosted funding for programs in education, health care, child care, food assistance, community development, economic development, emergency response, and many other areas. A Hawai'i Data Collaborative graphic (shared on the next page, downloaded January 15, 2021) contains a fuller snapshot of the amount of Federal COVID-19 relief funds provided to Hawai'i. The State has tools to do similar reporting and has made attempts to facilitate transparency; however, to get to this level of transparency with the speed dictated by the CRF, tools and talent offered by a non-government entity seemed the best avenue for the moment.

The CARES Act also established the \$150 billion Coronavirus Relief Fund (CRF). The Federal government allocated \$1.25 billion to Hawai'i, giving \$387 million to the City and County of Honolulu and \$867 million to the State. Although not required by the Federal level, the Legislature felt it fair to distribute funds out of the State allocation to Counties based on population since Honolulu received a direct allocation, including \$80 million to Hawai'i County, \$66.6 million to Maui County, and \$28.7 million to Kaua'i County.



Pursuant to the CARES Act, CRF funds could only be used to cover expenses that were:

- Necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19),
- Not accounted for in the budget most recently approved as of March 27, 2020, for the State government, and
- Incurred during the period beginning March 1, 2020 and ending December 30, 2020.

The U.S. Department of the Treasury further clarified through additional guidance that the permissible uses of grant funds included:

- Medical expenses,
- Public health expenses,
- Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency,
- Expenses of actions to facilitate compliance with COVID-19-related public health measures,
- Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency, and
- Any other COVID-19-related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria.

The State and City and County of Honolulu had discretion to tailor program requirements and restrictions within this guidance and subsequent versions released later by the Federal government.

On December 27, 2020, the FY2021 Omnibus and COVID Relief and Response Act became as P.L. 116-260. Following protracted Congressional discussions, this \$2.3 trillion COVID-19 relief, annual appropriations, and authorization package does not contain additional CRF funding. Rather, it extended expiration of those funds through the end of 2021. The measure does contain funding through individual stimulus checks, a new rental relief program and established Federal programs that could amount to nearly \$2 billion to Hawai'i overall.

For providing services to the community, State and County agencies followed the longstanding practice of contracting to the nonprofit sector. Government entities pursue this option for several reasons: (1) Government cannot staff up enough to provide the same level of service that nonprofits are used to or may already be delivering on the ground, (2) The costs of government staff doing the same work as nonprofit staff are usually much higher, (3) Nonprofits are closer to and more familiar with the needs of people and sometimes have built a higher level of trust; and (4) In some cases, nonprofits possess more subject matter expertise than government entities.

Nonprofits faced both benefit and burden under Federal relief funds, and to different degrees based on factors such as the nature and focus of their programs, organization capacity and experience, relationships with government funders, and understanding of funding processes. Many organizations shored up their financial situation through programs such as the Small Business Administration (SBA) Paycheck Protection Program (PPP), which provided loans to more than 250 eligible nonprofits in Hawai'i including schools, health care facilities, churches, and other charitable organizations; however, those are not included in funding totals for this report.

Several nonprofits received the urgent call to ramp up programs to meet pressing community needs. Some received funding directly through expanded program funding increased by the CARES Act (expansion funding) such as Head Start or the Community Services Block Grant. Some nonprofits were recruited by State or local government entities, while others applied for resources so that they could offer services they believed could help in the current environment. Those receiving expansion funding could extend existing contracts directly with the Federal government and were familiar with technical Federal/State requirements (e.g., Office of Management and Budget 2 CFR 200) – thus also best able to take on additional programs such as those created by the CRF. Less experienced nonprofits struggled to meet Federal funding requirements, which they found to be challenging and costly.

This report details lessons learned from nonprofit awardees and government funders, with a two-fold focus of recommending process and policy changes that will (1) work in the short-term to prepare for the delivery of additional COVID-19 Federal relief funds, and (2) work in the long-term to encourage and facilitate the pursuit, receipt, and distribution of additional formula or competitive dollars in regular Federal funding cycles.

A key question: How can the public and nonprofit sectors collectively change policies and processes to improve the flow of public dollars and allow Hawai'i nonprofits to more efficiently and effectively serve the needs of the community as good stewards of those funds?

PROJECT METHODOLOGY

This project involved interviewing a cross-section of nonprofit leaders operating programs funded by CARES Act monies. Nonprofit participants included those serving as intermediaries to push Federal funding from the State or Counties out to other nonprofits, as well as those receiving funding and distributing it to community recipients or providing programming to benefit the community. Participants also included government entities such as the City and County of Honolulu (Honolulu), County of Maui (COM), State of Hawai'i Department of Human Services (DHS), and the State of Hawai'i Department of Business, Economic Development and Tourism (DBEDT). The team also collected information from other Counties and sources apart from the formal interview process.

Survey

Nonprofits selected to participate in the interviews had the opportunity to respond to an online Survey Monkey survey detailing their experience with the CARES Act funding process and the nature of their specific award(s). The team contacted nonresponding organizations with follow-up emails in the days leading up to their interview. The survey link was provided to 16 nonprofit agencies and 15 completed the survey—providing a very healthy response rate of 94%. The survey involved multiple-choice responses, including those on a Likert scale from “very good” to “very poor.” The majority of survey questions were open-ended response so that nonprofits could provide details of their particular CARES Act application submission, contract receipt, funding request, and program services.

Interview

Team collaborators, assembled by Skog Rasmussen LLC among colleagues in the Hawai'i Community Benefit Consultants hui, conducted 20 virtual one-hour interviews of nonprofit and government entities from November 2 through 18, 2020, in teams of two – one person leading the interview to mind the content and flow of the session and the other taking notes to ensure completeness and accuracy of the information. HCF and the Sub-Subcommittee recommended interview participants based on knowledge of which entities received Federal COVID-19 dollars. Interviewers asked a series of questions to ascertain what helped or hindered the receipt and disbursement of CARES funds. Specific questions can be found in Appendix A. Some excerpts presented herein are paraphrased and accurately reflect the sense of the interviewees via transcription.

Confidentiality

As many of these nonprofits possess or hope to continue to build a longstanding relationship with funders, both in government and private philanthropy, it is very important to preserve these relationships by reporting information solely in the aggregate and without information that could potentially single out a particular grantee. This need for confidentiality is critical to ensure candid conversations yielding rich and honest information crucial to the significance and final impact of this project.

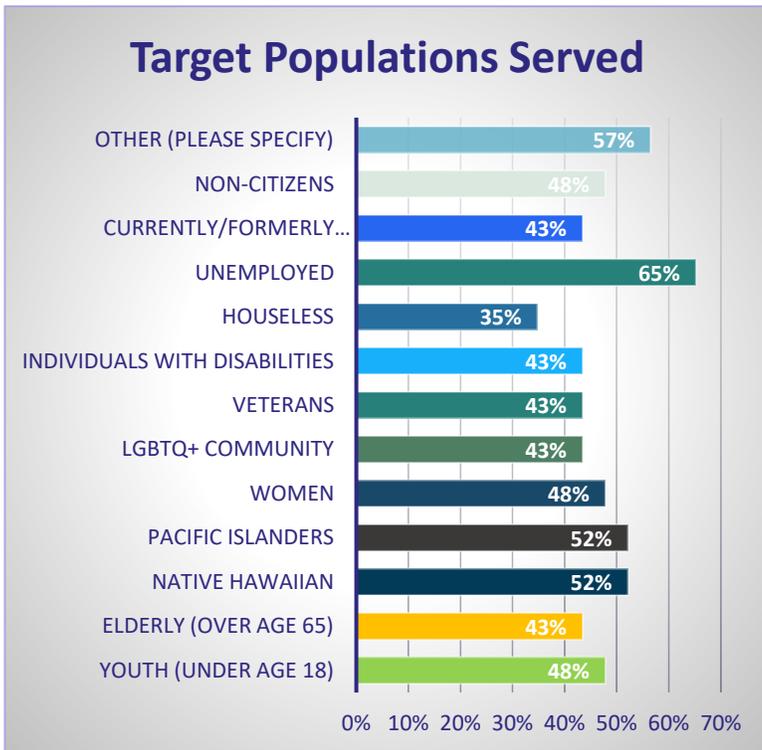
FINDINGS

Interviews of 16 nonprofits and four State and local government entities yielded a wealth of information about Hawai'i's CARES funding process. The following sections include a broad overview of nonprofit participants, general impressions about the process overall and potential long-term impacts, and issues facing nonprofits in the application, contracting, program implementation, financing, reporting, and auditing processes. These sections focus specifically on findings, with recommendations noted in another section below.

Overview of Nonprofit Participants

The following provides aggregated information about nonprofit participants to give a general sense of the types of organizations participating in this project. As noted in the Methodology section, it is important to report information in this manner to protect nonprofits' current and future relationships with funders and encourage the candid flow of information.

Online pre-interview survey responses provided interviewers with a foundational understanding of the agency's CARES Act-funded program(s) and overall grant experience. The project received survey feedback from nonprofits in all Hawai'i Counties serving a variety of populations across the State, in both County-specific and statewide programs, including but not limited to youth (under age 18), Native Hawaiians, individuals with disabilities, houseless, and currently or formerly incarcerated individuals.



Based on survey responses throughout the State, **16 participating nonprofits received more than 38 awards and supplements** from State and County entities or through funding intermediaries such as HCF. **These awards totaled almost \$265 million in grant funding as reported by interviewees to support community projects and needs.** This does not include individual organization assistance like Paycheck Protection Program funds, but it does include Coronavirus Relief Fund monies through State and County government, and direct awards from Federal programs such as Head Start, the Community Development Block Grant, and others.

Such figures reflect the level of funding and awards received *only by the subset of organizations surveyed during this project*, so the overall amount of CARES funding received by Hawai'i nonprofits is much higher. In addition, nonprofits

received both Coronavirus Relief Fund monies through State and Counties out of the \$1.25 billion received by the State as well as direct funding through Federal programs that received funding increases through Federal relief packages.

General Impressions of the CARES Funding Process

The interview team sought an initial reaction with participants on overall impressions of the CARES Act funding process. This yielded mixed results of both positive and negative reactions, depending on many factors such as the capacity and experience of the nonprofits, the agencies they were working with, the time constraints imposed, and other factors. Summary comments follow here:

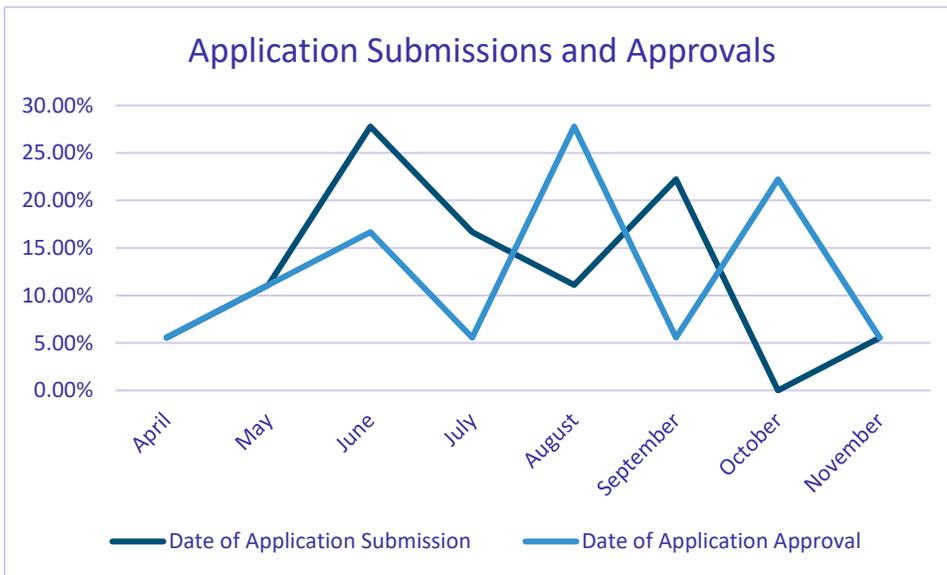
ASPECTS THAT WORKED WELL	AREAS THAT NEED IMPROVEMENT
<ul style="list-style-type: none"> • Smooth Funding Process for Some – Even with a rushed timeframe, some felt the funding process with certain agencies – various State departments, County of Hawai‘i, experienced intermediaries like the Hawai‘i Community Foundation – had been relatively smooth and streamlined – particularly for nonprofits approached to deliver programs. • Clearer Federal Guidance – Federal guidance seemed clearer this time than it was with previous Federal stimulus monies (e.g., under the American Recovery and Reinvestment Act of 2009). • Useful Program Design – Collaboration around program design resulted in a better-run program. • Empathy for Government Staff – Nonprofits recognized and understood the additional burden and stress put on government workers administering CARES programs, meaning that nonprofits approached situations with an extra measure of patience and eased the working relationship. • Existing Relationships Leveraged – In some cases, existing relationships provided a foundation of trust, enabling funder and recipient to move forward quickly. • New Partnerships Forged – Some nonprofits established new relationships and partnerships with funders, along with finding new approaches to doing business; many hope these new networks and capacities will be sustained into the future. 	<ul style="list-style-type: none"> • Difficult Process for Others – Several had a cumbersome experience, including those working with the State and City and County of Honolulu, or those who pitched ideas rather than being approached as desired partners. • Constraining Deadlines – All organizations felt CARES Act funding came with deadlines too onerous to meet for Hawai‘i’s existing funding infrastructure, preventing funding from being distributed as quickly as needed. • Lack of Governmental Coordination – Nonprofits felt efforts between State and County and between government and nonprofit entities could have been better coordinated; where the State or County unilaterally designed the program, it was less efficient and effective. • Unnecessary Barriers – Almost all felt government funders erected barriers that did not have to exist (funding structures including strictly cost-reimbursement processes, administrative, procurement requirements tighter than those prescribed by the CARES Act or other Federal laws) and hindered funding going out the door quickly. • Changes in Direction – Some nonprofits felt caught in the middle when government agencies reversed earlier decisions, perhaps due to changing Federal guidelines. • Scarcity of Funding – Participants felt that, despite spend down delays, there was not enough funding to respond to needs. For example, one City and County program had a \$19 million budget but generated \$82 million in proposals when soliciting ideas.

Applying for and Being Awarded Funding

"We need the government to embrace the responsibility to fund the services it's supposed to deliver to the community, especially in emergency situations."

The interview team sought information about what helped or hindered the funding approval process. This question produced a wide range of responses, largely dependent on which government agency or foundation managed the program or whether the nonprofit already had a preexisting relationship with the funder and was approached to apply.

CRF monies were received by the City and County of Honolulu on April 23, 2020. The State conducted a legislative process to determine a state allocation of CRF dollars (Senate Bill 126) and adjourned on July 10, 2020. Governor Ige received SB126 on June 26, 2020, and signed it into law, with modifications, on July 30, 2020.



Based on the project’s online survey, the majority of awardees had submitted applications in the May-July timeframe (67%), with the rest submitting in August, September, and even November (33%). The majority of application approvals per month came in August (38.46%). This timeframe in itself was a challenge given the CARES spending deadline of December 30, 2020, with reporting deadlines falling before that date.

Highlights of the types of comments

received about the application process follow here:

ASPECTS THAT WORKED WELL	AREAS THAT NEED IMPROVEMENT
<ul style="list-style-type: none"> • Applicants Sourced – Government believed in the ability of several existing nonprofits to handle the execution of a large program and influx of money, rather than the organization having to learn about a desired program and then having to go through a lengthy application process. • Intermediaries Employed – Utilization of experienced funding intermediaries ensured a smoother processing of applications. • Record of Performance Spoke for Itself – Existing positive relationships with government entities built on strong performance records encouraged speed in the application process. • Award Process was Generally Efficient – Processes were often expedited in comparison to regular timeframes; there seemed to be a sense of urgency at least in terms of these initial steps; multiple interviewees noted that they were impressed with how quickly HCF and some government entities were able to get things done. 	<ul style="list-style-type: none"> • Difficulty Getting to Clarity – Applicants ran into difficulty receiving answers to questions. One said it felt as if everyone pointed to someone else for answers. • Uncertain Process – The process seemed to be a constantly moving target; funders reversed initial agreements and shifted commitments from one organization to another. • Inexperienced Entities had limited access – The organizational and financial capacity required to receive and expend federal funds were out of reach of many nonprofits and left some questioning the “fairness” of allocations. • Loose Ends – Clear feedback was not given for application rejections. • Inequitable Protections – Negotiations of contract terms tilted in favor of protecting the government entity and shifting risk to the nonprofit. • Lengthy Award and Review Process for Certain Programs – Several processes took significant time to move into award phase, reducing time for program execution which prevented funds from being spent down.

Contracting

“The level of funds in the community is a direct result of the barriers we put in place for ourselves.”

“To build something of this scale in a short amount of time working within confines of a system that was never designed to move quickly has made it really tough.”

Nonprofits provided insight on government contracting processes, which varied widely in spite of the fact that all funds originated from the same federal source (CRF). Some agencies received high marks while others were criticized for cumbersome processes – a reality confirmed by the government agencies themselves. For example, the City and County of Honolulu acknowledged that its template contract was lengthy and generated the need to negotiate on multiple clauses that bogged down the process. Types of comments received are summarized here:

ASPECTS THAT WORKED WELL	AREAS THAT NEED IMPROVEMENT
<ul style="list-style-type: none"> • Funder/Grantee Collaboration – One government agency included the grantee in discussions about determining allowable expenses and documentation requirements, which strengthened the program and made it more practical to implement. • Work with Experienced Intermediaries – Intermediary organizations that have community trust, understand the needs of grantees, and can manage and deploy contracts were hugely valuable. • Contracts in Alignment with Programmatic Needs – Setting up the contract in the right way made a big difference with regard to compliance, assurance, controls, accounting, administration, etc.; multiple interviewees were impressed with how HCF provided for administrative expenses for some grants. • Public-Private Partnerships – Government agencies that drew upon existing private-sector contracting expertise within the community got money out the door quicker. • Use of Centralized Model – One interviewee used a centralized model where partners were reimbursed separately for expenditures, but all application processing went through a single system; this promoted consistency across training, service, documentation, processes, and compliance; all payments/distributions came through one spigot which assisted with access to real-time data. 	<ul style="list-style-type: none"> • Allowable Expenses Confusion – Several had trouble getting clarification on allowable expenses, in some cases, due to lack of Federal clarity. • Date Misalignment – Contracts required an expenditure date, but some expenses were to be incurred after the grant period, presenting payroll and other challenges. • Late Discovery of Ineligibility – Being retroactively notified that certain recipients did not qualify for support led to uncertainty; some nonprofits were afraid to spend funds and then be on the hook for expenses that would not be reimbursed. • Inequities Exacerbated – Some nonprofits saw unnecessary eligibility requirements – for example, asking the houseless to prove income levels or low income families to provide documents as if applying for a mortgage (vs. businesses allowed to submit receipts for reimbursement after funding was received) – leading to those most in need unable to access programs quickly. • Marginalization of Emergency Designation – Some felt agencies defaulted to “business as usual” when the emergency proclamation exempting agencies from procurement rules could have been used to full effect. In one case, the creation of administrative rules effectively delayed program deployment by five months (<i>Note: although the Governor suspended procurement rules, he could not suspend Federal requirements such as 2 CFR 200; the State issued guidance.</i>) • Decisions Driven by Risk Management – Public agencies defaulted to implementing rules and requirements aimed at reducing all risk to the State. This resulted in employing bureaucratic processes that may not have been required in order to eliminate bad actors. This likely reduced the number of people in need who received assistance. • Access to Contract Limited for Inexperienced Organizations – A few noted that they secured contracts only with help from influential champions; a few declined to work with certain funders after hearing that contract terms would make it too difficult to work effectively; thus, several nonprofits were left out that could have brought an important voice of an underrepresented population to programs.

Running or Operating the Program

“The CARES Act has forced us to be more efficient and innovative.”

“When you are building a new program, it is not like turning on a faucet. Building new infrastructure takes time and effort. That makes a difference in how many you serve in the first few months; there is a lag time to performing to expectations.”

“We’ve weathered the storm, but every person in a leadership position at our organization is exhausted from doing 2-3 jobs in response to this pandemic.”

“There were lots of challenges to overcome, but it was a net positive... We came up with the program, obtained stakeholder input, and had everything/a plan in place to be able to present the program to the State/DBEDT and then implement it. We hope to be able to use this approach as a template and manage other CARES Act funded programs, minimize bureaucracy and make other programs successful.”

Awardees brought a laser focus to the impact CARES funds have had on their programs, operations, and staff. All organizations gratefully acknowledged that the influx of funds allowed them to expand programs in a difficult time to reach a growing number of people in need. However, most also acknowledged the additional burden stretched many staffers to the brink, causing high stress, exhaustion, and in some cases departures from the organization. About two-thirds of nonprofits (11 of 16) discussed the impact of running CARES-funded programs on their staff and organizational capacity; of these, only one responded that there was little to no impact. Interview excerpts follow here:

ASPECTS THAT WORKED WELL	AREAS THAT NEED IMPROVEMENT
<ul style="list-style-type: none"> ● Crisis Funds Fueled Program Expansion – The influx of funds allowed program expansion to reach a growing number of people in need during a difficult time; nonprofits developed and implemented new systems, policies, procedures, and technology along with accomplishing regular duties in the face of overwhelming community need. ● Greatly Accelerated Nonprofit Hiring – Most nonprofits were able to quickly hire, onboard and orient a mix of new part-time, full-time, and temporary contract workers; some nonprofits were able to leverage funding to create a few new permanent staff positions. ● Discovery of New Talent – Several nonprofits used the hiring opportunity to “uncover on-island talent,” identify management and vocational skills <i>before</i> job placement, and employ young people from the community to do meaningful work, including positions requiring coordination, budget management and training skills. ● Pathways for Advancement Emphasized – Nonprofit jobs provided workers with accelerated pathways for advancement; 	<ul style="list-style-type: none"> ● Staffers Greatly Taxed – Additional burden from increased workload stretched many staffers to the brink, causing high stress and exhaustion and trauma for many; scaling up quickly and often without sufficient training, team building, or supervision presented challenges that resulted in longer hours and more stress exacerbated by the shift to working from home; in some cases, burnout led to departures. ● Surge Hiring – Most nonprofits hired, onboarded and oriented new staff quickly, typically with a mix of part-time, full-time, and temporary contract workers; these included both boots-on-the-ground direct service staff and administrative positions to handle an increased workload in accounting, communications, and operations management. ● Additional Burdens – Inconsistent guidance and cumbersome reporting and tracking requirements from funding agencies added extra work and burden; funder requirements to develop new data systems or use “simple” but inefficient reporting programs led to increased workload; one nonprofit had to redo the State application three times while another had to scan each receipt in a particular way and resubmit; in one case, the funder not only required a receipt for a box of paperclips, <i>“if you split that box of paperclips between two programs, you need to show what portion went to which program.”</i> ● Additional Efforts to Stand Up Programs – With nonprofits unclear whether they could cover many administrative costs

<p>competence and skills were recognized, utilized, and rewarded quickly.</p> <ul style="list-style-type: none"> • Organizations Made Data-Driven Decisions – Some nonprofits worked collaboratively to make real-time data available for needed course corrections in implementation as well as increase public awareness about issues and inequities; weekly meetings to analyze data also allowed partners to share best practices and lessons learned; partnership resulted in greater collective capacity to provide services to more people quickly while also building a better relationship with the government funding agency. 	<p>by CRF funds, such as marketing, communications and community outreach activities, nonprofits faced additional hurdles in ramping up programs; existing programs suffered a loss of attention in the pivot to crisis response.</p> <ul style="list-style-type: none"> • New Costs Not Sustainable – Significant costs are associated with recruitment, hiring, and onboarding, yet agencies and staff may not realize the benefits of this capacity over the long-term due to the temporary nature of funding and programs; most new staff positions will not be sustainable once funding runs out. • Supply Chain Disrupted – COVID shutdowns across the country impacted the supply chain to Hawai'i for those programs needing Personal Protective Equipment, etc., delaying program implementation.
---	--

Financing the Program

“It built our capacity to understand what it takes to get money out the door.”

“Government was not ready for this level of need or funding, nor [were we] or our partners.”

Several participating organizations found financing difficulties at the heart of their issues with the CARES Act process. In particular, the requirements for organizations to ramp up and run urgently needed programs at lightning speed for an agreement based on funds reimbursement were simply too difficult for many to bear or deeply challenged organizations’ cash flow.

Key findings relate to the importance of advance payments, reimbursement requirements creating unwarranted obstacles in the face of an emergency, and negative consequences of slow turnaround times for reimbursements. In general, funding via reimbursement basis proved difficult for nonprofits, especially those with limited cash reserves. Reimbursable contracts were not a Federal nor a State legislative requirement but were chosen by different government agencies in an inconsistent manner. Delays in receiving funds via reimbursement, which seemed to happen within 30 days after filing, greatly hampered program administration and impacted cash flow. For certain programs, the threshold for a reimbursement request to be denied and payments delayed was very small (e.g., a penny difference). Excerpts from interviews are here:

ASPECTS THAT WORKED WELL	AREAS THAT NEED IMPROVEMENT
<ul style="list-style-type: none"> • Advance Payments Critical to Quick Ramp-Up – In limited cases, the State’s willingness to advance funds allowed programs to ramp up quickly, providing working capital for staffing, procedures, systems, etc; in a few cases, organizations negotiated a 50% upfront payment, which provided a great advantage to their programs; one interviewee greatly appreciated a grant payment structure that provided funds 80% upfront and 20% at final report. 	<ul style="list-style-type: none"> • Reimbursement Processes Burdensome – In many cases, reimbursement-based payments created uncertainty and heavy requirements. Multiple interviewees noted extremely time-consuming and challenging preparation of reimbursement requests. • Increased Staff Costs – Many organizations had to drastically increase their staffing, where costs were reflected not just in salary but also equipment, training, licenses, etc. • Cash Flow Closely Monitored – Organizations had to closely watch cash flow, particularly those with shallower reserves. Although several received a partial advance, in some cases, disbursement rates quickly exceeded the advance – forcing organizations to submit expenses quickly, then wait weeks to receive subsequent payments. Multiple interviewees mentioned they were only able to manage cash flow due to grant, foundation, individual, and corporate

<ul style="list-style-type: none"> • Speedy Reimbursement for Some – A couple of interviewees indicated they had no problems with reimbursement; in these cases, reimbursement was a quick process. • Quicker than Usual Payments – A few interviewees indicated initial payments were faster than normal; one interviewee noted that their first payment was received in a week. • Intermediary Experience – Several interviewees mentioned that HCF turned money around quickly. • In-Kind Support – One interviewee noted they received support from a government agency in helping them secure a new office location for their expanding staff. 	<p>support; one interviewee fronting a large sum of money noted they are not sure how smaller organizations could deal with a similar situation; now, reserves are depleted, and they question whether they could enter into that kind of agreement again. In one case, programs providing critical services to families had to cease operations due to funding uncertainty.</p> <ul style="list-style-type: none"> • Slow Turnaround – Payment delays resulted in unintended negative consequences for programs; for one, perfecting and submitting reimbursement reports and receiving checks took up to two months. As of November, at least one interviewee still awaited an almost \$100,000 payment, despite invoicing in mid-September. • Poor Use of Technology – reimbursements came via checks mailed, which one intermediary found took four days to arrive within the same zip code. Had government agencies used electronic funds transfer, repayments would have been dramatically faster. Some State agencies also have restrictive limits to the size of files that can be attached to emails – when reams of receipts, invoices, data and reports must be sent to State agencies, simply sharing files was overly cumbersome.
---	--

Reporting

“We’re accountable to human beings...and the community.”

Responses split almost down the middle with 56% of respondents not anticipating any reporting issues and 44% anticipating running into future reporting issues. Information about the implications for nonprofits related to reporting will be more evident once the December 30, 2020 CRF deadline is reached and grantees submit final reports. Among respondents not anticipating issues, several mentioned a familiarity with reporting requirements because of other grants. About half invested in outside help to report on outcomes such as a consultant, or software or paired with manpower from a nonprofit. Another interviewee selected software for a brand-new program with the reporting requirements in mind. One interviewee partnered with two nonprofits on a shared database and data collection to report and analyze data in real time; this allowed the organization to make changes or modifications on a weekly basis in response to community needs. Here are the types of comments received:

ASPECTS THAT WORKED WELL	AREAS THAT NEED IMPROVEMENT
<ul style="list-style-type: none"> • Historical Knowledge and Experience – Some organizations that were somewhat or very experienced in handling government dollars and working with reporting requirements expressed a higher level of comfort and lower level of anxiety with the process. • Outside Help – About half of organizations recruited outside help with outcomes reporting, such as an accounting firm, consultant, or technological solution – mostly at their own cost. • Collaborative Data Reporting – At least one interviewee saw benefits in pooled resources such as a database and data collection for more immediate program feedback; this provided the opportunity to look at and respond to data in real time as well as set the organization up for quicker, 	<ul style="list-style-type: none"> • Pre-Reporting Anxiety and Concern – Of the nonprofits that anticipated or experienced reporting issues, concerns included the short time provided for program reporting, a final report deadline calendered two weeks before program completion date (for example, an interviewee anticipated a large volume of end-of-year activities and expenses after the reporting deadline due to the cadence of their program and were anxious about paying salaries and vendors, and reporting), reporting metrics not correlating with program goals, and data collection scheduled to meet deadlines. • Excess Complexity – Some found certain reporting requirements unduly complicated. • Need for Additional Manpower – Several organizations expressed the need for more administrative support or staff to deal with reporting – desperately needed as

<p>less burdensome reporting to meet funder deadlines.</p> <ul style="list-style-type: none"> • Meaningful Data Identified – Some agencies engaged their intermediary partners in a conversation to determine which data would be most informative and not too complicated to collect; this type of collaboration was greatly appreciated. 	<p>staff were already overworked and stressed with program implementation..</p> <ul style="list-style-type: none"> • Tech Barriers – Some reporting platforms did not fit program reporting needs; for example, at least one lacked eligibility categories appropriate to the program. The lack of coordinated and consistent data platforms across government limited the ability to see larger patterns in need.
--	--

Auditing

“There is a greater capacity of the network that provides these services and a better relationship with the government entities that guide/support this work.”

A Single Audit, also known as an A-133 Audit, must generally be completed by all recipients receiving \$750,000 or more in total Federal funds in the recipient’s fiscal year. More than 90% of nonprofit interview participants anticipated needing to conduct a A-133 level audit as a result of receiving CARES Act funding. In sharp contrast, only 47% normally conducted an A-133 level audit, while the remainder did not typically conduct this type of audit or were not sure if they previously had to do it. Compliance with Federal award guidance and regulations are part of the flow-down provisions for all CARES and other Federal funds.

The A-133 audit was generally regarded as huge, intense, time consuming, and requiring more administrative staff resources at what would be an already stressful time for organizations. Some nonprofit interview participants found it an unanticipated expense that will have significant financial and human resources consequences. Nonprofits anticipated that costs for an external auditor would range from \$22,000 to \$50,000. In one case, a nonprofit confirmed budgeting \$37,000 for their audit. In another case, the organization said they hoped to have a successful end-of-the-year fundraiser to be able to pay for the audit. Nonprofits were unclear as to whether audit costs were allowable expenditures under the CARES Act; thus, nonprofits were struggling with how they would bear those costs themselves.

Several interviewees felt clear that CARES funds could not be used for audit expenses since costs would not be incurred until 2021. In some cases, the audit would stretch over two fiscal years – in essence, doubling impact and cost. Some savvy nonprofits front-loaded pre-audit costs into this year’s budget. Other nonprofits were unclear on whether they were allowed to cover costs of an A-133 audit using grant funds. Specifically, 33% of interview participants responded that they were allowed to cover the cost of the A-133 audit from grant funds, while 47% said no, and the remaining 20% were not sure. Several nonprofits also noted the lack of clear guidance from the Federal government on what is expected for the audit, creating uncertainty and anxiety for some staff. In one respondent’s experience, audit requirements are left up to interpretation.

ASPECTS THAT WORKED WELL	AREAS THAT NEED IMPROVEMENT
<ul style="list-style-type: none"> • Audit Pre-Planning – Knowing that an audit would be required, organizations built costs into their budgets. • Accountability Mindset – Organizations interviewed shared wide acknowledgement that CARES Act funds are public money and, therefore, accountability was expected and supported. 	<ul style="list-style-type: none"> • Anticipated Public Scrutiny – Several organizations felt pressure from anticipated scrutiny on audit results. • Prevalent Audit Anxiety – Several reflected residual fear and confusion based on past experience. Certain participants indicated concern that anticipation of an eventual audit for State and County entities seemed to have driven decision making, creating barriers to fund distribution. Some of this seemed due to the Federal Office of the Inspector General indicating its intent to audit the states and require states to reimburse the Federal government for disallowed expenditures. • Inconsistent or Lack of Clear Guidance – Organizations experienced inconsistent guidance on audit coverage by grant funds, which seemed to trickle down from changing Federal guidance.

Longer-Term Impacts on the Organization

“One great outcome of this CARES effort is that everyone knows who we are now. And there is infrastructure. And there is credibility. It should be easier going forward. Now we are being invited to many conversations with public and private leaders that we weren’t invited to prior.”

Beyond short-term or temporary shifts each organization has made, participants anticipate several long-term effects that will impact organizational activities, practices, and philosophies through the end of the COVID pandemic and beyond. Although details varied greatly as they followed the differences between organizations, their comments reveal that they see more lasting positive impacts than negative.

The many positive impacts included themes around **increased** knowledge and awareness; capacity; connections and visibility for their work; and confidence and pride in their organizations, staff and communities.

Additional positive impacts reported include **strengthened** programs, services and approaches to delivery; networks among those providing the same types of services; staffing, staff capacity, skill sets; relationships (in the organization, across organizations and with community); self-image and reputation; and finally, trust by funders and government agencies.

Some interviewed believe that there are (or will be) important negative or challenging long-term impacts:

- Wider recognition that Hawai’i’s service delivery systems are not designed well to respond quickly to crisis;
- Acknowledgment that Hawai’i government is hampered with archaic technology and data systems.
- Realization that our communities’ needs are much greater than our ability to meet them; and
- That for some staff, the experience was traumatic, involving extreme stress, burn-out and turnover.

These themes are described in more detail below, with interview excerpts as illustrations.

ASPECTS THAT WORKED WELL	AREAS THAT NEED IMPROVEMENT
<ul style="list-style-type: none"> • Increased Awareness and Knowledge – Nonprofits gained awareness and knowledge of various communities and their particular and considerable needs; State and County systems, organizational practices, and organizational cultures; and contracting and compliance, all phases. • Increased Capacity – Organizations found they had the wherewithal to rapidly respond to a crisis, to the unexpected and unprecedented; scale- 	<ul style="list-style-type: none"> • Lack of Preparation – Nonprofits expressed a recognition that their systems were not positioned to respond well to crisis and the innovative programs and processes necessary to respond to unprecedented crises; this

<p>up services (i.e., staffing, accounting, program delivery, operations, reporting, etc.); innovate, create, adapt to use new tools; lead, contribute meaningfully to problem solving and mobilizing community action; serve our community, more of the community; and impact lives in tangible and critical ways.</p> <ul style="list-style-type: none"> • Improved Networks – Nonprofits found they had a platform from which to increase connections and visibility with funders, government leaders, and elected officials. • Elevated Assessment of Organization Itself – Organizations found that CARES processes increased confidence and pride in their organizations and their staffs as many rose to the challenge when needed the most. • Stronger Organizations – CARES strengthened nonprofits’ programs, services, and approaches to delivery; networks/alliances among those providing the same types of services; staff capacity, staff size, skill sets, team behavior; relationships (in the organization, across organizations and with community); self-image and reputation; and others’ trust. 	<p>includes the need to invest in more effective and compatible technology systems that can talk to each other.</p> <ul style="list-style-type: none"> • Overwhelming Needs – Organizations met the realization that the needs in our community are so much greater than our ability to respond. • Staff Toll – Nonprofits lamented that their staff experienced vicarious trauma and burn-out; organizations also had to face staff losses due to pressure and stress.
---	---

Interview Excerpts Reflecting Positive Impacts:

“We were never invited to the table and now we are... Now we have a new level of respect locally, there’s capacity in that.”

“There’s a lot of learning... When we designed the system/process, we didn’t use our existing systems. We put in cloud-based systems... now, we are using the latest and greatest technology. This is exciting. We hope to leverage the [new] technology and move into production with normal operations at the end of this program.”

“It’s providing a degree of stability to our employees..., [and] to the recipients of our various programs... This is meaningful during a time when people are hurting.”

“We were able to service our community. We’ve heard from families that they’ve benefited from this. ... This kept staff employed and kept us afloat.”

“It has been a great opportunity for us to be exposed to our community. We have such limited budgets for outreach and marketing. The collaborative effort with all nonprofits and County behind us was great way for us to get out into the rural communities that are underserved.”

Interview Excerpts Reflecting Negative Impacts:

“We found ways to expedite support to small businesses and restaurants, but when it came to individuals who are trying to put food on the table, it’s like applying for a mortgage.”

“My team is tapped out. We’ve had to work really long hours to rush to spend these funds. The rush to spend funds has drained us all.”

“...The extreme drain on resources has cost us good staff who burned out. It cost us more in labor than they would have ever expected.”

“It’s great that we get to help people, but overall, it doesn’t feel like something anyone would willingly want to take on, knowing the challenges and the barriers.”

Findings from Government Interviews

“I’m hoping that engagement in this work can help change the trajectory of the way this happens moving forward for the nonprofit sector. Hoping that through this report and committees, etc. that we can change the way the government interacts with the nonprofit sector.”

The team interviewed government entities distributing CARES funding to nonprofits: two State departments (Department of Business, Economic Development, and Tourism, DBEDT; and Department of Human Services, DHS) and two Counties (City and County of Honolulu and County of Maui), with information provided about the County of Hawai‘i and County of Kaua‘i.

In general, State and County agencies familiar with Federal and State requirements were better equipped to work on new programs created by the CRF. State agencies not accustomed to working with Federal funds were more likely to struggle with understanding the requirements and managing programs effectively. Just as new CRF programs challenged nonprofits not experienced with Federal grants management, State agencies were challenged to take on roles with which they were not familiar and did not have the staff or skills to undertake.

Challenges identified by all interviewed entities center around tradeoffs in the need to balance:

- Timeliness with compliance,
- Current funding infrastructure with the need to streamline processes,
- Practical implementation with legislative mandates, and
- Risk and trust.

Timeliness vs. Compliance – Government entities reported feeling conflicted from demands imposed both by the Coronavirus Relief Fund (CRF) spending deadline and need to ensure compliance with Federal program guidelines issued by the U.S. Department of the Treasury. They reported facing criticism from the public for not standing up programs quickly enough while, at the same time, being required to ensure that funded activities fell within Federal guidelines that continued to shift and change.

To illustrate, final allocation decisions on the expenditure of CRF funds were not solidified until August, with the Governor signing Senate Bill 126 with modifications on July 30, 2020 – more than four months after the CARES Act became law on March 27, 2020. DHS reports funding disbursement was further delayed by issues like the need to set up accounts to distinguish CRF from other spending and to determine how to work within the appropriations enacted. DBEDT added that the delay in the release of appropriated funds from the Governor’s office also exacerbated the time crunch.

State agencies noted that having the expertise of people within the Attorney General’s office and Department of Budget and Finance to make determinations in gray areas around Federal guidance was very helpful.

Existing Infrastructure vs. Need to Streamline Processes – Government interviewees acknowledged that their standing infrastructure to fund programs going into the pandemic was not adequate or nimble enough to pivot quickly and streamline processes to easily meet funding deadlines. Such infrastructure is defined broadly to mean the people, processes, and technology in place to make funding disbursement possible.

For instance, the City and County of Honolulu reported that, in their work to grant \$387 million in CRF funds to nonprofits and others in the community, talks started with a 14-page contract template which did not lend itself to timely negotiations or approvals. The City also noted that it should have followed departmental activity and hired accounting and law firms to do base-level purchasing work subject to arcane requirements that their people could not process nor train to handle quickly enough. The County of Maui also acknowledged that requirements to walk through normal contracting processes, including setting performance measures and goals, led to delays.

Within the State DHS, the CRF called on the department to adopt a process they were not used to implementing. For an agency generally called on for licensing and safety of child care providers, they were not equipped to quickly move into grantmaking. The department was challenged to quickly develop administrative rules and requirements for expending funds; identify the public purpose and articulate benefits to the State; establish a framework and requirements around how funds could be spent, determine eligibility of child care providers, etc.; and create a contract to support those requirements. An example of an eligibility issue that came up was one in the State Constitution prohibiting public funds from going to private educational entities, meaning those with child care operations on private school campuses. DHS worked with an intermediary to identify mechanisms by which the intermediary could screen such business entities to verify that entities meet eligibility requirements established for the child care grant program.

In addition, DHS's usual practice is to ensure that providers are in compliance with State and Federal tax requirements, Department of Commerce and Consumer Affairs requirements for business entities, and labor laws under the jurisdiction of the Department of Labor and Industrial Relations (DLIR). However, many child care providers had not been advised of this requirement in advance and many became stuck in a backlog of applications being processed through Hawai'i Compliance Express. In the end, to ensure funds would move quicker, DHS was able to create alternate ways for providers to show proof of compliance.

Requirements of Implementation vs. Legislative Mandates. The on-the-ground practicality of what was needed to implement a program did not always align with what was included in legislation around the CRF. This is evident in the information above regarding the child care program being given to a non-grantmaking department at DHS. This also became evident within two programs administered by DBEDT – fisheries and workforce development. DBEDT program staff were not clear about the rationale for placing those programs within a department that lacked the practical assets to quickly implement either program.

For example, DBEDT notes funding for fisheries provided by the CARES Act through the National Oceanic and Atmospheric Administration may have better fit entirely within the Department of Land and Natural Resources, Division of Aquatic Resources, that was already handling some fisheries funds. In addition, the Aloha Connects Innovation workforce development program to help job seekers displaced by COVID could have found a better home within DLIR. Not only would this have provided the right subject matter expertise residing in those departments, it would also have ensured quicker activation through existing relationships and connections with key players in target industries.

Risk vs. Trust. The very nature of the urgency of the pandemic called on government entities to put aside considerations of risk around proper handling of Federal monies and trust that nonprofits and other grantees would be good stewards of the public dollar. This played out in decisions around funding controls; for example, in whether a funding process would allow for a significant enough cash advance that would enable a nonprofit contractor to stand up and run a program quickly, instead of enforcing a reimbursement process for payment. In DBEDT's case, the department provided a 50% advance under the notion that, should funds not be expended or misused, vendors would have to pay back funding or face penalties. However, others provided only 10% of an advance or ran programs purely on reimbursement basis,

without realizing that this structure would shut out several potential program operators who could not front the money. The County of Maui also said that the imposition of a 5% cap on administrative funds to run COVID programs may not have been realistic to the needs of having boots on the ground for proper and speedy implementation.

This also played out in the organizations selected to apply for CARES funds. The City and County of Honolulu noted that, for expediency's sake, it made sense to work with trusted vendors that had a track record of effectively handling and disbursing funding to the community. However, the City also noted that organizations with whom the City had bad experiences in the past tended to be shut out of consideration, even if they had capacity and expertise. The City also said that this did not allow outreach to smaller, less resourced nonprofits that could have benefitted from the ability to build a relationship with the City and become familiar with its processes.

RECOMMENDATIONS

“Everyone has to recognize that no one can do business as usual...We act like things don’t need to be fundamentally different or innovative. We must be able to change, to respond more effectively to changing circumstances.”

“Especially during an emergency situation with emergency funds, every bit of scrutiny and distrust not merited slows down the process, makes it difficult to accomplish [program results]...there has to be trust in the relationship. Government can’t do it alone; nonprofits can’t do it alone.”

Project participants acknowledge the unprecedented conditions the COVID-19 pandemic has imposed across the board. They also acknowledge the burdens this has placed on State and County government to quickly structure programs to distribute CARES Act funding. For the most part, participants indicate the belief that government staff are not uncaring; they are overwhelmed and operating in a system not built to move quickly nor accommodate needed flexibility. However, many also acknowledge that many of these same systemic issues existed before COVID. Several of these issues exacerbated delays in processing CARES Act funds and point to changes that can ease the funding flow in the near- and long-term.

The following includes recommendations suggested by nonprofit and government interviews and a separate list suggested by the project team. In each section, the most urgent suggestions are at the top.

Operational/Administrative

To maintain or continue:

1. CREATE EMERGENCY FUNDING PLAN, INFRASTRUCTURE, AND PROCESSES – Now that some of the infrastructure for relief funds dispersal has been established – for example, contracting and other templates, payment mechanisms, waivers and exceptions to speed funding distribution – create detailed roadmaps so the infrastructure can be activated quickly for additional COVID relief funds approved by the Federal government. Create a standing disaster relief and recovery funding infrastructure along with a and set of rules that utilizes statewide emergency proclamation and response procedures, perhaps incorporating lessons and processes from National Volunteer Organizations Active in Disaster (VOAD), avoiding a situation where all players need to figure out how to operate while a disaster unfolds. For example, government agencies anticipating increased procurement burdens on staff can follow a State agency’s example by hiring accounting and law firms to help deal with the surge in a way that seeks to innovate while managing risk responsibly. In addition, supply chain issues can be anticipated and resolved early, which is critical particularly given the shipping time that is required for anything ordered to come to Hawai’i. All of this prospective work can benefit future emergency situations such as natural disasters or economic crises.
2. EMPHASIZE COMMUNICATION – Create clear, regular, and timely communications with contractors/grantees, including convening intermediaries. Incorporate community input at various

stages of the process to ensure decisions are well-informed and will support efficient and effective distribution of funds. Establish regular check-ins with contractors/grantees to determine whether course corrections need to be made. Create one go-to website rather than rely on each department to develop communication strategies.

3. LEARN FROM EXEMPLARY PRACTICES – Hold a learning session to draw on lessons from bright spots in the CARES landscape and how effective processes can be translated to State and County entities.

To change, make improvements:

4. STANDARDIZE PROCESSES AS SOON AS POSSIBLE – Create consistent contracting, reporting, and funding templates and guidelines across State and County government, working with potential recipients to create realistic standards where possible. Eliminate the burden of each department trying to determine what they think is required. Work to establish this disaster infrastructure now rather than wait until it is needed.
5. CONSULT WITH KNOWLEDGEABLE SERVICE PROVIDERS AROUND PROGRAM DESIGN – Aligned with the trend toward trust-based philanthropy, build new programs in concert with intended or likely program operators. This can ensure that potential program pitfalls can be caught in advance and create a more robust and effective program.
6. INCREASE SPEED AND REDUCE BURDEN OF PROCESSES – Identify and eliminate unnecessary barriers within the application, contracting, payment, reporting, and any other processes. Rather than recycling templates from other programs, ensure that they are focusing on the information essential to the program in question. Bring nonprofits in to review and suggest changes to be made in processes that would (1) still ensure the integrity of those processes but (2) streamline and make them less burdensome on nonprofits. Reach out to other State and local government and philanthropic entities to understand potential exemplary models and practices that can be adopted here in Hawai'i using an asset-based approach.
7. BUILD CROSS-SECTOR TRUST – Combined government and nonprofit leadership can help to increase trust between government and nonprofit entities and build a dynamic of partnership vs. procurement. For example, payment processes can start with upfront advances rather than reimbursement, in recognition of the need for immediate resources to stand up new programs and so as not to adversely impact an organization's financial health. In addition, leaders can use their power to convene and facilitate safe spaces for regularly scheduled discussions between funders and nonprofits that allow funders to learn about nonprofits' capabilities, the strengths of their staffs and programming, their connections to community, etc. Such convenings can also allow government to hear unvarnished recommendations about how the relationship or processes can be improved and promote social cohesion.

Such a process can also include rehabilitation of certain nonprofits that may have blemishes on their record incurred under former leadership. Convenings can help government agencies overcome longstanding biases and distrust or help overcome greater concerns about waste, fraud, and abuse.

-
8. CLARIFY REQUIRED ORGANIZATION CAPACITY FOR NONPROFIT PARTICIPATION – Ensure a better understanding of the organizational and financial capacity required to administer government funding by less experienced nonprofits so that they can realistically assess their ability to apply for and implement programs well. This includes implementing payment structures that are not 100% based on reimbursement so as to be less burdensome on organizations with limited reserves.
 9. EMPHASIZE COORDINATION, SET UP SINGLE POINTS OF CONTACT FOR GOVERNMENT ENTITIES – Improve coordination between all levels of government to ensure (1) a shared understanding of program requirements, such as activities eligible for funding, (2) the ability to nimbly react to changes in Federal requirements and to anticipate shifts in process and policy quickly, and (3) to ensure that applicants and grantees have a clear idea of the requirements before them. Appoint single points of contact (SPOCs) per government entity and commit them to regular meetings with other SPOCs to make certain this coordination takes place.
 10. CLARIFY ROLES AND RESPONSIBILITIES, STREAMLINE POINTS OF CONTACT FOR GRANTEEES – Clarify and streamline points of contact (either single or responsible POCs) per State or County government agency or department as a resource for information and to respond to inquiries and troubleshoot challenges. Depending on capacity, the SPOC can be the same individual as for the SPOC role suggested above. Provide them with appropriate levels of discretion to make decisions and answer questions that applicants or awardees have. Establish FAQs on websites and update them quickly and regularly based on questions received. Provide feedback on rejected applications. When there are questions about qualifying expenditures, provide prompt guidance or assurance that organizations will not be penalized retroactively.
 11. DECIDE PROGRAM GUIDANCE EARLY, DISCUSS CHANGES IN ADVANCE WHEN THEY ARE NEEDED – Collaborate with grantees should changes be needed at any point. Communicate guidance and changes immediately to department or agency staff and the public. For example, provide clear and early guidance on whether or not participants are allowed to cover the cost of an A-133 audit with grant funds and include it in their grant budgets. Also, provide clear guidance on what is required for an A-133 audit. Require some level of collaboration between government and nonprofits and businesses in the design of emergency programs. Create a better culture of listening and gathering and using input from organizations that understand community needs.
 12. COMMIT TO IMPLEMENT STRATEGIES THAT YIELD MEASURABLE RESULTS – Design programs to achieve measurable results instead of simply focusing on dollars spent and services rendered. Moving toward outcomes-based contracts and grantmaking moves government funders toward outcomes and away from micromanaging expenses and inputs.
 13. INCREASE AWARENESS AND OUTREACH EFFORTS TO NONPROFITS – Improve accurate and timely flow of information, both to nonprofits about open opportunities and to the public. Communicate available programs and supports, eligibility criteria, and processes to apply. In particular, public outreach can foster a better relationship with members of the public waiting to be served. This can reduce negative public perception of government responses which can also lead to public skepticism and lack of trust around new programs.

-
14. ESTABLISH EMERGENCY PROCUREMENT PROCESSES – Include procurement as a consideration within the realm of emergency management and planning. Create emergency preparedness guidelines that include templates and timelines pertaining to how procurement and spending should be adapted to incorporate emergency considerations. For example, what rules might be suspended, or requirements modified during emergency times? What is truly needed for due diligence and what hoops are creating burdens that are disproportionate to the perceived benefit of requiring them?
 15. ESTABLISH PAYMENT STRUCTURES THAT ALIGN WITH FINANCIAL LIMITATIONS OF NONPROFITS – Find a payment structure solution that does not require nonprofits to advance funding, rely on private support, or pursue other financing options to disburse dollars that are intended to come from public funds. Consider advances of up to 50% of grant funding to get organizations through the first month or two of activities required to stand up a new program. Streamline the reimbursements and utilize electronic payments to speed up payments.
 16. EASE REPORTING BURDENS – Automate more government processes, putting more of them online. Fully test new technology platforms with a wide cross-section of users to ensure workability before pushing full adoption. Consider shared software access as a means to check in with funded organizations in real time or at intermediate milestones, cutting back on time and attention needed for reporting, so as to not distract from delivering emergency services. For less experienced nonprofits, provide assistance on program metrics, reporting, and evaluation, which could be accomplished in a variety of ways such as:
 - Hiring a team of evaluation experts to set up and take charge of reporting;
 - Conducting peer-to-peer learning, round tables or partnerships between nonprofits effectively using software and collecting data and those struggling with meeting reporting requirements; and
 - Increasing allowed funding for administrative support for reporting.
 17. ASSESS AND PROVIDE PROFESSIONAL DEVELOPMENT FOR GOVERNMENT STAFF – Do a deeper dive with a group of State and County agencies on their CARES Act processes – what did and did not work, where knowledge and experience gaps slowed them down in the middle of crisis. Provide professional development to fill those gaps in knowledge and experience, such as streamlining and writing clean requests for proposal (RFPs), contracting, working across boundaries, and community and stakeholder outreach and communication.

Policy

To maintain or continue:

18. ENCOURAGE AND FACILITATE POLICYMAKER ENGAGEMENT – Policymakers can remain engaged in the thinking around how to solve myriad issues raised above. Policymakers can signal their support and appetite for acting on opportunities for change that arise during emergency periods.
19. SUPPORT ACCOUNTABILITY – Continue to support and expect accountability toward proper use of government funding to ensure that desired program outcomes are reached, public trust in players and programs can be maintained, and organizations can prove themselves as good stewards of taxpayer dollars to invite other dollars to flow.

-
20. PROVIDE FUNDING TO MEET SPECIAL NEEDS – Continue to authorize special funds to meet unique, unprecedented and emergency needs.
 21. CONTINUE MODERNIZING SYSTEMS – Provide additional funding to modernize data collection, procurement, and payment systems so they are more effective in supporting grantees implementing programs and program outcomes. Create better data systems to better allow for lessons to be extracted across departments and agencies.

To change, make improvements:

22. APPROPRIATELY BALANCE RISK WITH THE NEED FOR SERVICES – Find ways to mitigate risk without creating insurmountable barriers to delivering service. Create a shared framework or guiding principles document to help guide conversations and decisions related to administrative requirements in emergency times (apply basic protections while prioritizing emergency fund disbursement for intended purposes). Identify where State and County requirements are stricter than Federal requirements and adjust to benefit vulnerable communities (filing extensions, reimbursement requirements, etc.).
23. PRESERVE CRITICAL STAFF FUNCTIONS DURING HIRING FREEZES – Make exceptions for government positions critical in managing CARES-type contracts or other emergency funds. The inability for those positions to be backfilled harms nonprofits and the communities they serve. Also consider exempting staff functions for seeking Federal and national foundation monies through competitive grants.
24. CONSIDER PROGRAM PLACEMENT TO MAXIMIZE ACCESS TO IN-HOUSE EXPERTISE – Give some consideration to which departments can more practically house programs so they can hit the ground running through existing relationships and expertise.
25. ASSIST WITH AUDIT TASKS, COSTS – Create a pool of funds and experienced CPAs to assist grantees in paying for, preparing for, or performing Single Audits or A-133 Audits, which can be costly, burdensome, and a barrier for nonprofits not generally subject to an audit at that level.

Additional Recommendations from Interview Team

26. PERFORM WIDER GOVERNMENT LOOKBACK – Through this project, the team was only able to speak to four government participants who represented only portions of CARES-funded programs within each entity. A more comprehensive process to gather lessons learned and suggestions for improvement from all CARES-funded government entities will provide a wider look at government systems and encourage buy-in from additional corners of the State and each County.
27. CONDUCT SIMULATED SCENARIO PLANNING TO PREPARE FOR MORE EFFICIENT RESPONSES – As with disaster management and planning, facilitate “tabletop” exercises with key players in funding distribution from government, nonprofit, philanthropy, and recipients to discuss simulated situations, allowing them to rehearse roles, ask questions, troubleshoot problem areas, and think of other implications – in a non-emergency environment.

-
28. FORMALIZE MASTER CRISIS PLAN – Consider establishing a formalized crisis relief process for a future crisis operations framework to streamline rapid response and distribution of funds and resources to constituents, as a product of aforementioned tabletop exercise planning. Periodically review tabletop or scenario exercise for the purpose of quality relationship trust-building, teamwork, and transparency for equity. Include crisis communications as an important component to help maintain public trust.
 29. PROVIDE TRAINING, TECHNICAL ASSISTANCE IN EXTERNAL FUNDING – Further diversify the funding streams coming into Hawai'i by training more of our nonprofits and multi-sector partners to be able to competitively respond to Federal and national foundation funding opportunities. Establish pool of technical assistance providers to assist applicants in the grants process such as formulation of funding ideas, prospecting for funding opportunities that fit, establishing relationships with program officers, writing and submitting applications, and post-award management. Pay particular attention to the needs of smaller nonprofits that may enjoy even fewer advantages by virtue of under-resourcing, including issues of access to information and important connections that can better help them fulfill their missions.
 30. FOLLOW OMB UNIFORM GUIDANCE – Implement U.S. Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Grants (Uniform Guidance) released in December 2014 that affect nonprofits receiving Federal grant funds, either directly or passed through State and local entities. One of the principles requires governments to reimburse nonprofits for their indirect costs when Federal dollars are involved as a way nonprofits can cover costs of implementing such grants.
 31. ACCOMMODATE THE MOST VULNERABLE – Ensure those with low technology literacy, language barriers, and other access issues are not excluded. For example, be prepared to translate documents, websites, hotlines, etc., and provide application opportunities or assistance for those who are not computer literate or do not have access.
 32. MAKE POOLED FUNDS AVAILABLE – Create a public/private partnership to pool funds that can be used as matching dollars for Federal programs that require a match, incentivizing and making possible the receipt of additional competitive Federal dollars coming into the State.

ACKNOWLEDGMENTS

Project Funder

The Hawai'i Community Foundation (HCF) made this project possible through its generous support. With over 100 years of community service, the Hawai'i Community Foundation (HCF) is the leading philanthropic institution in the state. HCF is a steward of more than 950 funds, including more than 280 scholarship funds, created by donors who desire to transform lives and improve communities. In 2019, HCF distributed more than \$63 million in grants and contracts statewide, including more than \$7 million in scholarships. HCF also serves as a resource on community issues and trends in the nonprofit sector. To learn more about HCF's response during coronavirus, please visit <https://www.hawaiicommunityfoundation.org/coronavirus>

Nonprofit and Government Participants

The nonprofit organizations and government entities participating in this project demonstrated a real willingness to help and provided candid, specific information to ensure that final results would be practical, meaningful, and actionable. Their participation was essential to collect lessons learned and, hopefully, improve processes for the short- and long-term future.

Project Team

This project was elevated to a high level of quality thanks to the expertise, engagement, and enthusiasm of the following collaborators and interviewers who have substantial experience working with the nonprofit, government, private, and philanthropic sectors, as well as at the intersections of all of those sectors. More information can be found on team members at the Hawai'i Community Benefit Consultants hui website: Hawai'i Community Benefit Consultants: <https://hawaiicbc.net/>.

Savannah C. Allshouse of Change Works Hawai'i provides grant management and data analysis support for local nonprofits and organizations.

Mondy Jamshidi Kent, Non-Profit Sustainability Consultant at Pactivist LLC, has over 20 years experience in social ventures with several leadership projects under her belt.

Jeeyun Lee of Change Works Hawai'i has written, implemented and evaluated grants in the last 20 years of her career in the nonprofit sector, including being the Executive Director for a local nonprofit for almost five years.

Deb Marois of Converge has spent nearly 30 years working with the nonprofit and government sectors, the last 15 as a consultant specializing in organizational and community development, collaboration/collective impact, research and training.

Marina Piscalish, PhD of Mapping Change, LLC, is a conflict and collaboration consultant offering facilitation, mediation, training, collective learning, coaching and collaborative process and systems design.

Sujatha Raman of Prana Consultancy has more than 20 years of experience in nonprofit management in New York City, London and Hawai'i, including partnering with a variety of boards and staff to develop strategic plans, leadership and community engagement, and fundraising.

Veronica Rocha is the Founder and Owner of Essential Leap, a full-service management consulting practice providing strategic planning, business and program development, policy and regulatory analysis and development, government relations and stakeholder engagement.

Mary Tam of Na Hopena has more than 17 years of experience in the pursuit of social justice, having worked in fundraising, programmatic, and grantmaking capacities. With a focus on stakeholder engagement, she works with organizations to arrive at fully-informed decisions, ensuring those decisions are actionable.

Melissa Unemori Hampe, Project Lead, Partner with Skog Rasmussen LLC on Maui, has contributed to more than 120 Federal, foundation, and corporate grant projects, providing a variety of services including grant prospecting and strategy, project management, coaching, writing, reviewing, editing, and submission support. Prior to her 12 years in private sector consulting at Skog Rasmussen LLC and DC-based McAllister and Quinn, LLC, she served a year at national nonprofit MENTOR: National Mentoring Partnership in mentoring and youth development Federal affairs. She also spent 11 years on Capitol Hill serving in legislative and press roles.

REFERENCES

- Hawai'i Community Foundation: <https://www.hawaiicommunityfoundation.org/coviddashboard>.
- H.R. 748, CARES Act: www.Congress.gov
- U.S. Department of the Treasury guidance: <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>
- Hawai'i COVID-19 Case Data: <https://health.hawaii.gov/coronavirusdisease2019/>
- Hawai'i Unemployment Claims: <http://labor.hawaii.gov/ui/>
- Governor David Ige, Signing and Line Item Veto of SB126, July 30, 2020: <https://governor.hawaii.gov/newsroom/latest-news/hawaii-covid-19-joint-information-center-daily-news-digest-july-30-2020/>
- Governor David Ige, Allocation of Federal Relief Funds, September 30, 2020: <https://governor.hawaii.gov/newsroom/latest-news/office-of-the-governor-news-release-gov-ige-announces-98-of-863m-from-coronavirus-relief-fund-has-been-designated-to-public-health-economic-and-community-programs/>
- Hawai'i Data Collaborative, Tracking Federal Relief Funds: <https://www.hawaiidata.org/federalfunds>
- Hawai'i County Resource Page: <https://sites.google.com/view/hawaiicountyrmapp>
- Information on the House Select Committee on COVID-19 Economic and Financial Preparedness: <https://tinyurl.com/y5tce96d>
- Federal Audit Clearinghouse: <https://facweb.census.gov/>
- Senator Brian Schatz, Coronavirus Resources (including estimates for relief package passed in December 2020): <https://www.schatz.senate.gov/coronavirus>
- Dates, Data, and underlying COVID and UI graphic sources in Introduction: <https://public.tableau.com/profile/hiwi#!/vizhome/UIClaimsInHawaii-2020/HawaisUnemploymentInsuranceTrendsIn2020>
- <https://health.hawaii.gov/coronavirusdisease2019/what-you-should-know/current-situation-in-hawaii/#epicurve>
- <https://www.honolulumagazine.com/a-covid-19-timeline-how-honolulu-got-to-this-point/>
- https://en.wikipedia.org/wiki/COVID-19_pandemic_in_Hawaii
- <https://www.khon2.com/coronavirus/timeline-of-coronavirus-in-hawaii/>

APPENDIX A: INTERVIEW QUESTIONS

Interviewers used the following questions in live interviews with nonprofits:

What has your general impression been about the process of obtaining Federal CARES funding?

Applying for and being awarded funding: What helped or hindered the funding approval process? Please describe any issues that may have arisen through that process. How would you describe the efficiency and effectiveness of the communication you received from your granting agency? What suggestions, if any, might help improve communications with your granting agency?

Contracting: Please describe anything that made the process of contracting easier or more difficult and any other issues that may have arisen through the contracting process. If you have CARES grants from multiple government entities, please describe any differences you have found between the application and contracting processes, if you have observed any.

Running or operating the program: What, if any, has the impact of running this program had on your staff and organizational capacity? If you have had to hire any staff to help with program administration, please explain. Were opportunities lost due to constraints on allowable expenses, timing of payments, or any other aspects of running your program under CARES requirements? If so, please describe.

Financing the program: Was your contract a reimbursable contract? If yes, how has your organization managed its cash flow? Please describe any issues that may have arisen through the payment process, including on any advance payments received.

Reporting: What issues, if any, do you anticipate with reporting on program outcomes?

Auditing: Do you expect to be required to complete an A-133 single audit in 2021 due to this funding? Do you anticipate any challenges in funding that or in completing it?

General Impacts: What do you believe will be the lasting impacts on your organization of receiving and managing your CARES grant? (both positive and negative) Is there anything else you would like to mention or suggest that would make State and County contracting to the nonprofit sector more effective and efficient?

Interviewers used the following questions in live interviews with government entities:

-What have your general impressions been with the receipt and disbursement of CARES funds, particularly with regard to nonprofit recipients?

-What has helped or hindered distribution of CARES funds from your agency/County the most – in the application, contracting, funds disbursement, reporting, or other processes? What ways, if any, do you see to mitigate any issues – particularly to get ready for another round of CRF funds should they be approved?

-How did your agency/County structure your contract, award, reporting, and/or reimbursement systems? How much of it was based on observations of perceived successes or failures of other agency/County agencies in Hawai'i or elsewhere?

-We have heard of issues that have arisen due to unclear or inconsistent CARES Act information and guidance from the Federal government. What of these, if any, have arisen for your agency/County, and how have you dealt with them?

-What changes in operations, policy, or anything else do you recommend to make disbursement of COVID relief funding go smoother in a future round? For disbursement of Federal funds to nonprofits in the longer-term, for programs or funding not specifically related to COVID?