

Internal Capacity for Federal Grant Funding Assessment

What is Internal Capacity and Why is it Important?

A municipality preparing to pursue federal grant funding should conduct a thorough and objective assessment of its internal capacity to ensure that both the application and subsequent management of the grant can meet all federal expectations. Internal capacity, in the context of federal grants, encompasses the municipality's governance structure, administrative procedures, fiscal controls, technical competencies, and the ability to manage these resources in relation to federal grant funding.

Capacity, in a grant context, encompasses project planning, proposal development, and the ability to implement a project in accordance with the scope and standards established by the funding program. Capacity assessments should include an evaluation of existing competencies, documented procedures, staff availability, internal controls, and the organization's track record in managing funds. A municipality may not have all these capabilities fully developed at the outset of the grant process. This does not prevent a municipality from pursuing funding opportunities or suggest that success is unlikely. Rather, assessing internal capacity serves as an opportunity to identify existing strengths while building institutional capabilities.

How to Use This Document

When pursuing federal funding opportunities, applicants often identify areas in their internal capacity that require attention before submitting an application. This qualitative assessment is designed to help municipalities identify areas for capacity development, which will help strengthen their readiness to apply for and manage grant funds.

The following six-step framework outlines the key areas a municipality should consider when evaluating its readiness to pursue and manage federal grant funding. Each step highlights a core component of internal capacity (early preparation, organizational readiness, NOFO interpretation, fiscal planning, project preparedness, and proposal development) and explains the primary goal associated with each. These steps are intended to help municipalities reflect on their existing systems, identify strengths and challenges, and better understand the expectations tied to federal funding.

This tool is designed as a self-assessment resource, not prescriptive guidance, and municipalities may use it as a reference point as they prepare for future federal grant opportunities and strengthen their overall capacity to be effective, compliant federal funding recipients. Few municipalities meet every one of these considerations; rather than serving as standards to be met in total, these considerations help municipalities gauge their capacity and pinpoint where early, targeted improvements can be most effective.

Summary

Assessment Step	Municipal Use
1. Preparing to Apply for Federal Grants	Build readiness through early planning, account registrations, project identification, and partner coordination to move quickly and submit strong applications.
2. Internal Capacity Evaluation	Assess staffing, systems, financial controls, and past performance to ensure the municipality has the capacity for thorough applications and compliant grant management.
3. Notice of Funding Opportunity (NOFO) Review	Review eligibility, requirements, scoring criteria, and match obligations to confirm project alignment with funding opportunity priorities and municipal priorities.
4. Understanding Cost Share and Fiscal Readiness	Evaluate match funding, in-kind contributions, and budgeting to ensure the municipality can meet cost-share requirements and sustain compliant financial management.
5. Assess Project Readiness and Prepare for Compliance	Verify project definition, permitting, procurement, and compliance structures to ensure readiness for implementation and alignment with federal funding requirements.
6. Aligning Documentation and Narrative with Requirements to Draft a Proposal	Develop narratives and supporting documentation that align with NOFO criteria to create a clear, compliant, and compelling application, demonstrating readiness and responsiveness.

Qualitative Assessment Steps

Step 1: Preparing to Apply for Federal Grants

Early preparation is essential for successful federal grant applications, as it allows time for goalsetting and coordination across departments, governing bodies, and community partners. Laying this groundwork before a funding opportunity is released reduces stress, strengthens applications, and increases competitiveness.

As part of this preparation, municipalities should consider both immediate project needs and broader community goals. For example, a local government framed its application for a bridge reconstruction project not only as a replacement of aging infrastructure, but also as part of the municipality's broader goal of connecting residential areas on one side of the bridge to an industrial section on the other side, improving access to jobs for residents while also shortening the distance from the industrial zone to the closest highway. This type of forward thinking helps clearly link individual projects to long-term priorities and strengthens strategic positioning for future funding.

Organizing required registrations, clarifying priorities, aligning projects with adopted plans, and building internal and external capacity, also helps municipalities be better positioned to act quickly once a Notice of Funding Announcement (NOFO) is issued. Readiness is further

improved by identifying funding priorities, unmet needs, and potential project partners in advance. Collaboration with neighboring municipalities, community organizations, nonprofits, or the private sector can expand capacity, leverage resources, and improve overall application competitiveness.

As part of early preparation, municipalities should:

- Understand the municipality's goals and how possible projects further those goals.
- Designate a clear internal lead or team responsible for coordinating federal grant applications and managing submission deadlines.
- Confirm that all required registrations and accounts are current and active, and ensure staff are trained and authorized to use them.
- Clearly define one or more projects that are ready or nearly ready for funding, including their scope, location, beneficiaries, and anticipated outcomes.

Success Starts with Early Preparation

Some tasks are best started early, as they may be difficult to complete within a tight timeline. Such tasks include activities such as data collection, benefit-cost analyses, feasibility studies, and other foundational work that can require significant time and coordination. To build a strong foundation for future applications, municipalities should:

- Compile baseline data on the chosen project, such as demographic, safety, economic, environmental, or infrastructure condition data, to justify needs and measure outcomes.
- Establish systems to track and organize prior studies, cost estimates, benefit-cost analyses, or feasibility work that can support future applications.
- Register with Grants.gov and SAM.gov as early as possible if they do not already have accounts, as activation can take several weeks on each platform.
 - A Grants.gov account is required to submit and manage many federal grant applications, while an active SAM.gov registration is necessary to receive any federal funds. The MTAP team has created a guide to help municipalities with SAM.gov accounts, which can be found [here](#).

MTAP has also created a resource to aid Maryland municipalities in understanding and engaging with federal grant programs: [Navigating the Federal Grant Lifecycle](#). It outlines the stages of the federal grant lifecycle, detailing the responsibilities of funding agencies, applicants, and recipients at each step.

Step 2: Internal Capacity Evaluation

Building internal capacity before applying ensures that federal dollars translate into visible community results and prevents adverse findings from government audits.

When planning to explore federal funding opportunities, municipalities should compare common requirements to their internal resources and experience. This involves a systematic review of available staff expertise and bandwidth, financial and data systems, and grant

management history. For instance, municipalities must consider if their grant writers and program staff have managed projects and applications of similar scale and if existing compliance protocols satisfy Uniform Guidance (2 CFR Part 200), which is the federal rulebook for how grant money must be managed. Where internal capacity is lacking, or where previous challenges have been documented, municipalities may consider leveraging technical assistance, hiring contractors for support, or building regional partnerships.

To evaluate internal capacity, municipalities should consider:

- Does the municipality's staff have appropriate expertise and time to prepare a competitive application?
- Is it feasible for the municipality to develop a complete application by the deadline?
- Are there qualified personnel to manage the grant post-award (financial, programmatic, and reporting)?
- Is existing administrative infrastructure (accounting, procurement, and reporting) adequate for federal compliance?
- Have recent audits or reviews affirmed the municipality's fiscal and compliance systems? Does the municipality have a compliance history free of significant findings, or a plan to address prior issues?
- Are there internal controls to separate duties and safeguard procurement integrity?
- Does the municipality have experience successfully managing similar federal grants?
- Are there resources available to supplement capacity if internal gaps exist, such as access to external grant writers if needed?

Step 3: Notice of Funding Opportunity Review

Notices of Funding Opportunities (NOFOs) are formal funding opportunity announcements from a funding agency that serve as the definitive statement of a grant's terms, eligibility requirements, application standards, and compliance obligations. NOFOs should be examined by potential applicants for technical instructions, including narrative length limits, evaluation scoring criteria, a list of mandatory attachments or supporting evidence, and cost share expectations, which is a local contribution of non-federal funding required by some grants (see the next section for more details on cost shares).

Examining a NOFO allows a municipality to gauge whether its intended project, existing project progress, current practices and resources align with the requirements. For example, where the NOFO requires project readiness measures, applicants must verify the status of permissions, feasibility studies, or similar preconditions. NOFOs will also list a program contact who can be reached with any questions.

In terms of the intended project and potential funding source, questions a municipality may want to ask themselves include:

- Does the funding opportunity align with the municipality's strategic priorities, and, if applicable, the project design?
- Has a project concept or plan been developed, including goals and measurable objectives?
- Are partnerships or intergovernmental agreements required for an application?

- Are there regulatory or permitting prerequisites for application?
- Can the project be completed within the grant's performance period?
- Are there significant risks that could delay project start or progress?
- Are there any areas that require clarification from the program contact listed in the NOFO?

Step 4: Understanding Cost Share and Fiscal Readiness

Many federal grants require the recipient to provide matching funds or in-kind contributions, and this financial obligation often represents a percentage of total program costs through cost share. While securing funds can be challenging, but worthwhile considering the funding brought in by the grant.

Matching funds are actual cash expenditures contributed by the grantee or an approved third party. In-kind contributions, on the other hand, are non-cash resources such as volunteer hours, donated equipment, materials, or the use of facilities that are assigned fair market value. In some cases, funds from other grant programs can be counted as matching funds if they meet the match criteria established by the funding agency. To qualify, the funds must not originate from federal sources (with very limited exceptions) and must directly support the approved project activities within the grant's period of performance. It is worth confirming the eligibility of potential matching funds or in-kind contributions with the project contact if there is any uncertainty.

Municipalities should review local budgets for available and eligible funds, and confirm the practical procedures for tracking, documenting, and reporting match commitments.

Municipalities can prepare themselves fiscally for a grant funding application by asking questions such as:

- Is the required match or cost share feasible given current fiscal conditions and budget cycles?
- Are there funds or in-kind resources available for a match? Is there any uncertainty about their availability?
- Are staff and systems in place to document and track matching contributions properly?
- Can the municipality maintain a detailed audit trail for the funds?

Step 5: Assess Project Readiness and Prepare for Compliance

Federal agencies often prefer projects that are capable of prompt and effective implementation. For this reason, a municipality should determine whether the proposed project is ready to commence when funds become available and whether the required community engagement, permits, and procurement groundwork are properly in place. Municipalities must also ask whether their timelines are realistic, objectives are measurable, and key partnerships or approvals have been (or can reasonably be expected to be) secured.

Seeing a project through to completion in a compliant manner requires internal mechanisms to separate functional duties, maintain procurement integrity, document program activities, and monitor ongoing risks to ensure compliance. An effective compliance

infrastructure includes up-to-date written procedures and policies, experienced grants management staff, and a track record of audit readiness or clean audit outcomes.

As federal requirements evolve, continuous improvement of compliance systems is necessary. To ensure project readiness and subsequent compliance, municipalities may seek to answer:

- Is the program/project clearly defined, including scope, objectives, and expected outcomes?
- Has a detailed project budget been developed, including all anticipated costs? Does this budget include a clear justification for costs and demonstrate cost-effectiveness?
- Are policies and procedures up to date and consistent with Uniform Guidance (2 CFR Part 200)?
- Is there a clear understanding of reporting deadlines, documentation requirements, and other grant terms?
- Are staff trained or is there access to technical assistance resources for grant compliance?

Demonstrating project readiness within an application is a great way for applicants to demonstrate program credibility, and a portion of this readiness can be achieved when a municipality can ensure they will be a compliant award recipient. MTAP's [Fund Mapping service](#) is available to assist municipalities scoping a project to ensure it is ready for funding, and the team has additional resources regarding compliance on the program's [website](#).

Step 6: Aligning Documentation and Narrative with Requirements to Draft a Proposal

When preparing a grant application, narrative and documentation should be directly responsive to each NOFO criterion and rendered with precision. The narrative must demonstrate an understanding of both the program's objectives and the rules governing receipt of federal funds. Supporting documents should be formatted as required and presented in a clear, systematic manner. Successful applications explicitly align the municipality's staff qualifications, fiscal strengths, and compliance infrastructure with these requirements.

- Does the NOFO specify narrative length or formatting requirements?
- Can the municipality produce clear, data-supported narratives that respond directly to all scoring criteria?
- Are supporting documents required such as resolutions, memorandums of understanding, or benefit-cost analysis explanations required?

Using Available Resources to Understand and Build Internal Capacity

Assessing capacity for a federal grant requires a disciplined, evidence-driven examination across multiple domains, including staffing, governance, financial infrastructure, project readiness, and ongoing compliance mechanisms. This assessment is best supported by continuous documentation, periodic internal reviews, and the cultivation of external partnerships and technical assistance as appropriate. A well-executed internal capacity assessment not only prepares a municipality for effective application but also for post-award

success, which is the ultimate measure by which federal programs and their recipients are judged.

Municipalities should utilize available resources to equip themselves to apply for and manage federal funding awards.

- The Maryland Environmental Finance Center has created a tool that municipalities may find useful as they decide whether to apply for a funding opportunity, linked [here](#).
- The Local Infrastructure Hub also has a library of resources for municipalities to make the most of Bipartisan Infrastructure Law opportunities, linked [here](#).

MTAP is ready to assist municipalities as they prepare to complete funding applications. Municipalities can ask questions of the team as they work to understand their internal capacity for federal funding opportunities through the [MTAP Question Portal](#).

This document is designed to provide federal funding-related guidance, not individual application assistance. By referencing this document, the Municipality explicitly disclaims any responsibility of the State of Maryland or Hagerty Consulting with respect to the actions or decisions taken by the Municipality based on the information, recommendations, or analyses provided. Recipients of federal funds are responsible for administration and compliance of funding awarded.

Appendix – Full List of Questions from Steps Above

Assessment Step	Questions to Consider
1. Preparing to Apply for Federal Grants	<ul style="list-style-type: none">• How does your project link to your municipal goals and needs?• Has your municipality designated a clear internal lead or team responsible for coordinating federal grant applications and managing submission deadlines?• Are all required registrations and accounts current and active, and are appropriate staff trained and authorized to use them?• Has the municipality defined one or more projects that are ready or nearly ready for funding, including their scope, location, beneficiaries, and anticipated outcomes?• Has the municipality compiled baseline data related to the project or subject area to justify need and measure outcomes?• Does your municipality have a system in place to track and organize prior studies, cost estimates, benefit-cost analyses, or feasibility work that could support grant applications?• Is your municipality registered with Grants.gov and SAM.gov, and if not, have you begun the registration process?
2. Internal Capacity Evaluation	<ul style="list-style-type: none">• Does the municipality's staff have appropriate expertise and time to prepare a competitive application?• Is it feasible for the municipality to develop a complete application by the deadline?• Are there qualified personnel to manage the grant post-award (financial, programmatic, and reporting)?• Is existing administrative infrastructure (accounting, procurement, and reporting) adequate for federal compliance?• Have recent audits or reviews affirmed the municipality's fiscal and compliance systems? Does the municipality have a compliance history free of significant findings, or a plan to address prior issues?• Are there internal controls to separate duties and safeguard procurement integrity?• Does the municipality have experience successfully managing similar federal grants?• Are there resources available to supplement capacity if internal gaps exist, such as access to external grant writers if needed?

<p>3. Notice of Funding Opportunity (NOFO) Review</p>	<ul style="list-style-type: none"> • Does the funding opportunity align with the municipality's strategic priorities, and, if applicable, the project design? • Has a project concept or plan been developed, including goals and measurable objectives? • Are partnerships or intergovernmental agreements required for an application? • Are there regulatory or permitting prerequisites for application? • Can the project be completed within the grant's performance period? • Are there significant risks that could delay project start or progress? • Are there any areas that require clarification from the program contact listed in the NOFO?
<p>4. Understanding Cost Share and Fiscal Readiness</p>	<ul style="list-style-type: none"> • Is the required match or cost share feasible given current fiscal conditions and budget cycles? • Are there funds or in-kind resources available for a match? Is there any uncertainty about their availability? • Are staff and systems in place to document and track matching contributions properly? • Can the municipality maintain a detailed audit trail for the funds?
<p>5. Assess Project Readiness and Prepare for Compliance</p>	<ul style="list-style-type: none"> • Is the program/project clearly defined, including scope, objectives, and expected outcomes? • Has a detailed project budget been developed, including all anticipated costs? Does this budget include a clear justification for costs and demonstrate cost-effectiveness? • Are policies and procedures up to date and consistent with Uniform Guidance (2 CFR Part 200)? • Is there a clear understanding of reporting deadlines, documentation requirements, and other grant terms? • Are staff trained or is there access to technical assistance resources for grant compliance?
<p>6. Aligning Documentation and Narrative with Requirements to Draft a Proposal</p>	<ul style="list-style-type: none"> • Does the NOFO specify narrative length or formatting requirements? • Can the municipality produce clear, data-supported narratives that respond directly to all scoring criteria? • Are supporting documents required such as resolutions, memorandums of understanding, or benefit-cost analysis explanations required?