United States Government Accountability Office

GAO

Report to Congressional Committees

April 2005

GRANTS MANAGEMENT

Additional Actions Needed to Streamline and Simplify Processes

GAO-05-335

April 2005

GRANTS MANAGEMENT

Additional Actions Needed to Streamline and Simplify Processes

GAO Accountability·Integrity·Reliability

Highlights

Highlights of GAO-05-335, a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate, and the Committee on Government Reform, House of Representatives

Why GAO Did This Study

The federal government distributed about $400 billion in federal grants in fiscal year 2003 through about 1,000 different federal grant programs administered by several federal agencies with different administrative requirements. Congress, concerned that some of these requirements may be duplicative, burdensome, or conflicting—and could impede cost-effective delivery of services—passed the Federal Financial Assistance Management Improvement Act of 1999, commonly called P.L. 106-107, and mandated that GAO assess the act's effectiveness. This report addresses (1) progress made to streamline and develop common processes for grantees and (2) the coordination among the Office of Management and Budget (OMB), the agencies, and potential grant recipients.

What GAO Recommends

To augment the progress toward streamlining grant administration, GAO recommends that OMB ensure that (1) initiatives have clear goals for completion, (2) agency annual progress reports are prepared, (3) efforts toward common reporting continue on track, (4) OMB's streamlining strategy integrate the three individual initiatives now under way, and (5) grantee input is solicited on an ongoing basis. In written comments on the draft report, OMB generally agreed with the report.

www.gao.gov/cgi-bin/getrpt?GAO-05-335.

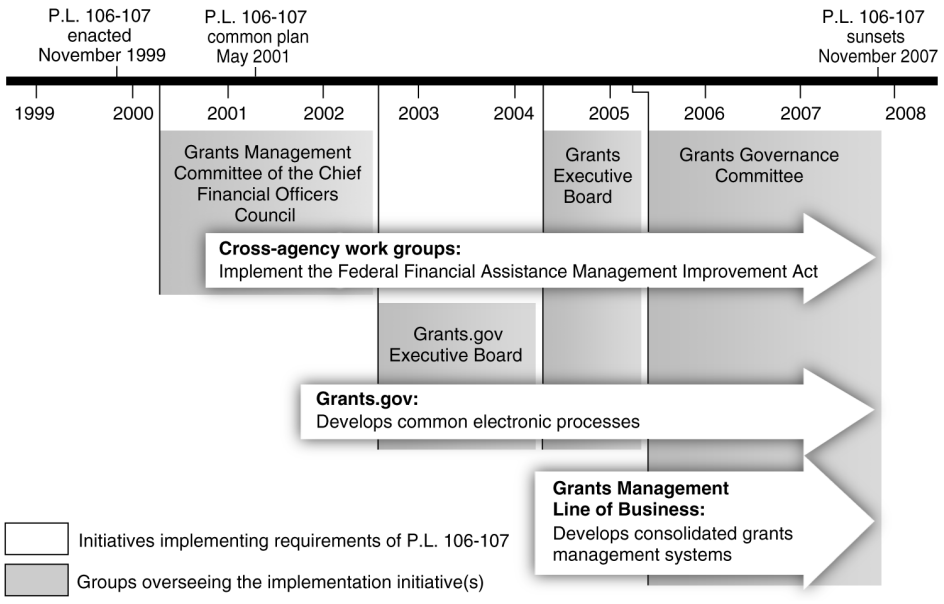
To view the full product, including the scope and methodology, click on the link above. For more information, contact Paul Posner at (202) 512-6806 or posnerp@gao.gov.

What GAO Found

More than 5 years after passage of P.L. 106-107, grant agencies have made progress in some areas of grant administration, but in other areas, particularly the development of common reporting systems, progress is just beginning. Grant-making agencies together developed a common plan for streamlining processes. Several cross-agency teams identified changes that should be made, and these plans are in various stages of completion. For example, a Web-based system, Grants.gov, is now available to help potential grantees identify grant opportunities and apply for them electronically. Common forms are being developed to eliminate duplication and unnecessary differences among agencies. However, efforts toward common electronic systems for reporting financial and performance information have not been developed, although the law requiring them sunsets in 2007. Further, individual agencies have not all reported on their progress annually, as required.

The individual agencies and the cross-agency work groups have a mixed record of coordinating with grantees. For example, the cross-agency work groups solicited public input to their early plan. Grants.gov publicizes its plans and solicits ongoing grantee input through its Web site and user surveys. However, the work groups generally have not made information about their work public nor solicited ongoing grantee input. Without such input, reforms are less likely to meet the needs of grantees. In general, the oversight of streamlining initiatives has shifted, potentially contributing to the lack of progress on all aspects of grant management.

P.L. 106-107 Implementation and Oversight Groups



Source: GAO.

Contents

Letter 1

Results in Brief 3
Background 4
Some Progress Made in Streamlining Grant Administration across Agencies, but More Progress Is Needed 8
Coordination Activities Established across Agencies, but Initiatives Lack Continuing Input from Grantees 18
Conclusions 25
Recommendations for Executive Action 27
Agency Comments and Our Evaluation 27

Appendixes

Appendix I: P.L. 106-107 Annual Reports Submitted to Congress as of March 1, 2005 29
Appendix II: Detailed Information on Grants.gov 31
Appendix III: Comments from the Office of Management and Budget 36
Appendix IV: GAO Contacts and Staff Acknowledgments 38
GAO Contacts 38
Acknowledgments 38

Tables

Table 1: Current Cross-Agency Work Groups Addressing P.L. 106-107 Objectives 12
Table 2: Status of Streamlining Initiatives and Their Expected Impact on Grantees 14
Table 3: P.L. 106-107 Annual Reports Submitted to Congress as of March 1, 2005 30
Table 4: Status of Agency Participation in Grants.gov "Apply" Component (as of April 6, 2005) 34

Figures

Figure 1: Grant Life Cycle 7
Figure 2: P.L. 106-107 Implementation and Oversight Groups 19

Abbreviations

FACA	Federal Advisory Committee Act of 1972
OMB	Office of Management and Budget
HHS	Department of Health and Human Services

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO
Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, D.C. 20548

April 18, 2005

The Honorable Susan M. Collins
Chairman
The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Tom Davis
Chairman
The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

The federal government distributed about $400 billion in federal grants in fiscal year 2003, which accounted for almost one-fifth of the federal budget. Funds from these grants are used to implement about 1,000 different federal grant programs, administered and overseen by 26 different federal agencies as well as some smaller federal entities. These grant programs generally have different objectives and strategies that are reflected in their application, selection, monitoring, and reporting processes. In seeking out, using, and reporting on these grants, grantees—with a wide variety of resources and expertise—must adapt to the different requirements, potentially spending valuable time and resources on administrative issues rather than in advancing the causes that the grant funds were intended to affect. Congress, concerned that some of these administrative requirements may be duplicative, burdensome, or conflicting and could impede the cost-effective delivery of services at the local level, passed the Federal Financial Assistance Management Improvement Act of 1999, commonly referred to by the grants community as P.L. 106-107.[1] The act required coordination among federal grant-making agencies to streamline administrative requirements and to improve coordination among federal grantor agencies and their nonfederal partners.

[1]As defined in the act, "federal financial assistance" includes grants, cooperative agreements, loans, loan guarantees, insurance, interest subsidies, and other forms of assistance. Pub. L. No. 106-107, §4. The current streamlining efforts have focused on grants and cooperative agreements. In our evaluation we have also limited our assessment to grants and cooperative agreements and, for simplicity, refer to them as grants.

When the act was passed, it specifically mandated a study by GAO that would assess the act's effectiveness, make specific recommendations to improve its implementation, evaluate each grantor agency's performance in achieving its planned goals and objectives, and assess the coordination among key players. In this report, we will address (1) what progress has been made to streamline and develop common processes for grantees and (2) the extent of coordination among the Office of Management and Budget (OMB), the agencies, and potential grant recipients. We plan to focus future work on assessing the impact of grant-process reforms on the diverse array of grant recipients.

To address our objectives, we reviewed P.L. 106-107 to understand its requirements. We also reviewed the common plan developed by the 26 grant-making agencies and the subsequent annual reports from the agencies as submitted to OMB and Congress. We met with officials from (1) OMB, (2) cross-agency work groups established to address the objectives of P.L. 106-107, and (3) two specific initiatives that are closely related to the law's streamlining objectives—a common Web portal for potential grantees to identify and apply for grants (referred to as Grants.gov) and an initiative to streamline grant management within agencies (referred to as the Grants Management Line of Business initiative). To assess agency progress we analyzed the agencies' 2004 annual reports to identify significant progress. We attempted to identify tangible and quantifiable results that met the goals laid out in the common plan, as well as the objectives of the act. To provide more in-depth perspective on the implementation of grant streamlining efforts and coordination with other agencies and grantees, we met with officials from four agencies—the Department of Transportation, the Department of Health and Human Services (HHS), the National Endowment for the Humanities, and the National Science Foundation. In selecting these agencies, we considered the number of subagencies, the types and amounts of grants dispersed, the types of grant recipients, and the level of participation in specific streamlining activities. To analyze the coordination within and among agencies and with grantees, we compared agency coordination efforts with criteria developed in our prior work, and we discuss the criteria in the report. Although we had some initial discussions on grant administration with organizations representing grantees, we plan to obtain views from a wider spectrum of grantees in a second study responding to the P.L. 106-107 mandate. We conducted our work in accordance with generally accepted government auditing standards from March 2004 through March 2005.

Results in Brief

More than 5 years after passage of P.L. 106-107, cross-agency work groups have made some progress in streamlining aspects of the early phases of the grants life cycle and in some specific aspects of overall grants management; however, efforts toward common electronic systems for reporting financial and performance information have not progressed, although the law requiring these improvements sunsets in 2007. After P.L. 106-107 was passed in 1999, OMB designated HHS as the lead agency in implementing the act. Grant-making agencies provided staff to work groups, which developed a common plan and set goals for streamlining procedures related to all phases of grant management. These plans are in various stages of completion. For example, a new Web-based system, called Grants.gov, is now available to help potential grantees identify grant opportunities more easily and apply for them electronically. OMB has most recently initiated a major cross-government effort called the Grants Management Line of Business initiative, which seeks to provide a governmentwide solution to manage agencies' grant activities. According to the cross-agency team responsible for the initiative, it will attempt to consolidate grant management systems across agencies and may include a common system for financial and performance reporting, but development of such a system has not begun. The cross-agency work groups have identified other potential reforms. Some have been implemented, such as developing a standard format for the announcement of grant opportunities. Other changes have been proposed but have not yet been implemented, such as developing standard reports for grantees to complete, which should reduce the administrative burden of completing different reports for each associated grant-making agency.

Several cross-agency groups have coordinated the grant streamlining efforts of the federal grant-making agencies, but coordination with the grantee community, required under P.L. 106-107, has been more limited. The Grants Executive Board, which has members from 13 grant-making agencies, oversees the implementation work groups and the Grants.gov initiative. However, uncertainty about the roles of the various implementation groups appears to have hampered progress. In their early work, the groups undertook efforts to coordinate and consult with the grantee communities; these efforts included public consultation meetings and solicitations of public comments. The Grants.gov initiative has built coordination with the users into the process; users have been surveyed three times, and there have been continuing efforts to publicize its availability and provide training to the grantee community. However, as the

work groups address other aspects of streamlining, they have not been involving the grantee community to the same extent.

We are recommending that OMB take several actions to augment the progress toward meeting the goals of P.L. 106-107. In its written comments on our draft report, OMB generally agreed with our findings and recommendations, and provided comments on its status related to the recommendations. In addition, we received technical comments verbally from OMB officials, which we incorporated in the report as appropriate.

Background

Congress, concerned about the burden on grantees of multiple, varying requirements imposed by different grant programs, passed P.L. 106-107 in 1999. The act's objective is to improve the effectiveness and performance of federal financial assistance programs, simplify federal financial assistance application and reporting requirements, improve the delivery of services to the public, and facilitate greater coordination among those responsible for delivering such services. The act required agencies to establish common applications, systems, and uniform rules to improve the effectiveness and performance of federal grants with the goal of improved efficiency and delivery of services to the public. Under P.L. 106-107, OMB is required to direct, coordinate, and assist federal agencies in developing and implementing a common application and reporting system, including electronic processes with which a nonfederal entity can apply for, manage, and report on the use of funds from multiple grant programs that serve similar purposes but are administered by different federal agencies. The act sunsets in November 2007.

The complexity and diversity of the grants system makes streamlining a difficult endeavor. Multiple federal entities are involved in grants administration; the grantor agencies have varied grants management processes; the grantee groups are diverse; and grants themselves vary substantially in their types, purposes, and administrative requirements. The federal grant system continues to be highly fragmented, potentially resulting in a high degree of duplication and overlap among federal programs.[2] Hundreds of federal grant programs implement various domestic policies and have administrative requirements that may be

[2]GAO, *Federal Assistance: Grant System Continues to Be Highly Fragmented*, GAO-03-718T (Washington, D.C.: Apr. 29, 2003).

duplicative, burdensome, or conflicting—which can impede the effectiveness of grants programs.

Multiple federal entities are involved in grants management. The Federal Grant and Cooperative Agreement Act of 1977 gives OMB the authority to issue supplementary interpretive guidelines to promote consistent and efficient use of grant agreements.[3] OMB publishes this guidance to federal agencies in OMB circulars and federal agencies issue regulations implementing the OMB guidance. The General Services Administration is the lead agency in charge of disseminating information on funding opportunities. It publishes, in both electronic and print form, the Catalog of Federal Domestic Assistance, a searchable database of federal financial assistance programs.

There is substantial diversity among the federal agencies that administer grants. Some agencies administer many grants through multiple, decentralized subagencies, while other agencies have small, centralized grant-making offices that administer only a few, small grant programs. For example, in fiscal year 2003, HHS administered 282 grant programs that distributed approximately $246 billion through its 16 subagencies, while the National Endowment for the Arts administered 3 grant programs that distributed approximately $95 million.

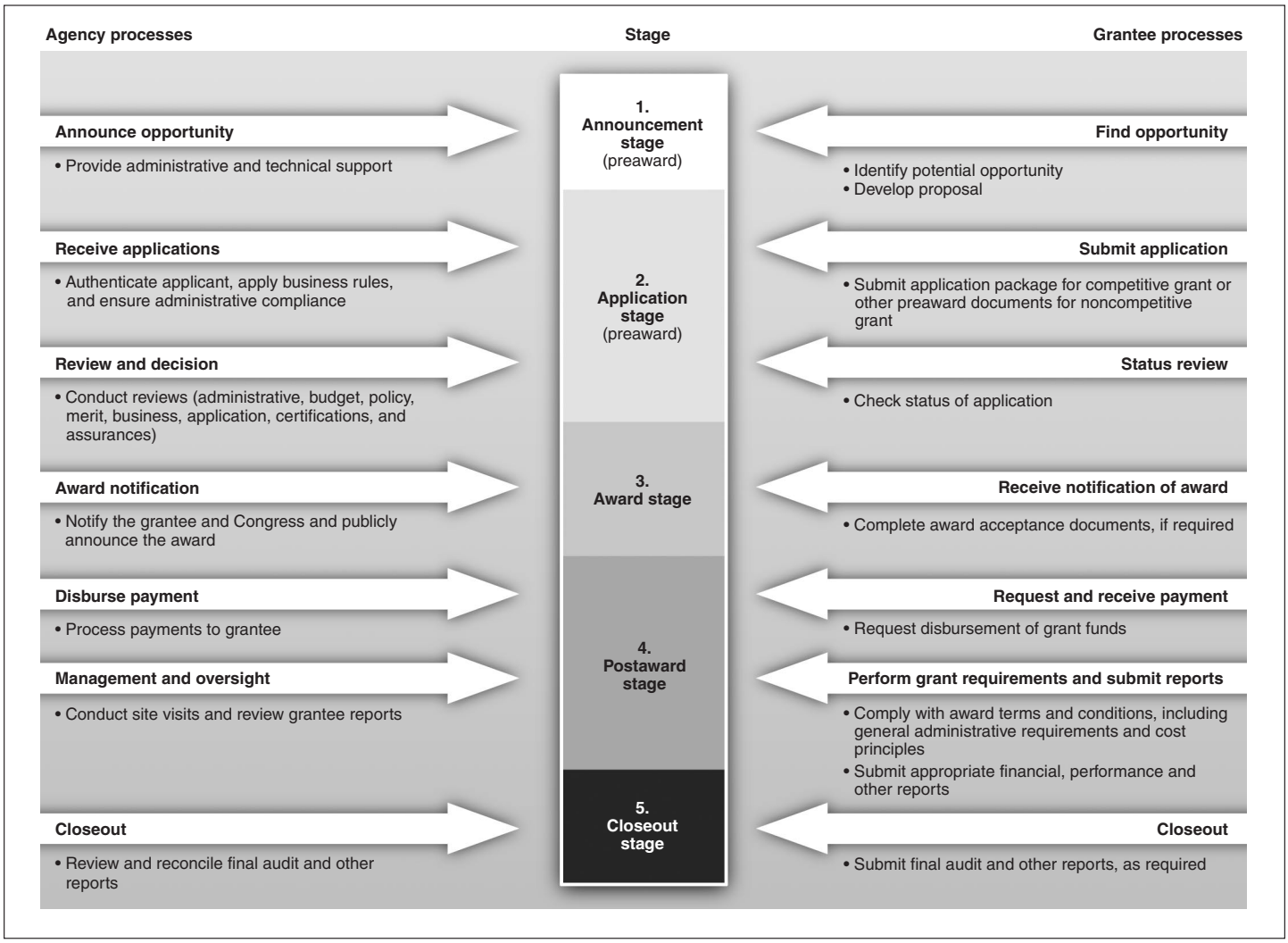
Grant programs are diverse in their structure and purpose. Grants can be grouped into three types based on the amount of discretion given to the grantee for the use of funds. Each type strikes a different balance between the desire of the federal grantor that funds be used efficiently and effectively to meet national objectives and the desire of the grantee to use the funds to meet local priorities and to minimize the administrative burdens associated with accepting the grant. Categorical grants allow the least amount of recipient discretion, general revenue-sharing grants the most, and block grants an intermediate amount. Grant funds may also be grouped by their method of allocating funds, that is, by formula, through discretionary project grants, or both. Formula grants allocate funds based on distribution formulas prescribed by legislation or administrative regulation. Project grants are generally awarded on a competitive basis to eligible applicants. Grant programs fund a variety of types of programs, including training, research, planning, evaluation, capacity building, demonstration projects, construction, and service provision in many

[3]Pub. L. No. 95-224, §9.

different areas including health care, education, law enforcement, and homeland security. The diversity of grant programs is matched by the diversity of grant recipients. Grant announcements identify the eligible recipients, which may include states and their agencies, local governments, tribal governments, nonprofit organizations, research institutions, and individuals.

The opportunities to streamline grants administration differ throughout the life cycle of a grant. While there is substantial variation among grants, generally grants follow the life cycle as shown in figure 1: announcement, application, award, postaward, and closeout. Once established through legislation, which may specify particular objectives, eligibility, and other requirements, a grant program may be further defined by grantor agency requirements. For competitive grant programs, the public is notified of the grant opportunity through an announcement, and potential grantees must submit applications for agency review. In the awards stage, the agency identifies successful applicants or legislatively defined grant recipients and awards funding. The postaward stage includes payment processing, agency monitoring, and grantee reporting, which may include financial and performance information. The closeout phase includes preparation of final reports, financial reconciliation, and any required accounting for property. Audits may occur multiple times during the life cycle of the grant and after closeout.

Figure 1: Grant Life Cycle



Source: GAO.

Some Progress Made in Streamlining Grant Administration across Agencies, but More Progress Is Needed

To implement P.L. 106-107's requirement to improve the effectiveness and performance of federal grants, a common plan was developed and most, but not all, grant-making agencies have submitted reports annually on their progress toward this plan as required by the law. The work groups have identified several changes that should be made, but many of these are still in the developmental or approval stages. One particular extensive effort—the development of a Web portal called Grants.gov that represents a common face to grantees—has enabled grantees to identify relevant grant opportunities and, to a limited extent, apply electronically for grants. For the later phases of the grant life cycle, a new initiative is under way, the Grants Management Line of Business, that will encompass all phases of the grant life cycle and specifically address simplifying the administration and management of grants.

In 2001 Agencies Developed a Common Plan to Guide Federal Grant Streamlining Efforts

P.L. 106-107 requires that under OMB leadership, agencies develop common applications, systems, and administrative rules to improve the effectiveness of federal grants. To implement this requirement, a cross-agency committee established cross-agency work groups. The work groups then identified needed changes and developed a common plan for implementing P.L. 106-107. Twenty-six federal grant-making agencies agreed to use this common plan to meet the law's requirements, since meeting its objectives required them to work together to a large extent. The plan, submitted to Congress and OMB in May 2001, was developed under the oversight of the initial interagency governance structure established to implement P.L. 106-107. A series of five public consultation meetings was held with representatives from states, local governments, Native American tribes and tribal organizations, universities and nonprofit organizations that conduct research, and other nonprofit organizations. Comments from these meetings were considered in developing the plan.

The common plan contained goals and objectives intended to meet the requirements of P.L. 106-107. It included progress, accomplishments, and planned activities for streamlining and simplifying the award and administration of federal grants. The plan addressed the life cycle of the grant process, supporting processes, systems and standards, as well as other issues. Some specific objectives included (1) streamlining, simplifying, and improving announcements of funding opportunities and related business processes, application requirements and procedures, and award documents; (2) streamlining and simplifying standard and unique report forms, allowing for electronic submission of reports, achieving

greater uniformity in federal business processes for reporting, and improving reporting by recipients; (3) simplifying and standardizing, to the extent appropriate, general administrative requirements and agency treatment of them in the terms and conditions of award; and (4) fully developing and implementing a portal for identifying and applying for grants, and ensuring that any revised electronic data standards are interoperable and present a common face to grant-making agencies, applicants, and recipients.

The common plan also included some process improvements that began before passage of P.L. 106-107 and were completed prior to adoption of the plan or are still continuing today. For example, since 1998 the federal government has required grant-making agencies to transition from various payment systems to one of three designated systems. The common plan included objectives and milestones directly related to such past activities that have been incorporated into the plan. The plan is also built on successful models resulting from earlier initiatives of individual agencies or interagency groups. For example, one objective of the common plan was to ensure that federal agencies' grant financial systems comply with requirements established by the Joint Financial Management Improvement Program.

Agency Progress Varies, and Not All Have Filed Annual Reports

Annual governmentwide progress reports describe the collaborative efforts of 26 federal agencies. Each agency also reports annually on its progress implementing the plan, although not all agencies have regularly submitted these reports. The annual governmentwide progress report describes the collaborative efforts to streamline and simplify the award and administration of federal grants. The report includes the federal government's steps toward simplification of the grant policy framework. For instance, the establishment of a central location for OMB guidance to federal agencies and agency regulations implementing that guidance will make it easier for the applicants and recipients to find and follow administrative requirements. It also includes completed initiatives, such as the development and use of a standard format for agencies' funding announcements, which aims to make it easier for potential applicants to quickly find specific information in the announcements.

P.L. 106-107 requires each federal grant-making agency to provide an annual progress report that evaluates its performance in meeting the common plan's goals and objectives. However, only 22 of the 26 agencies have submitted their 2004 annual report to Congress. (See app. I for

information on agencies submitting reports for 2002 to 2004.) Agencies have reported progress in implementing some streamlining activities. For example, HHS has worked toward the internal consolidation from nine to two grant management systems, one primarily supporting research grants and the other primarily supporting nonresearch, or service grants. Another agency, the National Science Foundation, reported it is conducting a comprehensive business analysis that will highlight areas where grant processes can be streamlined and simplified. Also, the National Endowment for the Humanities reported it has streamlined the internal agency clearance process, which is the mechanism by which all grant applications' guidelines and forms are reviewed and updated every year.

Some factors, both internal and external to the grant-making agencies, may have slowed agencies' progress in fully implementing streamlining activities and have contributed to the lack of progress in adopting common governmentwide systems. The different business processes at various agencies was one reason agencies reported a hesitation to migrate to a common grant management system. For example, the National Science Foundation reported that it conducts peer reviews of broad research grant programs, which require an entirely different type of management system when compared to the Department of Transportation, which generally manages noncompetitive formula grants to state and local governments.

The structure and size of an agency's grant management program is another factor that may affect the agency's progress toward grant streamlining. For example, some smaller agencies such as the National Endowment for the Humanities, which has a highly centralized grant management operation, reported being able to more quickly adopt some of the governmentwide grant streamlining initiatives. However, other agencies that manage grant programs from many different operating divisions may take longer to make changes due to the decentralized organizational structure and the larger number of grant programs.

Lastly, some agencies had existing online grant management systems before the passage of P.L. 106-107 and the development of Grants.gov. The integration of preexisting grant streamlining achievements in some agencies, such as the common announcement form adopted from National Science Foundation and National Endowment for the Humanities work, allows those agencies to realize more immediate benefits because much of the work was completed prior to implementation of the common plan. Agencies, such as the Department of Transportation, that have not fully implemented internal streamlining initiatives need to do so before they can

fully benefit from the approaches adopted by other agencies or the cross-agency work groups.

P.L. 106-107 also required agencies to establish performance measures and a process for assessing the extent to which specified goals and objectives have been achieved. In developing these performance measures, the agencies were to consider input from applicants, recipients, and other stakeholders. The annual agency progress reports did not include any such performance measures or evaluations. Each of the agencies' progress reports varied in detail and included a narrative of some of the actions taken to meet identified goals and objectives. Attempts to compare the progress of federal agencies to each other are difficult due to the missing reports and the lack of performance measures.

Cross-Agency Work Groups Developed Policies to Streamline, but Many Are Not Implemented Yet

After P.L. 106-107 was enacted, several cross-agency work groups were created to facilitate the law's implementation; while some of their developments have been implemented, others are still in progress. The teams, which focused on different phases of the life cycle of grants, identified initiatives that should be undertaken. To identify priorities for action, the teams relied on comments from the grantee community on what streamlining should occur and on their own knowledge of grants management. With many potential areas on which to focus, some work group representatives commented to us that they addressed the "low-hanging fruit," preferring to work on those tasks that were more readily accomplished while yielding strong results. The current work groups and their responsibilities are shown in table 1. In addition, some groups have subgroups that have taken responsibility for key products. The work groups are supported to some extent by additional contract staff funded initially by the Chief Financial Officers Council.

Table 1: Current Cross-Agency Work Groups Addressing P.L. 106-107 Objectives

Work groups	Responsibilities
Pre-Award	Identifying streamlining and simplification opportunities in the phase of the grants life cycle during which potential applicants for discretionary grants identify funding opportunities, and prepare and submit applications, and applicants are notified if their applications were unsuccessful or, if their applications were successful, receive awards.
Post-Award	Identifying streamlining and simplification opportunities in the phase of the grants life cycle during which recipients perform their awards and submit progress, financial, and other required reports (other than audit reports) and request and receive payment, and federal agencies monitor awards for compliance, oversee progress, and provide technical assistance.
Mandatory Grants[a]	Identifying streamlining and simplification opportunities for mandatory grants, which include block grants, some formula-based grants, and entitlement grants.
Audit Oversight	Improving the OMB Circular A-133 single audit process to ensure that audits provide useful and reliable information to federal agencies and pass-through entities and that recipient audits are in compliance with federal audit requirements.
Training and Certification	Addressing governmentwide issues concerning the grants management workforce. Developing the grants management series as a professional series and developing standards for grants management training programs. (This group began organizing in January 2005.)

Source: Grants.gov.

[a]These are noncompetitive grants for which eligibility is defined in statute.

The cross-agency work groups have accomplishments that are expected to streamline grant activity for grantees, as described in table 2. For example, the Pre-Award Work Group focused on reducing the time a grantee must spend searching for information on grants. One concern was inconsistent announcement formats. The team believed that a consistent format for grant announcements would save time and reduce frustration for grantees that applied to different programs. The group also developed the standard set of data elements for the Grants.gov "find" feature, thereby ensuring that users of Grants.gov will find similar information in the same places for different grant descriptions. The Audit Work Group developed and distributed a pamphlet clarifying the single audit process.[4] It also ensured that OMB Circular A-133, *Compliance Supplement*, was updated annually. This update should ensure that grantees' auditors can more easily identify the criteria that they should use as they assess whether grantees are in compliance with grant requirements.

[4]Single audits, required by the Single Audit Act of 1984 (Pub. L. No. 98-502) as amended by the Single Audit Act Amendments of 1996 (Pub. L. No. 104-156), streamline and improve the effectiveness of audits of federal awards and reduce the audit burden on states, local governments, and nonprofit entities receiving federal awards by replacing multiple grant audits with one audit of a recipient as a whole.

One area on which the work groups made progress was establishing a common electronic system through which information on available grants could be found and applicants could apply for grants, now called Grants.gov.[5] At that point, identifying grant opportunities required searching information from many agencies and applying for them using a variety of application forms and processes. The work groups developed a common format for the full announcement to be used governmentwide and a related set of data elements for an electronic synopsis of the announcement. Grants.gov, now administered by a program management office based in HHS, has provided the ability for potential grantees to search open grant opportunities by these key components, such as by the type of activity funded (e.g., education or the environment) and the agency providing funds. Grantees also can request notification of grant opportunities that meet certain parameters that they identify. Grant opportunities were initially provided on the system in February 2003, and in November 2003, OMB required that federal agencies post information on all discretionary grant-funding opportunities at the Web site. The Grants.gov Program Management Office reports that since October 2003 all 26 grant-making agencies have listed their discretionary grant opportunities. They also report high growth in usage of the portal; Grants.gov reports that in November 2004, the "find" activity on the site received about 2.2 million page requests, up from about 633,000 in November 2003, and applicant e-mail notifications have averaged 600,000 to 700,000 weekly.

More recently, Grants.gov has provided the capability to apply for grants electronically at a common portal and, to some extent, use common forms across agencies. Applicants can download an application package; complete the application off-line; and submit it electronically to Grants.gov, which transmits the application to the funding agency. Grant-making agencies work with the program management office staff to identify the forms needed, sometimes using the same forms as other programs and other agencies use. Grant applicants are notified electronically when agencies receive their applications. In some cases, agencies can download the grant application data directly to their own internal systems, thus eliminating the need for staff to input data. Use of the online applications, however, has been slow to grow. As of April 6, 2005, 6 of the 26 key grant-making agencies had not yet posted "apply" packages, and about 2,600

[5]Formerly, Grants.gov was referred to as E-Grants. It is one of the "E-gov" initiatives and supports the President's Management Agenda goal of expanding electronic government.

electronic applications had been received. Use of the system requires agencies to set up internal systems and, to some extent, have their forms loaded onto the site. Grantees must also complete a registration process, which we were told is time-consuming and might be viewed by some applicants as intimidating but is necessary, according to OMB officials, to ensure privacy and to maintain the security of the system.

Funding for Grants.gov has shifted from obtaining contributions from key partners to obtaining a set amount from grant-making agencies. For fiscal years 2002 through 2004, Grants.gov was funded by contributions totaling about $29.4 million. Beginning with fiscal year 2005, it will be funded with payments from 26 grant-making agencies, based on an agency's total grant dollars awarded. For 2005 and 2006, the 6 large agencies will be assessed $754,467, the 10 medium agencies will be assessed $452,680, and the 10 small agencies will be assessed $226,340, for a total of about $11,300,000 each year. Appendix II provides more detailed information on Grants.gov and individual agency information on progress toward implementing its "apply" component.

Table 2: Status of Streamlining Initiatives and Their Expected Impact on Grantees

Initiative by grant phase	Status	Expected impact on grantee
Announce/find grant opportunity		
Standard announcement format	Accomplished	Enable potential grantees to find grant information, such as eligibility requirements, in the full announcement more quickly.
Grants.gov "find" feature	Accomplished	Provide a common, searchable online location for all open discretionary grant opportunities, with a link to the full announcement, and reduce the administrative burden on potential grantees of finding relevant grants.
Grant application		
Data Universal Numbering System (DUNS) requirement	Accomplished	No direct benefit for grantees.
Grants.gov "apply" feature	Accomplished	Provide a common online location for obtaining grant application forms and submitting a grant application.
Update the debarment and suspension and drug-free workplace common rules	Accomplished	Benefit applicants and recipients by reconciling unnecessary differences, using plain language, and simplifying the requirements of the rules.
Adopt the SF-424 a standard federal form for research and related grant applications	In progress	Reduce the number of different forms that grantees need to complete when applying to different agencies.
Expand Grants.gov "apply" feature to accept electronic plans and applications for mandatory grants	In progress	Provide common location for submitting annual plans and updates.

(Continued From Previous Page)

Initiative by grant phase	Status	Expected impact on grantee
Application review and decision		
None	--	--
Notification of grant award		
Standard award notice and standard governmentwide terms and conditions	In progress	Reduce unnecessary burden on recipients by making federal agencies' awards as alike as practicable.
Post announcement of mandatory grant awards on Grants.gov	In progress	Enable potential grantees to find pass-through grant funding opportunities. Increase the transparency of federal grants policy.
Payment		
Consolidate to three payment systems (applies only to the agencies subject to the Chief Financial Officers Act)	In progress	Reduce the number of payment systems with which grant recipients will need to interact, potentially saving software and staff training costs.
Reporting		
Streamline cost principles	Accomplished	Provide consistent descriptions and clarifying language for similar cost items across the three OMB cost principles circulars.
Develop: • Standard Federal Financial Report • Standard Non-research Performance Progress Report • Standard Research Progress Report • Standard Personal Property Report • Standard Real Property Report • Standard Summary Report of Inventions	In progress	Reduce the administrative burden of having different reports to complete for each associated grant-making agency.
Audit		
Improve agency access to audit information, including delinquent audits	Accomplished	No direct benefit expected for grantees. (Primarily will benefit federal agencies by helping them to determine whether certain grantees are delinquent in submitting their audits, and enabling agencies to make better use of audit results in managing their grant programs and awards.)
Update the OMB Circular A-133, *Compliance Supplement,* annually	Accomplished	Provide auditors with accurate and up-to-date information for the conduct of single audits.
Distribute a pamphlet, *Highlights of the Single Audit Process*, to federal recipients and federal agencies	Accomplished	Ensure a better understanding of the single audit process and improve audit timeliness.
Increase the audit threshold for single audits from $300,000 to $500,000	Accomplished	Fewer grantees will be subject to single audit requirements.
Closeout		
None	--	--
Crosscutting issues		
Colocate OMB guidance to agencies and agency regulations implementing the guidance in Title 2 of the C.F.R.	In progress	Make OMB guidance and agency regulations on grants easier to find and use.

Source: GAO analysis of cross-agency annual reports and discussions with agency officials.

Several reforms are partially under way but have not yet completed the approval process or been implemented, as shown in table 2. For example, a separate standard application form for research (and related) grants has been proposed, which will ensure that multiple agencies will be able to use the same application. This should simplify applications for grantees who apply for grants at multiple agencies, but this form is not yet approved. Similarly, the Post-Award Work Group has developed a common Performance Progress Report for nonresearch grants and has received agency comments on the proposed form. The group expects that this will reduce the concern that too many different progress reports are used, which poses a substantial administrative burden for grantees. The work group also developed several common forms, such as a Real Property Report (which addresses real property built with grant funds) and a federal financial report, which, as of December 22, 2004, was with OMB for approval. The Mandatory Work Group is developing a set of core data elements that could be used to post mandatory awards to the Grants.gov Web site, which an OMB official commented would enable potential contractors to be aware of funds that states and other entities were receiving. Additionally, based on an initiative begun by the Pre-Award Work Group, OMB has moved one of its circulars, which provides guidance, to a newly created Title 2 of the *Code of Federal Regulations* and plans that agencies will eventually colocate their grant regulations in the same title.[6]

Common Systems for Managing Later Parts of Grant Life Cycle Are at Early Stages of Development

Although the Grants.gov portal has provided a common, electronic system for helping grantees identify and apply for grants, development of common, electronic systems for managing later stages of the grant life cycle has not progressed. When originally planned, the Grants.gov portal was envisioned as providing a common face to grantees for managing all phases of grants, from grantees' identification of appropriate grant opportunities through application, awarding, and management of the grants. However, in early 2004, OMB instructed Grants.gov officials to cease their efforts to develop common systems for the grant phases beyond application and to concentrate on ensuring that electronic applications were fully implemented at all grant-making agencies, since some agencies still were not participating or were participating at minimal levels.

In March 2004, OMB initiated a governmentwide analysis of five lines of business that would support the President's Management Agenda goal of

[6]Although located in the *Code of Federal Regulations*, the OMB circulars and policy documents will still be guidance to federal agencies, not regulations.

expanding electronic government, with one of them focusing on grants management.[7] The team was to draft and finalize common solutions and a target architecture and present them for the fiscal year 2006 budget review. The grants management initiative was headed by representatives from the Department of Education and the National Science Foundation.

The Grants Management Line of Business initiative has the specific objective of developing a governmentwide solution to support end-to-end grants management activities[8] that promote citizen access, customer service, and agency financial and technical stewardship. To provide information, the team requested and analyzed information from interested parties on possible solutions and approaches. The team also surveyed grant-making agencies on their internal grant-making systems and found that about 40 different internal agency systems were operating, ranging from systems operating with almost no automation to systems that are fully automated. In evaluating the information, the team did not identify any end-to-end business or technical solution for grants management that would be able to meet the needs of all 26 agencies without large investments in configuring and customization. Further, it found that while the early stages of the grant life cycle (i.e., connecting potential grantees with grant opportunities and the application process) were already handled consistently across grantor agencies, postaward activities are handled less consistently across agencies and would require flexibility in business rules.

As a result, the team is proposing a consortia-based approach to continue streamlining and consolidating the end-to-end grant management process, but development of this system is not yet under way. It would use Grants.gov as a "storefront" to support grantees and would expand it beyond the current processes to include additional functions that interface with the grantees. Rather than develop one system that all agencies would use to manage grants internally, consortia of agencies with similar systems, such as agencies that primarily fund research grants, would be formed. Government, industry, or both will provide information technology service centers for agencies throughout the grant life cycle, an approach that is expected to reduce or eliminate the costs of multiple agencies developing and maintaining grants management systems.

[7]The other groups address financial management, human resources management, federal health architecture, and case management.

[8]End-to-end activities would address steps in the entire grant life cycle from informing potential grantees of a funding opportunity to closing out and auditing grants.

Coordination Activities Established across Agencies, but Initiatives Lack Continuing Input from Grantees

As P.L. 106-107 and the common plan emphasized, coordination among the agencies and with grantees in the planning and implementation of grant-streamlining initiatives can increase the likelihood that the standard processes and policies developed will meet the diverse needs of all the stakeholder groups. While the agencies have established cross-agency processes to facilitate coordination activities, progress has been hampered by frequent changes in the groups that are implementing and overseeing the implementation of P.L. 106-107. The various grant-streamlining initiatives have had different levels of coordination activities with grantees. The P.L. 106-107 work groups solicited input from the grantee community during their early planning stages, but do not have ongoing coordination activities. The Grants.gov initiative solicits ongoing input from grantees in a variety of ways. It is not yet clear if the Grants Management Line of Business initiative will include coordination activities with grantee groups.

P.L. 106-107 requires OMB to direct and coordinate the federal agencies in establishing an interagency process for achieving grant streamlining and simplification. Furthermore, the act directs the federal agencies to actively participate in this interagency grant-streamlining and simplification process. Because the agencies are developing common policies and processes to meet their diverse grants management needs, a well-implemented interagency process can improve the likelihood of success of the grant-streamlining initiatives. In examining coordination issues, we have identified key practices that affect the likelihood for success of cross-organizational initiatives.[9] These practices include establishing a collaborative organizational structure, maintaining collaborative relationships, and facilitating communication and outreach.[10]

Agencies and OMB Coordinated Initiatives to Implement P.L. 106-107

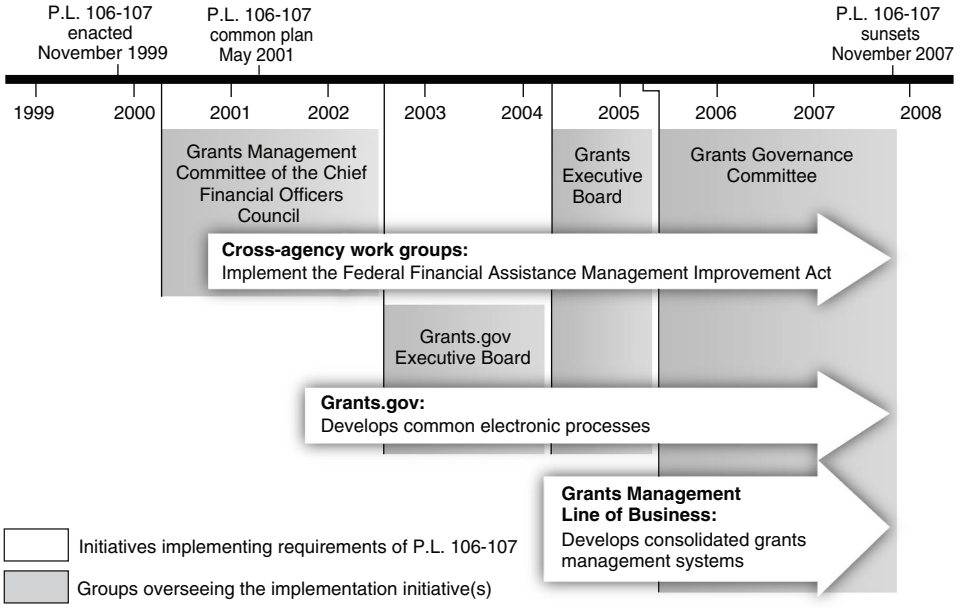
A collaborative organizational structure, characterized by strong leadership and a comprehensive structure of participants' roles and responsibilities, can facilitate coordination activities. As shown in figure 2, OMB established several groups to lead and coordinate the effort to

[9]GAO, *Electronic Government: Potential Exists for Enhancing Collaboration on Four Initiatives*, GAO-04-6 (Washington, D.C.: Oct. 10, 2003).

[10]Two other key coordination practices identified in the report, contributing resources equitably and adopting a common set of standards, are more relevant for formal collaboration agreements and less relevant to the varying levels of coordination needed in the grant-streamlining work.

implement P.L. 106-107. The act allows OMB to designate a lead agency and establish interagency work groups to assist OMB in implementing the requirements of the act. OMB designated HHS as the lead agency for the implementation of P.L. 106-107. In the spring of 2000, OMB charged the Grants Management Committee of the Chief Financial Officers Council with coordinating and overseeing the governmentwide implementation of P.L. 106-107. The Grants Management Committee included two representatives from each of the grant-making agencies. The committee established four working subcommittees: the Pre-Award Work Group, the Post-Award Work Group, the Audit Oversight Work Group, and the Electronic Work Group. In addition, the committee established the General Policy and Oversight Team, which was co-chaired by OMB and HHS, and included the chairs of each of the work groups. The team was intended to oversee the progress of the work groups and examine issues that cut across the responsibilities of the individual work groups.

Figure 2: P.L. 106-107 Implementation and Oversight Groups



Source: GAO.

According to officials involved with P.L. 106-107 implementation, the Grants Management Committee was ineffective, creating a stumbling block for the initiative. In May 2004, the Grants Executive Board assumed the

responsibility for the coordination and oversight of P.L. 106-107 initiatives. In an update to its charter, the Grants Executive Board (previously the Grants.gov Executive Board) expanded its oversight to include both the Grants.gov initiative and the P.L. 106-107 initiative. The Grants Executive Board has 13 members, one representative from each of the 11 larger grant-making agencies and two seats that rotate among the other 15 grant-making agencies. The Grants Executive Board meets monthly and, with the assistance of the HHS-led grant streamlining Program Management Office, oversees the work of the interagency grant streamlining work groups. The board's oversight duties include reviewing work group recommendations to determine if they should be referred to OMB for governmentwide implementation, defining accountability and reporting requirements to be met by the work groups, and preparing the annual progress reports for Congress. The Grants Executive Board also oversees the Grants.gov initiative, which is charged with implementing the grant-streamlining policies in the preaward phase of grants administration.

The P.L. 106-107 Planning and Oversight Committee is the coordinating body for the grant-streamlining work groups and advises the Grants Executive Board. Its membership consists of the chairs of each of the work groups, a representative of the Grants.gov Program Management Office, the P.L. 106-107 Program Manager, and an OMB representative. Agency volunteers staff the work groups. Volunteer staffing is a challenge for the work groups because the volunteers maintain their regular agency responsibilities. According to work group chairs, the volunteer staff members are dedicated, knowledgeable, and experienced in grants policy and processes. HHS selects the chair of each work group, but does not limit the size of the work groups so that all interested agencies may participate. According to the P.L. 106-107 Program Manager, not all agencies are participating in the work groups. Agencies that do not participate will not have input into the design of governmentwide grant policies, increasing the risk that the new policies will not meet the needs of all grant-making agencies.

Interagency efforts toward a second key element of coordination—maintaining collaborative relationships—have been mixed. The major elements of maintaining collaborative relationships include a shared vision among participants and formal agreements with a clear purpose, common performance outputs, and realistic performance measures. The agencies helped to establish a cooperative, shared vision by jointly developing the initial implementation plan, which establishes goals and objectives to meet the requirements of P.L. 106-107. However, while the plan outlines

preliminary steps toward achieving its objectives, it does not outline a comprehensive plan beyond those first steps. Furthermore, the time targets in the plan are primarily short-term targets related to preliminary steps. The annual cross-agency progress report can be a tool to maintain the shared vision established in the initial plan. According to work group leaders, the work group volunteers from the agencies are committed to the goals of grant streamlining and simplification. In addition to the cross-agency progress report, each agency is required to submit an annual agency progress report. This requirement has the potential to be an effective management tool for monitoring the compliance and progress of individual agencies. However, because the reports do not frame annual achievements in the context of a comprehensive plan and use performance measures to track progress, they are not an effective management tool. Furthermore, not all the agencies have submitted their annual reports, and OMB's position is that it is not their role to police agency compliance with this requirement. Because the agencies have not developed a comprehensive plan and are not reporting on their progress using common performance measures, they are less likely to maintain the shared vision that was established with the common plan.

Implementation of a third key element of coordination practices, communication and outreach, has not always been effective. Leaders of the initiatives hold regular meetings to share information with one another. For example, the P. L. 106-107 Planning and Oversight Committee meets monthly to facilitate coordination between the work groups. However, the Audit Oversight Work Group Chair position has been vacant for the past 18 months, so although the audit subgroups continue their work, they have little contact with the other grant-streamlining groups. Informal coordination between the various grant-streamlining initiatives occurs because often the same people serve on multiple committees. Outreach from the initiatives to the agencies has also not always been effective. For example, the Post-Award Work Group sends proposals or draft reports to the agencies, but they do not always reach the necessary people because some agencies are very large and have complex organizational structures.

OMB and Grant Executive Board Working on Resolving Governance Issues, but Overlapping Responsibilities and Lack of Clarity Are Hampering Progress

The future relationship between the Grants Management Line of Business, P.L. 106-107 work groups, and the Grants.gov Program Management Office is unclear. This management situation appears to have hampered progress. OMB plans to form a Grants Governance Committee to oversee three program management offices working on grant streamlining and simplification. The Grants Governance Committee will oversee the Grants.gov initiative, the P.L. 106-107 initiative, and the Grants Management Line of Business initiative. However, there will be a separate program management office for each initiative, and there appears to be overlap between the responsibilities of the three initiatives. Representatives of two of the work groups reported that there has been little communication between the Line of Business initiative and the P.L. 106-107 work groups. Work group members said they are reluctant to go forward with new projects because they do not know if their priorities will be consistent with those of the Line of Business initiative. For example, the Line of Business initiative appears to be planning to rely on Grants.gov for its "find" and "apply" functions, but it is not yet clear if Grants.gov will be the portal used by the grantee in the later stages of the grant life cycle. In anticipation of the start of the Line of Business initiative, OMB has directed Grants.gov to focus its efforts on the functionality of the "find" and "apply" functions. The Grants.gov Program Manager reported that, accordingly, the Grants.gov office is holding off on efforts to incorporate processes related to the later stages of the grants life cycle. Because grant management and reporting rely on information gathered in the "apply" stage, there should be some integration between these functions.

Efforts to Solicit and Use Input from Grantees Have Been Mixed

P.L. 106-107 obligates OMB and the agencies to consult with representatives of nonfederal entities during the development and implementation of grant-streamlining plans, policies, and systems. In addition to its general directive to consult and coordinate with grantees, the act requires the agencies to publish the implementation plan in the *Federal Register* for public comment; hold public forums on the plan; and cooperate with grantees to define goals, objectives, and performance measures related to the objectives of the act. In prior work, we have found that collaborative activities include communication strategies that facilitate two-way communication among the project team, partners, and other stakeholders, and that outreach programs keep those affected by the initiative informed of new developments and provide structured means for

feedback and questions.[11] By failing to involve important stakeholders, the initiatives increase the risk that they will not fully achieve the objectives defined in P.L. 106-107 and the common plan.

In its early work, the groups established by OMB and its lead grant streamlining agency, HHS, undertook efforts to coordinate and consult with the grantee communities. The Grants Management Committee created a Web site that provided information about the work groups' activities in implementing the act and invited public input. Individual agencies also sought input through invitations to comment posted on their Web sites. In the fall of 2000, the Grants Management Committee held a series of five interagency public consultation meetings with (1) states, (2) local governments, (3) Native American tribes and tribal organizations, (4) universities and nonprofit organizations that conduct research, and (5) other nonprofit organizations. Throughout this process, the teams built a database of the public comments and used them to develop the common plan. The plan considers those comments and, in large part, is based on them. In January 2001, the agencies jointly published the interim/draft plan in the *Federal Register* and requested public comment.

The common plan outlines two processes for maintaining ongoing communication with grantee groups. First, it envisions the establishment of an ombudsman, a third party operating apart from the individual grant-making agencies and OMB that could provide grantees with an avenue for making their concerns known if agency requirements appear to exceed the standards adopted. Second, the agencies planned to establish performance measures[12] related to the purposes and requirements of the act and a process for assessing the extent to which specified goals and objectives have been achieved. In developing the performance measures, the agencies were to consider input from applicants, recipients, and other stakeholders. The agencies planned to develop multiple measures to assess performance, including progress as perceived by the public and federal staff as well as objective process and outcome measures. The agencies expected to use these performance measures to evaluate their performance in meeting the plan's goals and objectives and report annually on their progress as required by P.L. 106-107.

[11]GAO-04-6.

[12]The agencies planned to use a "balanced scorecard" approach to measure success in implementing the act.

As the streamlining reforms have been developed and implemented, the agencies and work groups have not fulfilled the envisioned processes for soliciting ongoing input from grantees. By failing to involve important stakeholders, the initiatives increase the risk that they will not fully achieve the objectives defined in P.L. 106-107 and the common plan. The plan envisioned the establishment of an ombudsman that could provide applicants/recipients an avenue for making their concerns known if agency requirements appear to deviate from the common systems or standard processes. The common plan set a target date of March 31, 2002, for finalizing the job description of the ombudsman. The agencies have not established the ombudsman position and do not currently plan to establish one due to changing priorities. In addition, the agencies have neither set specific annual goals and objectives nor used concrete performance measures in the annual progress reports, as was required by P.L. 106-107 and envisioned in the common plan. However, the P.L. 106-107 Program Manager is currently conducting an analysis of progress to date in meeting the requirements of P.L. 106-107 and an analysis of how the reforms have addressed the concerns expressed in the public comments.

Furthermore, only one of the four active cross-agency work groups consistently uses the public comments during the development of its initiatives. The Pre-Award Work Group, which addresses the streamlining of announcements, applications, and award processes, has continued to use the public comments to inform its work. The other work groups informally vet their proposals with selected grantee groups. Grantees are not formally involved in the development of grant-streamlining proposals. The grant-streamlining teams solicit public comment only once a proposal is posted in the *Federal Register*. Representatives from a group of research grantees told us that this one-way communication is not sufficient to produce reforms that simplify the grant process for recipients. For example, they commented that the reform of the cost principles focused only on reducing the discrepancies in definitions used by the three different cost principles circulars and actually increased the administrative burden for the research community. The work groups have expressed concern that in seeking public input, they must take care not to violate the Federal Advisory Committee Act of 1972 (FACA), which establishes requirements pertaining to the creation, operation, duration, and review of covered advisory committees. However, because nonfederal participants do not act as full members, the work groups should not be subject to the FACA

requirements.[13] Furthermore, FACA would not limit the work groups' ability to widely publicize their initiatives and invite public comment on an ongoing basis.

The Grants.gov initiative has been more active in soliciting grantee input, but it is unclear if the Line of Business initiative will include activities to coordinate with grantees. In contrast to the P.L. 106-107 initiative, the Grants.gov initiative has institutionalized processes to inform the grantee community about its plans and activities and to gather ongoing input from the grantee community. Throughout development and implementation of Grants.gov, users' comments from pilots and actual systems have been used to identify and address problems. Grants.gov has also conducted three user satisfaction surveys and maintains a Web portal for user comments. The Web site of the grant-streamlining teams was recently integrated into the Grants.gov Web site. The site invites public comment on both the Grants.gov system and broader grant-streamlining issues and initiatives. In addition, the Grants.gov Program Management Office conducted training and outreach to the various applicant constituencies and to agency staff to increase awareness of the Grants.gov initiative. Outreach efforts included monthly stakeholder meetings, train-the-trainer workshops, and grantor workshops. A help desk was established to address federal staff and applicants' questions and provide assistance. At this time, it is unclear if the Grants Management Line of Business initiative will include a process for consultation and coordination with grantee groups.

Conclusions

Several initiatives to simplify and streamline the administration of grants have been proposed in response to P.L. 106-107. Some of these have been implemented and likely will help grantees to identify and apply for grants and meet the needs of federal grant-making agencies when they receive grants. The Grants.gov common portal is clearly used by many to identify grants and undoubtedly has simplified that process for grantees. As more

[13]FACA does not apply to committees or work groups that are composed wholly of full-time or permanent part-time officials or employees of the federal government. *See* Federal Advisory Committee Act, Pub. L. No. 92-463, §3(2) (codified as amended at 5 U.S.C. App. 2). However, if nonfederal participants regularly attend and fully participate in the work group meetings as members, the issue may arise as to whether the nonfederal participants could be construed as full members of the work group. See in Association of American Physicians and Surgeons, Inc. v. Clinton, 997 F.2d 898, 302 (D.C. Cir. 1993), for a discussion of when a working group composed of federal employees may constitute a FACA advisory committee.

agencies allow for electronic application through Grants.gov and more grantees begin to use the system, it should also simplify grant management. However, other initiatives that have been proposed have not yet been completed. Some have languished in the approval process. Others have not yet been adequately developed to even reach the approval stage. The lack of clear goals and timelines for the cross-agency work groups to complete tasks and for agencies to implement systems undoubtedly has contributed to the lack of progress in implementing these proposals. Further, agencies need to be held accountable internally for implementing these programs and should have performance measures and clear deadlines on which they report. To date, agencies have not even been held accountable for submitting annual reports required by P.L. 106-107, which may indicate to agencies that moving forward quickly on grant administration streamlining is not a high priority.

In addition, the lack of continuity toward meeting P.L. 106-107's requirement to develop a common reporting system (including electronic processes) for similar programs administered by different agencies may potentially prevent agencies from reaching the act's goals before it sunsets in November 2007. As overarching committees have evolved and management of the cross-agency programs have been moved around among various parties, progress has been slowed. Clearer governance is needed to ensure that each group sunderstands its roles and coordinates with the others to prevent overlap and collaborate on common initiatives.

The various initiatives that are implementing P.L. 106-107 have a mixed record of coordinating with grantees. Grants.gov publicizes its plans and meeting minutes on its Web site and solicits ongoing grantee input through its Web site, regular satisfaction surveys, and outreach meetings with grantees. In planning for the implementation of the act, the cross-agency work groups also solicited and used grantee input. In addition, they incorporated several means for soliciting ongoing grantee input in the plan. However, they did not implement the portions of the initial plan that would have provided for ongoing coordination with grantees. Unlike Grants.gov, the work groups have neither made information about their work public nor solicited ongoing grantee input, and approaches outlined in the common plan, such as establishing an ombudsman position, have not been implemented. Without ongoing grantee input, the reforms are less likely to meet the needs of the grantees and achieve the purposes of the act.

Recommendations for Executive Action

In order to augment the progress toward meeting the goals of P.L. 106-107 for streamlining grant administration, we recommend that the Director, OMB, take the following five actions:

- ensure that individual agency and cross-agency initiatives have clear goals for completion of their initiatives;
- ensure that agency annual progress reports to Congress and OMB on implementation of P.L. 106-107 are prepared and contain information on their progress toward goals;
- ensure that efforts to develop common grant-reporting systems are undertaken on a schedule that will result in significant progress by the time P.L. 106-107 sunsets in November 2007;
- ensure that OMB's strategy for addressing P.L. 106-107 integrates the three individual initiatives: HHS's overarching P.L. 106-107 efforts, the Grants.gov program, and the Grants Management Line of Business initiative; and
- solicit grantee input and provide for coordination with grantees on an ongoing basis.

Agency Comments and Our Evaluation

We provided a draft of this report to OMB for comment. OMB's formal comments are reprinted in appendix III. In addition to written comments, OMB provided us with technical comments verbally, which we incorporated as appropriate.

In its formal comments, OMB stated that it agreed with many of the report's recommendations and provided comments on the status of grant reform efforts. OMB stated it will continue to work aggressively with agencies to meet their annual reporting responsibilities and is committed to achieving E-Gov solutions and deploying technical solutions for streamlining policies and practices. Further, OMB commented that it will continue to facilitate the integration of the three grants initiatives related to P.L. 106-107 requirements and will continue to seek grantee input on an ongoing basis.

We believe that these steps constitute progress toward ensuring that the goals of P.L. 106-107 are attained, although OMB needs to aggressively push forward. For example, while it has established a new grants committee, it

needs to ensure that progress does not slow while this transition occurs. Although the Grants Management Line of Business initiative is under way, OMB needs to ensure that efforts to address P.L. 106-107 requirements, such as the development of common electronic systems to manage and report on the use of funding from similar federal grant programs administered by different agencies, move forward. Similarly, while public input was sought heavily during the development of the common plan and is sought once proposals are developed, the grantee community's views need to be solicited throughout these processes and as new initiatives are selected.

We are sending copies of this report to the Director of OMB. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov. Should you have any questions about this report, please contact me at (202) 512-6806 or Thomas James, Assistant Director, at (202) 512-2996. We can also be reached by e-mail at posnerp@gao.gov and jamest@gao.gov, respectively. Additional key contributors to this report are listed in appendix IV.

Paul L. Posner
Managing Director, Federal Budget Analysis and
Intergovernmental Relations Issues, Strategic Issues

P.L. 106-107 Annual Reports Submitted to Congress as of March 1, 2005

P.L. 106-107 requires each agency to report annually on its progress implementing the plan, although not all agencies have regularly submitted these reports. The annual agency progress report summarizes agency efforts in meeting the goals and objectives of the common plan.

The annual governmentwide progress reports describe the collaborative efforts of 26 federal agencies to streamline and simplify the award and administration of federal grants. (See table 3.)

Table 3: P.L. 106-107 Annual Reports Submitted to Congress as of March 1, 2005

	2002	2003	2004
Governmentwide	x	x	x
Agency for International Development		x	
Corporation for National and Community Service		x	x
Department of Agriculture			x
Department of Commerce	x	x	x
Department of Defense	x	x	x
Department of Education		x	x
Department of Energy		x	x
Department of Health and Human Services	x	x	x
Department of Homeland Security/Federal Emergency Management Agency		x	x
Department of Housing and Urban Development		x	x
Department of the Interior			x
Department of Justice	x	x	x
Department of Labor	x	x	x
Department of State	x	x	x
Department of Transportation			
Department of the Treasury		x	x
Department of Veterans Affairs		x	
Environmental Protection Agency	x	x	x
Institute of Museum and Library Services		x	x
National Aeronautics and Space Administration		x	x
National Archives and Records Administration		x	x
National Endowment for the Arts	x	x	x
National Endowment for the Humanities	x	x	x
National Science Foundation		x	x
Small Business Administration			
Social Security Administration		x	x

Source: HHS.

Detailed Information on Grants.gov

As cross-agency teams identified the need for streamlining, agency representatives and the Office of Management and Budget (OMB) recognized that potential grantees needed a simpler and more consistent way to identify and apply for federal grant opportunities. The process in place for identifying grant opportunities resulted in applicants searching for applications from many different agencies and then having to apply to the various agencies using different application forms and processes. Public comments from the grantee community identified the lack of a central source for obtaining information about all federal agencies' current funding opportunities and the variation in the way agencies' grant announcements were organized. P.L. 106-107 required that OMB coordinate grant-making agencies in establishing an interagency process to streamline and simplify these procedures for nonfederal entities. Further, it required that the agencies allow applicants to electronically apply and report on the use of funds from grant programs they administer. The E-grant initiative, along with other E-government approaches, was undertaken to meet these needs. It was implemented initially by the E-Grants Program Management Office based in the Department of Health and Human Services, which was the lead agency for P.L. 106-107 implementation. More recently, it has been referred to as Grants.gov, the Internet portal through which it is accessed.

The first service that Grants.gov implemented was the "find" capability, which established a single Web site to provide information on federal grant-funding opportunities. This enabled applicants to search these opportunities by several components, such as the type of activity funded (e.g., the arts and humanities, education, and the environment) and the agency providing funds. Further, it provided the capability of notifying potential fund recipients by e-mail of new opportunities that met parameters they identified. In addition, descriptions of funding opportunities were organized uniformly to simplify finding key information. Agencies began posting summaries in February 2003. A key aspect of its full implementation was OMB's requirement that by November 7, 2003, all federal agencies were to electronically post information on funding opportunities that award discretionary grants and cooperative agreements at the Grant.gov Web site, using a standard set of data elements. Grants.gov's program management office reports that since October 2003, all 26 grant-making agencies have listed grant opportunities in the "find" activity of Grants.gov. The public's use of the portal has grown significantly; according to the Program Management Office, the "find" activity on Grants.gov received about 2.2 million page requests in

November 2004 and applicant e-mail notifications have averaged 600,000 to 700,000 weekly.

More recently, Grants.gov has provided the capability to apply for grants electronically through the portal. The "apply" activity allows an applicant to download an application package from Grants.gov and complete the application off-line. After an applicant completes the required forms, they can be submitted electronically to Grants.gov, which transmits the application to the funding agency. Grant-making agencies must take several steps to provide the capability to apply electronically. They work with Grants.gov Program Management Office staff to identify the forms needed and make them accessible. Previous forms that grant-making agencies have used for similar application packages are readily available as are forms that other agencies have used that might be appropriate, thus simplifying the process of adding new applications. The agencies identify how long they would like the application packages to be retained on the site after they close; after that, they are archived on the site. While some agencies have enabled applicants to apply electronically directly on Grants.gov, some announcements link to a grant announcement in the *Federal Register* or link to more detail on the "find" site, which the applicant completes in hard copy. To apply for grants electronically, the applicant must download specific free software—Pure Edge Viewer. After an application is submitted, the Grants.gov system checks the application to ensure all the required forms are included and sends the applicant an e-mail saying that it has been accepted, or rejected if a problem has been identified. If accepted, the application is then forwarded from Grants.gov to the grantor agency; when that agency downloads the data, it informs the Grants.gov system and the applicant is informed by Grants.gov that data have been downloaded to the agency. In some cases, agencies can download data directly to their own grant management systems, thus eliminating the need for staff time to input data.

Usage of the electronic "apply" component has been slower to grow than the use of the "find" component for a number of reasons. As shown in table 4, as of April 6, 2005, 20 of the 26 key federal grant-making agencies have posted "apply" packages, 723 electronic application packages were available, and 2,621 electronic applications have been received. For agencies, forms must be uploaded to the system. Further, some are struggling with setting up their systems to handle the data from Grants.gov. For grantees, some necessary registration steps require lead time—an estimated 6 days that must be allowed for the entire registration process the first time. This verifies that the grantee point of contact is the

appropriate person to submit an application. Grant.gov's surveys to determine users' satisfaction with the system have also identified dissatisfaction on other aspects, such as the adequacy of the status page and the ease of submitting the applications.

Table 4: Status of Agency Participation in Grants.gov "Apply" Component (as of April 6, 2005)

Agency	Number of apply packages posted	Number of electronic applications received
Agency for International Development	1	3
Corporation for National and Community Service	0	0
Department of Defense	0	0
Department of Agriculture	38	188
Department of Commerce	178	532
Department of Education	26	196
Department of Energy	28	120
Department of Health and Human Services	325	860
Department of Homeland Security	1	2
Department of Housing and Urban Development	44	41
Department of Justice	5	84
Department of Labor	6	54
Department of the Interior	11	175
Department of State	4	2
Department of the Treasury	2	7
Department of Transportation	17	4
Department of Veterans Affairs	1	1
Environmental Protection Agency	10	58
Institute of Museum and Library Services	0	0
National Aeronautics and Space Administration	0	0
National Archives and Records Administration	0	0
National Endowment for the Arts	5	23
National Endowment for the Humanities	13	38
National Science Foundation	0	0
Small Business Administration	2	7
Social Security Administration	6	226
Total	**723 packages (20 agencies)**	**2,621**

Source: Grants.gov Program Management Office.

Grants.gov staff members have reached out to both agencies and the grantee community, sometimes through the use of a contractor, to solicit input and to increase its usage. They have provided training and workshops

to grant-making agencies and have hosted monthly stakeholder meetings to update users on changes. The Grants.gov Program Manager meets monthly with the Grants.gov Executive Board, comprising senior executives of partner agencies, to update them on activities and get guidance on strategic issues. As outreach to the grantee community, staff members have given presentations and provide resources to agencies to inform their grantee communities. Also, a "contact center" is available for grant applicants to assist with the electronic applications.

With the growth of its services, the operations of the Grants.gov office Program Management Office have evolved. As of December 2004, the Program Management Office has several full-time employees, including a Program Manager and a Deputy Program Manager, and additional detailees from grantor agencies. It has not received direct appropriations but was funded during the period from 2002 to 2004 by contributions from 13 grant-making agencies, the Chief Financial Officers Council, and the General Services Administration (for maintenance of the Grants.gov "find" mechanism). Funding for those 3 years totaled about $29.4 million. Beginning with fiscal year 2005, Grants.gov has moved to a fee-for-service model. Funding will be from 26 grant-making agencies, with payments based on an agency's total grant dollars awarded. Based on natural break points in data on funds that the agencies award, the grant-making agencies were divided into three categories. For 2005 and 2006, the 6 large agencies will be assessed $754,467, the 10 medium agencies will be assessed $452,680, and the 10 small agencies will be assessed $226,340, for a total of about $11,300,000 each year.

Comments from the Office of Management and Budget

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503
MAR 3 0 2005

DEPUTY DIRECTOR
FOR MANAGEMENT

Mr. Paul Posner
Managing Director
Federal Budget and Intergovernmental Relations
Government Accountability Office
441 G Street, SW
Washington, DC 20548

Dear Mr. Posner:

I am writing with regard to the Government Accountability Office (GAO) draft report entitled, "*Grants Management: Additional Actions Needed to Streamline and Simplify Processes*" (GAO-05-335). Thank you for the opportunity to provide written comments on this draft report, as well as the many technical edits we suggested during a teleconference call on March 24, 2005.

We appreciate GAO's extensive review of the interagency activities – both completed and underway – to implement the requirements of the Federal Financial Assistance Management Improvement Act (P.L. 106-107). We are pleased the draft report recognizes the progress made in many areas, such as the government-wide standard announcement format and the electronic option available to the public for finding and applying for Federal grants. We agree with many of the report's recommendations, and offer the following comments:

- The Office of Management and Budget (OMB) continues to actively work with the groups involved with streamlining grants administration to better ensure there are clear goals for individual agencies, as well as for the three grants-related initiatives. OMB uses a number of mechanisms, including budget and other policy guidance, to establish clear performance goals for the initiatives and agencies' implementation of them. OMB monitors progress towards these goals with the President's Management Agenda Scorecard.

- OMB will continue to aggressively work with the agencies to meet their annual reporting responsibilities under Section 5(b) of P.L. 106-107. Each year, OMB assists the interagency groups to develop cross-agency accomplishments, as well as a template that agencies may use to report on agency-specific accomplishments. OMB reminds the agencies of the deadline (established as August 31 each year) and promptly reviews each agency's draft report prior to submission to Congress.

- OMB is committed to achieving citizen-centered E-Gov solutions and better ensuring proper deployment of technical solutions to support streamlining policies and practices. The Grants Management Line of Business initiative is underway to develop a common solution for grant reporting, and OMB continues to take the necessary steps to better ensure efforts remain on track.

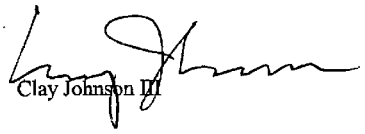
- OMB will continue to facilitate the integration of the three grants-related initiatives to collectively implement the requirements of P.L. 106-107. In addition, a new grants committee has been established under the Chief Financial Officers Council to ensure consistent policies among the initiatives.

- OMB will continue to seek grantee input on an on-going basis for the grants streamlining work. For example, all new proposed policies, as well as related government-wide datasets, are published in the Federal Register for public comment. We have made considerable outreach efforts with various grantee groups to make in-progress information available to the public. OMB has also accompanied the working groups at several informal meetings conducted for the purpose of soliciting grantee input. We will work with the cross-agency work groups to establish additional performance measures beyond those already established for the electronic deployment aspects of grants streamlining.

OMB will continue to work with Federal agencies and grantees in their efforts to streamline the grants administration policies and processes.

Thank you for the opportunity to review and comment on your draft report on this important issue.

Sincerely,



Clay Johnson III

2

GAO Contacts and Staff Acknowledgments

GAO Contacts

Paul L. Posner, (202) 512-6806
Thomas James, (202) 512-2996

Acknowledgments

In addition to the above contacts, Jack Burriesci, Martin De Alteriis, Patricia Dalton, Susan Etzel, Ronald La Due Lake, Hannah Laufe, Donna Miller, Melissa Mink, and Carol Patey also made key contributions.

GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are $2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, JarmonG@gao.gov (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, D.C. 20548

Public Affairs

Paul Anderson, Managing Director, AndersonP1@gao.gov (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, D.C. 20548

PRINTED ON RECYCLED PAPER