The National Grants Partnership
White Paper Series

Accelerating Grants Streamlining

*Furthering the Recommendations of the GAO
Grants Streamlining Report*

July 2005

The NGP White Paper Series Committee

Table of Contents

Table of Tables

Table of Figures

I   Executive Summary

G rants streamlining aims to transform the Federal grants enterprise to make it more efficient and less burdensome, for the betterment of the nation. This is important because grants account for 21.45%[1] of the Federal government's spending, more than the proportion of the budget attributed to acquisitions. The grants streamlining effort began with Public Law (P.L.) 106-107, the *Federal Financial Assistance Management Improvement Act*, was moved forward to some degree by Grants.gov, and has most recently been furthered through the Grants Management Line of Business (GM LoB) initiative. However, in its April 2005 report[2] the Government Accountability Office (GAO) concluded that the Federal government has not streamlined grant making as much as expected.

The GAO made five recommendations to accelerate grants streamlining:

1. Agencies should prepare annual progress reports.
2. OMB should ensure that efforts toward common reporting continue on track.
3. Independent grants streamlining initiatives should be integrated.
4. Grantee input should be solicited on an ongoing basis.
5. The initiative should have clear goals for completion.

The National Grants Partnership was established to bring together government and non-government representatives to improve the grants process in the United States. As noted by GAO, the Federal government has had mixed results in engaging non-Federal grants stakeholders in grants streamlining efforts, resulting in less progress than anticipated. This white paper is an attempt to open the communication channels between Federal and non-Federal stakeholders, providing key recommendations that should be discussed and, where appropriate, implemented. The NGP and its members welcome input from all stakeholders on the recommendations made in this paper, and desires to establish and accelerate dialog with the Federal government on grants streamlining.

The paper is organized around GAO's five key recommendations and includes additional recommendations to those made by GAO, which will further accelerate grants streamlining efforts. The intended audiences are The White House, the Office of Management and Budget (OMB), government grantors, and recipients of government grant funds.

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[1] Data drawn from the *Consolidated Federal Funds Report for Fiscal Year 2003*. Grants accounted for $441 Billion or 21.45 % Federal Expenditures other than interest on the debt while procurement accounted for only $327.4 Billion or 15.90% of Federal Expenditures. Funding of grants exceeded funding for procurements for the first time in FY 1992.
[2] *Grants Management: Additional Actions Needed to Streamline and Simplify Processes,* GAO, April 2005, GAO-05-335, http://www.gao.gov/new.items/d05335.pdf.

I.A   Summary of recommendations

The following is a summary of the recommendations made in this paper. A more detailed summary is provided in the *Conclusion*.

Table 1: Summary of Recommendations

Recommendation	Audience		
	OMB	Agencies	Grantees
Analyze all key modernization drivers: policy, people, process, and technology	●	●	
Stakeholders should focus on the business process of grant making before discussing information technology systems implementation or modernization	●	●	●
Understand the state of the custom, GOTS, and COTS grant management product offerings	●	●	●
Harmonize Federal financial assistance legislation	●	●	
Elevate grants streamlining to the President's Management Agenda	●		
Establish a Grants Ombudsman in the Office of Federal Financial Management within OMB and provide additional resources focused on Federal grants management	●		
Establish an overall Program Management Office to oversee grant streamlining initiatives and report to the Office of Federal Financial Management	●	●	
Create a Chief Grants Officer Council to address the unique processes and requirements of the grants management function and serve as an advisory body to the PMO	●	●	
Work in partnership with constituencies to develop a grants business process that is standardized across the grants enterprise	●	●	
Communicate the value of grants streamlining to non-Federal grantors	●	●	
Adopt and collaboratively extend data standards such as the Uniform Financial Data Elements and Definitions (as proposed by the National Grants Partnership's Uniform Guidelines Project), and look for further data standard consolidation opportunities across all grant programs	●	●	●
Inventory existing back-office systems, identify overlaps, and consolidate similar functions. For example, Federal agencies can develop consolidated interfaces with Grants.gov, and use the "Apply" functionality as leverage to consolidate back-end business processes		●	●

Recommendation	Audience		
	OMB	Agencies	Grantees
Interact proactively, repeatedly, and regularly to better understand mutual concerns and experiences with grant programs		●	●
Consolidate State and local grantees' stovepiped grant offices			●

I.B   About the National Grants Partnership

NGP members are working on several projects and will undertake further projects related to streamlining the grants process, funding the grants process more efficiently, and communicating new developments in applying for, accounting for, and reporting on grants. The NGP is a forum where stakeholders may research and discuss grants administration issues. We invite interested parties from Federal agencies, State and local government, not-for-profit entities, and private-sector vendors to join the NGP and one or more of our projects. To find out more about the NGP, please visit our Web site, at http://thengp.org. You may join the NGP by completing the form at http://thengp.org/members/join.htm.

I.C   Your feedback

We welcome the opportunity to receive and review your comments on this paper, and all NGP products. NGP members will be provided with the opportunity to deliver comments on drafts of NGP white papers prior to publication. Please send all feedback to the co-chairs of the NGP White Paper Series Committee (WPSC).

If you would like to participate on the WPSC, and volunteer your time, energy, and expertise to the development of future NGP white paper products, please notify the co-chairs of the Committee.

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II   Moving Beyond the Barriers

Before implementing technology solutions that streamline grants management, it is crucial to obtain a complete understanding of context and alternatives.

Key Recommendations
✪ Analyze all key modernization drivers: policy, people, process, and technology.
✪ Understand the overall Federal grants management landscape, and how to leverage government-wide initiatives.
✪ Understand the state of the custom/GOTS/COTS grant management product offerings and determine where they fit in the Agency's modernization plan.

T he GAO reports that:

"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 grant management; however efforts toward common electronic systems for reporting financial and performance information have not progressed . . ."[3]

Why might this be the case? What is impeding government's progress with streamlining grants management and what can be done about it?

II.A Analyze all key modernization drivers

Rather than set out on their grants streamlining in a piecemeal fashion, agencies need to begin their streamlining initiatives with an analysis of the scale and maturity of their existing grants management infrastructure—policy, people, process, and technology. In many agencies, grant making has been so decentralized that it is necessary to start with the most basic questions:

- For how many grant programs is the organization responsible?

- How many grants are given out in each program?

- How many *types* of grant programs is the Agency managing, and what are the salient features of each type?

- Do any of the different types of grant programs require different processes or resources?

- What grants management functions are centralized? At what level?

It is also critical for the agency to analyze and understand where its grant making policy is derived.

- Is each organizational component setting its own interpretation of Office of Management and Budget (OMB) guidance or is there an agency-wide implementation?

- Where does the agency expertise in grants management reside?

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[3] *Grants Management: Additional Actions Needed to Streamline and Simplify Processes,* GAO, April 2005, GAO-05-335, http://www.gao.gov/new.items/d05335.pdf.

- Which grant programs have developed program-specific directives? Why?
- Are there best practices in these policy areas that should be promulgated more widely?

In terms of people:
- How are grants management functions divided?
- Do employees that perform grant administration functions receive recognition for their work?
- What types of users does the organization need to address, e.g., program staff; grants administrators; legal staff; public affairs; finance, budgeting, and accounting staff; grantees and subgrantees; and contractors?

For those closest to the grant making process, there is often a separation between the various grant making functions (e.g., program management, grant administration, budget management, financial accountability, legal advice, and regulatory services, etc.). The agency should understand its structure and why (or why not) the approach will work best for it. Questions to explore include:

- How are the various grant making functions administered?
- If the functions are separated by offices or other organizational units, how well do they work together?
- In the agencies that have integrated some of the functions into one office, how well has that worked?
- Is appropriate training being provided?
- How is the agency working with subgrantees?
- Are the same subgrantees working with multiple components of the agency?
- What is the satisfaction level of this constituency?
- What other groups of external users does the organization potentially need to interact with, e.g., reviewers, applicants, grantees, beneficiaries, Congress and other oversight bodies and advisory groups?
- How will all these entities be affected if the agency takes advantage of the opportunity to automate key components of the grants management process?
- What are the expectations of each of these stakeholder groups for the future of the agency's grant making operations?

While at a high level grant management can be described by a standard process model[4], significant differences exist between grant types and even between grant programs within a particular grant type. For example, the terms and conditions and even the grant award for many mandatory grants have been predetermined in the enacting legislation, greatly simplifying (if not eliminating) many activities, such as grant announcement, grantee's identification of and application for the grant, and the government's review of applications. For discretionary funding, however, these same processes can be quite involved, particularly application review requirements and award decision. Similarly at the program level, medical research grants may require terms and conditions above and beyond those required for a basic research and development grant, resulting in additional monitoring requirements. Agencies should ask themselves and each other:

- How are grant program processes similar? How *should they be* similar?

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[4] *Grants Management: Additional Actions Needed to Streamline and Simplify Processes,* GAO, April 2005, GAO-05-335, page 7, http://www.gao.gov/new.items/d05335.pdf.

- How are grant program processes different? How *should they be* different?
- Can the different types of programs be classified into groups that have similar processes?
- Is there extensive subgranting?
- How does the subgrant process affect the grant process?
- What are the performance measurement and program evaluation requirements?
- How automated is the current process?
- Is additional automation desired?

With regard to this last question, the agency may want to consider how it is doing in terms of some common efficiency metrics, such as:

- Grant processing time
- Number of applications processed per full-time employee equivalent
- Number of grants awarded versus full-time employee equivalents

Of course, these metrics will vary depending on the specific application requirements. However, it is clearly possible to look at the application processing for a particular grant program and determine whether or not it is gaining efficiency over time. For example, through the institutionalization of its online grants systems, the National Science Foundation has been able to support a 10 percent increase in the number of applications it processes without adding headcount.[5] An agency can also take the next step in performance improvement by benchmarking itself against other agencies with similar grant programs to determine what it is striving for in these and possibly other metrics and whether or not it is achieving its targets.

This analysis should also consider the scale and maturity of the technical infrastructure that supports grants management:

- What are the legacy tools?
- What are their functions?
- How well are they performing them?
- What is the existing hardware and software configuration?
- Are existing data sources adequate and reliable?
- Is there an overarching organizational data model in place?
- Are dedicated grants management solutions in place?
- Has an Enterprise Resource Planning solution been implemented?
- What other integration points have been established or are available?
- What additional functionality is desired? For example, are there additional interfaces that would greatly enhance functionality?

II.B Understand the Federal grants management landscape

Having a reasonably detailed understanding of the full agency portfolio is critical to streamlining, modernization planning, and implementation decisions, but alone it is not enough. In order to move forward with grants streamlining, an agency must also understand the current Federal grants

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[5] Statistic provided by BearingPoint project team at the National Science Foundation.

management landscape. OMB will continue to require government-wide consolidation around specific policies and processes. Armed with the knowledge of their strengths and weaknesses developed through the assessments detailed above, agencies should be proactively monitoring the progress of these government-wide streamlining activities to find ways to incorporate them into, or use them to advance, their own modernization strategies. Opportunities might take the form of leading in a particular area or shoring up a weakness by taking advantage of an existing initiative.

Agencies should pay particular attention to the focus of the OMB on consolidation of grant making activities. The GM LoB initiative has found that there is enough diversity among grant programs that multiple models will have to be supported, but it has not yet indicated what those models will be or how it intends to support them. Armed with their own understanding of their grant portfolios, grant making agencies can determine whether they are likely to be successful service providers for specific grant types or whether they will be seeking grants management support, and for which functions.

II.C Understand the state of grants management solutions

Development of a grants modernization strategy will include a determination of what back office functionality the agencies and the government as a whole will continue to support and for how long. To support these requirements, there are currently three choices for an agency and/or the government:

- Build a custom solution
- Invest in a Government Off-the-Shelf (GOTS) solution
- Buy a Commercial Off-the-Shelf (COTS) product

To date, action has been at the agency level and most agencies have invested in custom-building their grants management solutions piece-by-piece. This allows agencies to combine or upgrade to best-of-breed components from existing applications. While it involves significant integration complexity that can present technical difficulties and result in significant cost, this 'evolutionary' approach leverages existing system investments and results in gradual change that can be more acceptable to stakeholder groups. However, this is also the drawback of this approach. As the change occurs gradually, the effort encompasses a longer timeframe than a 'big bang' approach.

There are two ways to do a 'big bang'. One is to simply take one system in use at the agency and consolidate around it. This approach might be taken if the agency has one component that is the clear leader either in terms of the scope and scale of its grant making or if one component has a particularly strong legacy application. However, it should be noted that the other agency components may resent taking on a sister organization's solution.

The other approach is to bring in an entirely new custom, GOTS or COTS package. The benefits of the 'big bang' approach is that it typically involves a shorter timeframe. It also necessitates a more holistic evaluation of problems and solutions, creating greater consistency in grants management process and ensuring that the agency is not solving the same problem over and over again. In addition, it can be easier to take advantage of latest technology and functionality with this approach, which can be built upon service-oriented architecture principles.

Regardless of the implementation approach chosen, the agency will have to determine whether it will build, buy, or borrow its systems. It should be noted that the GOTS/COTS grants management market is still evolving. Many of the earliest commercial offerings were developed as extensions to

financial management systems (such as those provided by CGI-AMS, Oracle/PeopleSoft, and SAP). These products focused exclusively on grantee accounting, although some of these same providers are now starting to develop grantor products. In addition, there are a variety of COTS grants management packages on the market. Many of them are best suited to competitive, discretionary grant activities. There are, at present, few proven COTS enterprise-wide grants management systems and few successful implementations in US Federal agencies, although the market is readying itself to respond to anticipated requests for such functionality.

As the discussion above illustrates, forming a grants streamlining and modernization strategy is a complex activity, and while many agencies are making significant progress much also remains to be done. The points raised in this discussion will help those working on this issue to develop a comprehensive grants modernization initiative in at least one major grant making agency.

III   Integration of the Three Initiatives

Grants management must be addressed as a whole by a consolidated management team originating in OMB, with Executive focus on grants management as a distinct business function.

Key Recommendations
✪ Establish a Grants Ombudsman at OMB with the addition of resources focused on grants.
✪ Elevate grants streamlining to the President's Management Agenda.
✪ Establish an overall Program Management Office to oversee grant-streamlining initiatives and report to the Grants Ombudsman in the Office of Federal Financial Management.
✪ Create a Chief Grants Officer Council to address the unique processes and requirements of the grants management function and serve as an advisory body to the PMO.

P.L. 106-107 is the overarching legislation directing OMB and Federal agencies to streamline the Federal grant making process. Two initiatives have emerged from this legislation: Grants.gov and the GM LoB. Together they represent the scope of reform activity within the grants community.

Separate work groups were developed under P.L. 106-107, for Grants.gov, and for the GM LoB initiative, creating overlapping tasking, goal identification, priorities, and staffing, as well as uneven levels of commitment in the agencies leading each set of work groups. The April 2005 GAO Report noted that the overlapping program offices mean not only duplications but also gaps in responsibilities.

While P.L. 106-107, Grants.gov, and the GM LoB initiative are moving grants management forward, their critical paths now appear to overlap, creating confusion and inertia among Federal grantors. The three initiatives need to be brought together under one umbrella, both to recognize their importance and to guide them to complete success. We recommend that the emphasis be placed on the management of the original legislation—P.L. 106-107—and that the other efforts be subsumed under a single governing body. This will also have the benefit of giving grants management an elevated profile within the executive branch.

III.A Structural changes

Grants management is not solely a financial function yet the oversight of Federal grants management currently resides within the Office of Federal Financial Management at OMB. Its position within the existing management structure does not garner sufficient focus and emphasis to support the management of a government-wide grants management streamlining effort. This is the case despite the fact that grants account for 21.45% of the Federal budget, more than the proportion of the budget attributed to acquisition.

We propose establishing a Grants Ombudsman at OMB under the Office of Federal Financial Management with the addition of resources focused on grants. As part of its overall grants management oversight mission, the Grants Ombudsman would be charged to manage one cohesive

program to implement P.L.106-107. The separate initiatives, P.L. 106-107, GM LoB, and Grants.gov, would be consolidated under the Grant Ombudsman's authority. Furthermore, OMB may wish to consider structural changes inside the agency to ensure that grants issues are fully addressed in the future, such as an Office of Federal Grants Management (OFGM).

The CFO Council and the CIO (Chief Information Officer) Council separately provide oversight to on-going grant reform initiatives. However, the grants management function is not fully addressed by either council. Therefore, the NGP recommends that each grant making agency appoint a Chief Grants Officer (CGO) and that a CGO Council be formed to address the unique processes and requirements of the grants management function as a whole.

The Grant Ombudsman and the CGO Council would be well positioned to make recommendations to Congress for effective legislation to facilitate the grants-management streamlining effort.

To provide further impetus for the grants-management streamlining effort, we also recommend that the initiative be added to the President's Management Agenda (PMA).   Agencies are explicitly measured on their performance against the priorities identified in the PMA. Elevation of the grants management streamlining effort to the PMA places a higher priority on achieving success.   This added visibility to ensure success is important because grants have a significantly greater impact on society than Federal government procurement expenditures because of the comparative amount of Federal grant funds awarded and that complimentary State programs multiply each dollar of Federal financial assistance many times over. Further discussion of this recommendation is provided in section VII.B of this paper.

The Grant Ombudsman should manage the grant streamlining effort through a single Program Management Office (PMO). The CGO Council would serve as an advisory body to the PMO. The PMO mandate would be three-pronged:

- Complete the requirements-gathering work groups process started by the GM LoB RFI from April 2004.
- Promulgate a Joint Grants Management Improvement Program (JGMIP).
- Implement key grant functionality with the continued rollout of Grants.gov and the creation of the consortia recommended by the GM LoB.

The organization of these initiatives and their governance is shown in the chart below. The three efforts are discussed in the following paragraphs.
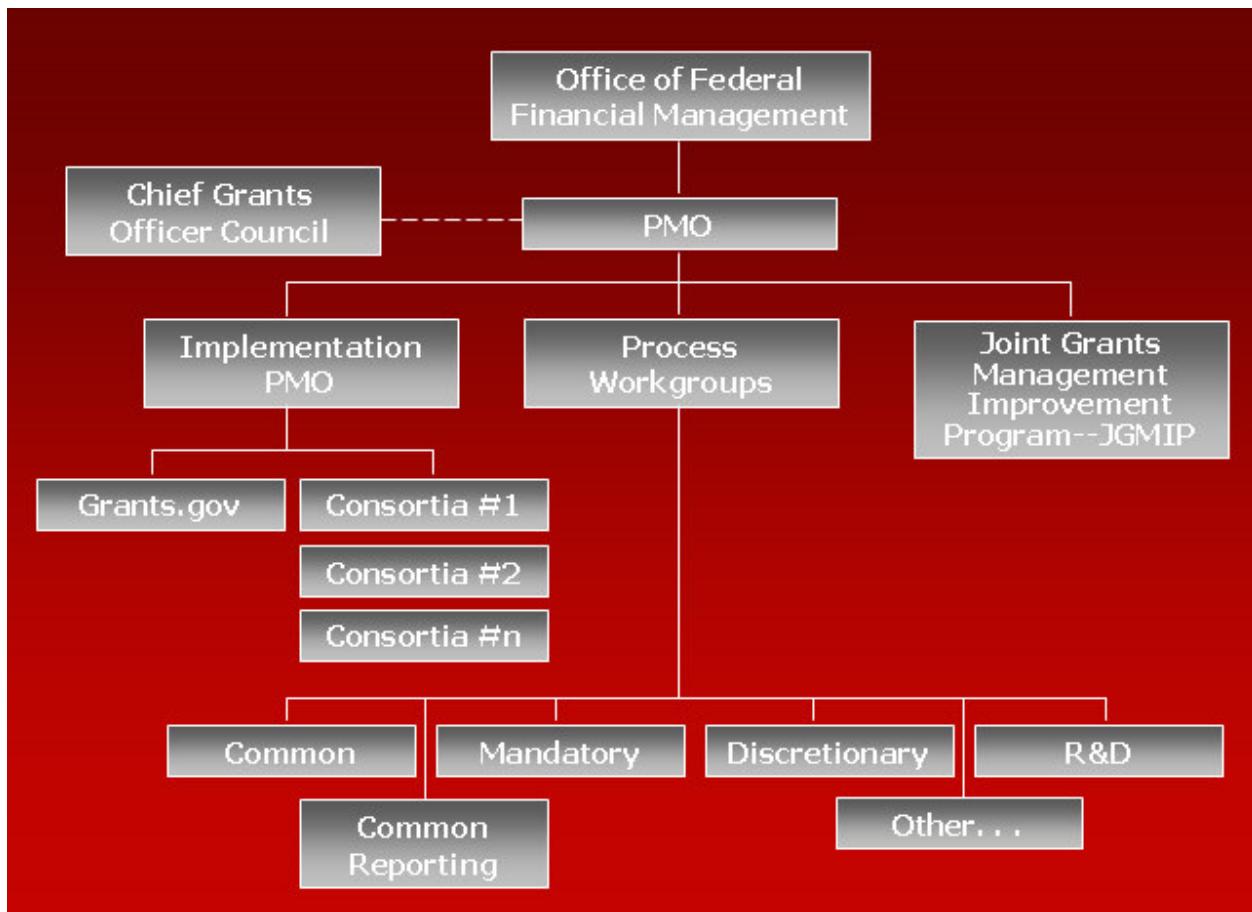
Figure 1: Grants Streamlining Initiatives Organization

III.B Requirements gathering work groups

The work groups and committees under the separate initiatives need to be reformed and consolidated. The work groups are generally organized around specific functions within the overall grant making process. Insufficient coordination between work groups has failed to reduce overlap and failed to provide clear direction to the agencies for reforming their grant management processes.

We recommend that the work groups be reorganized to deal with specific grant types (mandatory, discretionary, and research and development) and their life cycle processes. These work groups will focus on the full cycle of grant making and the standard data elements needed to effectively support automation and change management. The work groups will coordinate their processes and ensure commonality of data element definitions where appropriate.

It is imperative that the PMO and its work groups ensure constituency involvement throughout the requirements-gathering process and implementation. Including effective representation by key stakeholders (grantors and grantees) within the work groups will ensure more interactive dialogue throughout the process leading to better reforms and their greater acceptance.

We recommend that a complete catalog of the documents published under the purview of the three grant reform initiatives be compiled and published for reference purposes. It would serve as a means of communicating what has been accomplished within the grants community at large. The substantial body of work already developed will be a critical input to these work groups.

The process definitions should be mapped to the grant programs across the agencies, based on their grant type, and validated by those agencies. This mapping is crucial to provide concurrence from the grant making agencies and provide direction for the organization and development of the GM LoB consortia.

III.C Joint Grants Management Improvement Program (JGMIP)

There must be standardization of software requirements for back-office management of grants before effective inter-agency systems can be implemented. The establishment of standards for software should draw upon the Joint Financial Management Improvement Program (JFMIP) model to provide a set of basic system requirements to ensure grant system and process integrity. The Joint Grants Management Improvement Program (JGMIP) would be created as a reform process similar to the JFMIP. The JGMIP would also be used as a tool to certify the implementation of a full grants management system or key components used in more than one integrated grants management system. Once its mission is completed, the standards and controls for grants management systems implementations will be in place and the JGMIP program office can be closed and responsibility for its continued maintenance and development be transferred to the OFFM.

III.D Implementation Program Management Offices

The Implementation PMO will manage all the efforts for integrating and executing the process and procedure recommendations developed by the requirements work groups. Each program—Grants.gov, etc.—will have its own PMO for the day-to-day management of its particular effort and will report to the overall Implementation PMO.

Grants.gov is an on-going program that is meeting many of its goals. The current PMO should remain intact. However, Grants.gov will become one of the implementation PMOs managed by the Implementation PMO.

Creation of the inter-agency consortia will be managed by specific PMOs under the auspices of the Implementation PMO. Building the consortia will depend on the completion of the applicable process definitions and the JGMIP. The Federal Enterprise Architecture (FEA) is also a key input to building the consortia as it defines the authorized infrastructure technology.

IV   Common Grant-Reporting Systems

Enormous savings of time and resources are possible if the Federal government creates and utilizes uniform grant application and reporting standards and forms.

Key Recommendations

✪ Expedite the adoption of reporting standards by providing leadership, responsibility and authority vested in a Grants Ombudsman in the Office of Federal Financial Management.

✪ Deploy a common grants reporting system by beginning to pilot existing flexible systems that can be integrated with Grants.gov.

✪ Commit to provide incentives for agencies to support ownership of reports.

✪ Commit to collaborate with industry to seek mature grants management solutions where standard technology structures for storing and transferring financial and performance reports are defined and updated in a manner that any grants management system that adheres to the standards can import, export, and store reports information seamlessly.

A s identified in P.L. 106-107 and the GM LoB initiative, there is a need for common electronic systems for reporting performance and financial information. Common applications are but one part of P.L. 106-107. Common reporting is another opportunity that P.L. 106-107 specifically targets. In this section, we will discuss:

- Why are common system and reporting standards needed within each kind of program?
- What standards are needed?
- What has been done to date?
- What steps remain to be completed?
- What options do we have?
- Our recommendations

In particular, we recommend the following actions in order to achieve a standard, yet flexible common reporting system for grants:

- Expedite the adoption of reporting standards by:
  - Empowering the proposed Grants Ombudsman within OMB with the appropriate resources to coordinate and accelerate the standards creation and adoption process
  - Harmonizing legislation such that reporting requirements are consistent across Federal agencies for common grant programs and integrated with standard reporting requirements within similar types of programs
  - Establishing cross-cutting standard financial and performance metrics
  - Defining and publicizing a timeline for standards publication and finalization
  - Providing incentives to grantors for implementing new reporting standards
- Ensure the deployment of a common reporting system by:
  - Conducting a survey of existing systems
  - Creating pilots for one or more systems

- o Developing the system to be flexible enough to be deployed as standards are created
- o Integrating the final systems with Grants.gov as the common grants portal

IV.A Why are a common system and reporting standards needed within each kind of program?

A common IT system that incorporates standard formats for financial and performance reporting will provide the following benefits:

- Minimize administrative burden and improve reporting for grant recipients
- Remove duplication of effort and provide greater uniformity in Federal business processes for reporting
- Create a common format for reviewing grant performance across agencies to improve accountability
- Increase knowledge sharing across all grant making organizations
- Improve administrative efficiency of Federal grant agencies because with common reports, agencies can take advantage of economies of scale
- Increase collaboration across departments

To illustrate the inefficiencies of the current reporting process, we highlight some of the findings from a report published in April 2003[6] by OMB Watch, The Urban Institute, and Guidestar. Those groups sent a survey to a wide array of nonprofits, including national, State, and local organizations, and faith and community based organizations. Findings include:

- 177 of the 365 respondents (over 48%) provided examples of inconsistent standards and duplicate reporting requirements
- 33% of respondents said they are required to file multiple reports for the same activities, while 42.4% said their funding agencies have more than one definition for the same thing

Specific examples of these issues include:

- Different report formats are required, even within the same agency (they specifically cited the Department of Health and Human Services)
- Demographics are requested in different distributions. This requires re-counts for different grants. For example, some want age breakdowns of 0-5, 6-12, and 13-18; others want ages 0-2, 3-6, 7-9, and 10-18
- The Department of Commerce wants outcomes-based programmatic reporting but the Department of Education wants outputs reporting
- Some agencies require the use of on-line financial reports; some require reports on standard OMB forms; some even require copied invoices for every transaction: compliance rules (budget revision rules, etc.) vary from agency to agency, and that requires extra oversight

Such differences in standards, definitions, formats, and systems from one agency to the next creates a nightmare of administrative burden on the grantee, is costly to the Federal government, and makes it virtually impossible to measure grant performance and share information across agencies.

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[6] *Results and Findings: Survey of Nonprofits On Government Grants,* OMB Watch, http://www.ombwatch.org/article/articleview/1454.

IV.B What standards are needed?

The foundation of any streamlining effort is the development of standard formats and processes that meet the needs of all stakeholders participating in grants management and administration. The GAO said in its report that agencies should standardize financial and performance reporting with the following standard formats:

- Standard Federal Financial Report
- Standard Non-Research Progress Reports
- Standard Research Progress Report
- Standard Personal Property Report
- Standard Real Property Report
- Standard Summary Report of Inventions

The NGP Uniform Guidelines Coalition was formed to take the standard reporting formats initiative one step further and establish uniform guidelines for budgeting, accounting, financial reporting, and auditing for recipients of grant funds from Federal, State, and local governments, from foundations, and from other non-governmental funding sources. Too often the budget formats submitted in grant applications do not match the financial reporting requirements. Standard budget formats for grant applications that match the standard Federal financial reporting requirement would ensure the grantee can easily track financial progress against budget. A parallel effort should be implemented for performance reporting, with standard measures of performance established during the grant application process.

IV.C What has been done to date?

Coordinating standards across 26 Federal agencies is a tall order, and the Post-Award Workgroup that was formed under P.L. 106-107 has made significant progress in looking at business processes (monitoring and accountability) and recommending best practices and standards for different types of grants. The workgroup plans to include the use of these new reports in post-award monitoring of Federal assistance, and has made progress on each of the financial and performance progress reports identified in the GAO report. Each standard is in a different stage of the rules-creation process: draft, proposed, final, or codified. We look forward to the time when all standards have been codified.

IV.C.1   Federal Financial Report

A proposal for a consolidated Federal Financial Report (FFR) was published in the *Federal Register* on April 8, 2003[7]. The proposal consolidates the Financial Status Report (SF-269) and the Federal Cash Transactions Report (SF-272) into a single report, the FFR. Most grant recipients currently are required to submit either the SF-269 or the SF-272 under each award, and many recipients are required to submit both. The FFR would consolidate the collected information in a single form, and agencies could choose which sections need to be filled in.

The Post-Award Reporting Subgroup considered more than 200 public comments received on the April 8, 2003 *Federal Register* notice, made changes to the form and instructions in response to those comments, and is working with OMB to issue a final *Federal Register* notice. OMB also plans to

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[7] *Federal Register,* Vol. 68, No. 67, April 8, 2003, [68 FR 17097], http://www.whitehouse.gov/omb/fedreg/040803_consolidated_financial_rpt.pdf.

propose revisions to its financial reporting policies in 2 CFR part 215 (Circular A-110) and Circular A-102 to accompany the new FFR. These will be published in the *Federal Register* for public comment.

IV.C.2   Progress Reports

Due to differences in the types of federally supported activities, performance reporting was not suited to the single-form approach. The working group instead decided to pursue two approaches to performance or progress reporting, one for research awards and one for all other types of grant awards.

IV.C.2.1 Non-Research Progress Report

The proposed Performance/Progress Report (PPR), developed by the Post-Award Reporting Subgroup for use in non-research awards, would allow agencies to obtain the information they need for their non-research activities from a menu of standard choices. The PPR would allow agencies to:

- Establish similar reporting requirements for similar types of activities
- Better fulfill their responsibilities under the Government Performance and Results Act
- Use information from the PPR in completing the Performance Assessment Rating Tool required by OMB

The Post-Award Reporting Subgroup developed a draft PPR for programs other than research and informally coordinated the draft with the Federal agencies and constituency groups. Following informal review of the PPR, the Post-Award Reporting Subgroup will make needed changes, develop a formal proposal, and draft a *Federal Register* notice.

IV.C.2.2 Research Progress Report

Given their role in facilitating cross-agency efforts to address issues critical to the support of research, the Research Business Models (RBM) Subcommittee of the National Science and Technology Council Committee on Science has assumed responsibility for streamlining and standardizing progress reporting under Federal research awards. The RBM Subcommittee is working closely with OMB and the relevant P.L. 106-107 Work Groups and Subgroups in this effort. This past year the RBM Subcommittee of the Committee on Science began work on a standard format and instructions for research progress reporting. Once it is completed, the RBM Subcommittee will suggest the process for issuing and getting feedback on the proposed format and instructions.

IV.C.3   Personal Property and Real Property Reports

The Post-Award Reporting Subgroup developed a draft personal property report and instructions for cross-agency use, and sought informal agency comment. The group also developed a draft real property report for government-wide use. The draft reporting form incorporates and defines data elements commonly used by the Federal agencies. The next steps are to develop business rules for use of the government-wide real and personal property reports and prepare the forms, instructions, and business rules for issuance in the *Federal Register* for public comment.

IV.C.4   Summary Report of Inventions

OMB will publish in the *Federal Register* a final directive—developed by the Post-Award Reporting Subgroup following public comment—to establish standard data elements for a summary report of inventions. It should be noted that inventions and patents reporting is already consolidated into two major systems, Interagency Edison (iEdison), which is used by 23 Federal agencies, and ENTRe,

which is used by NASA. Since iEdison is already used by most Federal agencies for invention reporting and tracking, electronic submission of summary reports of inventions may be consolidated through that system.

IV.D What steps remain to be completed?

The ultimate goal is to create a common, government-wide system for financial and performance reporting. The NGP envisions that this system will:

- Be the single site accessible through Grants.gov for submission of financial and progress reports
- Have the smallest possible number of standard report formats and requirements to minimize reporting requirements for grant recipients
- Issue automated notification and business rule capabilities to facilitate timely and accurate collection of financial and progress reports
- Provide a tool to provide grantees and grantors with indicators to monitor and correct their performance in real time
- Possess technology that can adapt with evolving business and grants management data and business process standards
- Use open standards and APIs to allow easy integration with other agency-specific systems
- Contain robust ad hoc query and reporting capability to provide cross-agency reporting, analysis, and knowledge sharing
- Incorporate PAR GPRA and the OMB PART to enable agencies the ability to develop, refine and integrate performance measures.

To accomplish this, the following milestones must be achieved:

- A study of existing grant reporting systems (COTS and GOTS) should be conducted to determine what systems are already in place that can be used as foundation for the future common system
- A pilot should be performed using one or more of these candidate systems. Any pilot should include the following characteristics as metrics of success:

    A number programs (research and non-research)

    A number of agencies

    A variety of grant recipients, including educational institutions, State governments, local governments, Indian Tribal governments, and non-profit organizations.

    Multiple reporting periods (annual, semi-annual, quarterly)

    Individual report entry, batch reporting, and system-to-system interface reporting;

- Lessons learned from the pilots should be documented and published for comment and review
- Standard formats and processes for reporting should be finalized
- Cost-accounting principles and guidelines for both budget submission and financial reporting should be integrated
- Standard performance metrics and methodologies should be established for cross-cutting, non-financial performance measurement
- Production systems should be chosen and expanded

- The resulting systems should be integrated with Grants.gov

IV.E What options do we have?

The Post-Award Reporting Subgroup has already provided a solid foundation in developing reporting standards across the Federal government with their drafts and proposal for the various consolidated reporting formats. These drafts and proposals merely need to be given more urgency and attention so that they may be converted into final formats that are in use by the sunset of P.L. 106-107 in 2007.

The next area of emphasis is to proceed with identifying one or more common reporting candidate systems. Options include:

- Grants.gov
- U.S. Treasury Department's Financial Management Service (FMS)
- The National Science Foundation Fastlane Project Reports System
- The National Institutes of Health IMPAC II and SCS OnDemand System
- The U.S. Department of Commerce National Technical Information System Grants Reporting and Tracking Suite
- The U.S. Census Bureau Federal Assistance Award Data System
- Post-Award Grants Management Suite
- Outcomes Collection, Evaluation and Reporting Service
- GLOWS Grants Reporting System
- Minnesota Web Enabled Grant Operations (WEGO)
- New Jersey System for Administering Grants Efficiently (SAGE)
- Ohio Grant Records and Applications Network for Traffic Safety (GRANTS)
- U.S. Department of Education's e-Reports

IV.F Our recommendations

Based on this analysis, the NGP recommends the following actions to ensure that the grant reporting objectives initially envisioned in P.L. 106-107 are realized.

IV.F.1 Expedite the adoption of grant reporting standards

Standards are the bedrock for streamlining any grant reporting initiative. If people do not speak the same language, they cannot share information. Consequently, reports have to be translated from one reporting language to another. But standards cannot be standard until they are defined, published, finalized, and used. The NGP urges action to expedite the drafting, publication, and finalization of these standards. Specifically, we recommend the following:

- Establish a Grants Ombudsman in OFFM at OMB: While progress has been made in developing reporting standards, many of these standards are not being cleared by OMB for final publication. The unfortunate reality is that there are not enough resources at OMB to give these standards attention and priority. With a staff hired specifically to focus on grants management, a Grants Ombudsman within OMB can provide sufficient resources to finalize these standards.
- Harmonize legislation: Many agencies' reporting requirements are driven by legislative mandates. Because Congress addresses one program at a time, it may unwittingly create

different reporting requirements for organizations that receive grants from more than one agency. The OFFM can work with appropriate Congressional committees to harmonize legislation and synchronized reporting requirements across agencies on grant programs that serve similar populations. The OFFM could approach the problem many ways, including summarizing the legislation in an OMB bulletin or circular or by working with Congress on an omnibus grant-reporting bill.

- Establish cross-cutting standard financial and performance metrics: A core set of financial and performance metrics will not only alleviate administrative burden on the grantees, it will provide increased knowledge sharing and accountability across organizations and grant programs.

- Create and follow a detailed schedule for drafting, publishing, and finalizing the standards for each report format: This will provide interested parties time to prepare their comments and recommendations prior to the initial publication, thus expediting the process.

- Facilitate more comments and participation in future white paper efforts of the NGP and other similar associations.

- Create an outreach and communications office out of the OFFM Implementation PMO to promote the standards for acceptance and adoption in the grantee community.

- Involve vendors and solution providers during the publication and finalization of standards process to ensure that off-the-shelf systems are prepared for the new standards as soon as they are finalized.

- Provide incentives to grantors for implementing new reporting standards, such as incorporating adoption rate into the scorecard, PART, GPRA, or PMA.

- Commit to provide incentives for agencies to take on the responsibility of ownership of standard reports. While many agencies agree that standard reports are critical, the current issue is that there is no incentive to adopt the burden of owning and maintaining the reports.

IV.F.2   Ensure the deployment of a common grants reporting system

Software vendors are looking ahead and creating grants reporting systems that will be able to incorporate standard formats when they are finalized. OMB should be testing these systems now, even before the standards are finalized, to ensure that the government is ready to make recommendations about off-the-shelf systems when grants reporting is streamlined. We recommend a pilot project using one or more systems to allow OMB to gain the following benefits:

- Feedback on the draft reporting standards as they are used in real situations
- Preparation of the grantors and grantees for a common system
- A solid foundation for a production system by 2007

V   Grantee Input

The lack of ownership of Federal initiatives among non-Federal levels of the grants enterprise inhibits progress in streamlining grants management.

Key Recommendations

✪ Establish better communications between Federal grant managers and state grant managers, and better communications within each group.

✪ The political leadership must be brought into grants streamlining efforts, through the NGP and other groups.

Hundreds of individual State grant programs exist, each with its own legal and regulatory requirements. Those requirements compel State and local officials to appropriate funding accordingly. Hundreds of billions of dollars flow from the Federal to State Governments each year. They fund everything from road construction to homeless-shelter operations. While the largest portions of these funds go to local governments, the vast majority of funds granted to local governments come from the States themselves. They are therefore allocated by State budgetary legislation and are subject to the influence and direction of State, local, and nongovernmental bodies. In essence, the business end of the vast majority of Federal policy, from agriculture to education to human services, is State government.

V.A   Communication disconnects

In state and local governments a cadre of dedicated, hardworking staff members use text documents, spreadsheets, and—if they are lucky—home-grown databases to manage their stewardship of Federal and State grant funding. They are the people who will be most affected by P.L. 106-107 and its streamlining mandate, but they are unlikely to be aware of the law or its impact. This lack of awareness is the outcome of a communications disconnect at all levels: from the Federal to the State and local levels, between State grants managers, and between local government grants managers. There are a few reasons why this disconnect has occurred. The following sections outline a few possible explanations.

V.A.1   Lack of communication

States are good about two-way communication with subgrantees—groups that receive and use Federal grants funding. Federal officials disbursing mandatory grants may communicate with State grant program managers (discretionary, and research and development grants are less likely to go through State offices), but that communication is less likely to be two-way. Information flows well when it is going down but State grant managers have little or no say in what occurs at a Federal level. More importantly, many State and local officials cannot easily express the difficulties or challenges of administrating Federal requirements to those that make the requirements. Federal officials pass down new grant-related initiatives, programs, and guidelines without fully comprehending their effect on State and local offices.

For instance, a Federal grant program, the Federal Victims of Crime Act, established a national system for States to use to complete their Federal reporting requirements. The system, which minimized work on the Federal side, increased work for many State grant administrators. States that had their own automated systems needed an automated interface so they would not have to re-enter their information on the Federal system. Although the Federal agency finally provided an automated XML interface, it did not provide support for it. States had to figure out on their own how to use it with their internal systems. The Federal government needs to be aware of how its actions affect State and local governments, and be ready to work with them. Communication needs to be two-way.

And communication is most effective when there is a personal relationship. Within States, grants managers tend to know the subgrantees; between States and the Federal government, communication is most often based on official memos and not personal interactions. We suggest that each Federal grant program have an identified, accessible manager who interacts with State officials and knows (or can easily ascertain) how policy and procedure changes will affect them. This also allows communication of how legislation like PL 106-107 directly affects those who administer a specific grant program.

V.A.2   Inconsistent or incomplete peer communication

We need to encourage development of a formal process that encourages State grant managers to share lessons learned in managing Federal grants. While such sharing may occur within a state, it is less likely to occur between states. The result is that grants-management processes may be different in different states even for the same Federal grant program.

V.A.3   Lack of awareness of successful web-based grant-related initiatives

As it exists now, when most State grant program administrators determine that an electronic system is necessary for the administration of their grant programs, the search for information about appropriate solutions can take many different forms. Some search the Web for solutions. Others use message boards that are used by other State administrators that manage the same grant programs. Still others send email messages to any and all other grant administrators that have been helpful to them in the past. Almost all of this communication is lateral, from State to State, and very few, if any, turn to the Federal government for direction. Consequently, the search for effective electronic grant management solutions is being duplicated all over the nation. Countless hours are spent making the same evaluations that have been made time and time again in other States by other officials.

V.A.4   Lack of State data and process standards

Although establishing standard data elements across all Federal grant programs is a laudable goal, it may be better to begin by standardizing grant management processes for each grant program in each State. The ways in which States implement programs can vary widely, in part because of limited communication between States and the Federal government, or between States themselves, and in part because of State laws. Based on these standard processes, a consistent set of data elements could more easily be established for individual programs across all States. With a flexible standard— one established to accommodate regional and legal differences—States could help lead the standardization effort.

V.B   Accomplishments evident on smaller scales

Some examples demonstrate that Federal grantees can contribute significantly to grants streamlining. Just under half of the States are using thin-client Web-based systems to apply for grants, get approved and funded, and make reports under the Federal government's No Child Left Behind Act of 2001[8]. These Web-based systems are either home-grown or commercial; the commercial systems have been utilized in more than one State. The Department of Education is building on this shared experience by establishing a working group of grant managers from States that are using common systems. This working group will help inform requirements gathering.

Additionally, over a dozen States have Web-based systems to manage their Justice and their Housing grants. Increasingly the States are using cutting-edge technology to deal with the "future potential to integrate with Grants.gov or other Federal grant management systems" (according to their requests for proposals). Many State grants management systems are making significant headway compared to a number of their Federal government counterparts.

V.C   The streamlining audience

The question that is perhaps the most important in this discussion is "Who is grants streamlining and electronic grants management attempting to serve?" If the answer is Federal auditors, Federal financial officers, and the Federal budget staff, the constituency is roughly 500 people[9]. If the answer is to improve the lives of grant program staff in State and local agencies, grantees, and the people they serve, the constituency numbers in the millions. That audience needs to be represented in the policy-making process to ensure the successful outcome of the grants streamlining effort.

V.C.1   Governors

Governors have the following needs in terms of Federal grant making efforts:

- Awareness: knowing what is out there and how to maximize a State's share.
- Command and Control: leveraging grants to help fund State priorities and initiatives.
- Political: Federal grant programs support some of the most important services provided by the State, and help Governors advance their state agendas.
- Economic: Money is policy. Policymakers put money behind what governors and their constituents care about.

The National Governors Association could be encouraged to focus on grants streamlining if their costs could be offset by other sources, such as foundations, associations, think-tanks, or indeed the Federal government itself.

V.C.2   State legislators

State legislators determine the budgetary priorities of the State, and legislators generally have the same interests as Governors. All agencies' intergovernmental affairs divisions should make it a priority to reach out to organizations such as the National Conference of State Legislators and the National Speakers Conference to communicate the goals and reasons why grant streamlining will

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[8] Data collected as part of a market research study conducted by Agate Software, 2004.
[9] Estimated on the basis of 50 states each employing five budget finance officers and five audit and accounts staff.

positively affect their memberships. Both will come to the table if it means being involved in policy setting.

V.C.3   Mayors and locally elected officials

This is the group closest to where the actual work of grant making occurs. These are the people that make sure the roads get patched and the garbage gets picked up. They and their constituents benefit if a streamlined grants process allows them to focus more on securing grant funding and providing services than on doing redundant and inefficient paperwork to meet overlapping requirements. They are also the first place their constituents turn when Federal funding is too difficult to get because of a patchwork of paperwork requirements. Reaching out to the U.S. Conference of Mayors, the National Association of State Legislators, or similar organizations and involving them in the process would be beneficial to both the Federal government and the local officials.

V.D   Our recommendations

- Better communication must be established between Federal grant managers and State grant managers. Information must more readily flow between those who make Federal determinations and those who must implement those decisions. Lateral communication must be encouraged and strengthened so that States are not interpreting Federal grant requirements alone.

- Who is really driving this effort? What problem is it trying to solve? Agency career staff alone cannot make this happen. The NGP and others need to get the political leadership at the agency level in the room. Governors, mayors, state legislatures, and state government staff and their associations need to be involved in setting policy on Federal grants streamlining.

- Without political leadership involvement and administration buy-in, grants streamlining will remain an exercise in the safe margins of government.

VI   Clear Goals for Completion

The integration of the goals and strategies of existing grants streamlining initiatives is a natural evolution of their progress, and agencies and grantees can speed this evolution while meeting their own goals in the short- and medium-terms.

Key Recommendations
✪ Stakeholders seeking to streamline grants management should focus on the business process of grant making before discussing information technology systems implementation or modernization.
✪ Grantors and grantees can make immediate and iterative improvements to their respective grants business processes, regardless whether improvements are made in the Federal government.
✪ OMB and the CGO Council should rationalize grants policies and have the capacity and responsibility to oversee all grants streamlining activities. (If our earlier recommendation for establishment of the CGO Council is not adopted, the CFO Council should participate.)

The streamlining of Federal government grant making represents a significant organizational transformation effort. In July 2003 the GAO published a study[10] on key practices used to ensure successful mergers and transformations of public and private organizations. The study identifies nine "key practices for Federal agencies":

- Ensure top leadership drives the transformation

- Establish a coherent mission and integrated strategic goals to guide the transformation

- Focus on a key set of principles and priorities at the outset of the transformation

- Set implementation goals and a timeline to build momentum and show progress from day one

- Dedicate an implementation team to manage the transformation process

- Use the performance management system to define responsibility and assure accountability for change

- Establish a communication strategy to create shared expectations and report related progress

- Involve employees to obtain their ideas and gain their ownership for the transformation

- Build a world-class organization

Not all of these key practices apply to grants streamlining activities, but the GAO noted in its grants streamlining report that the initiatives did not adequately address the second key practice for transformation: none of the initiatives have clearly defined goals for their completion. GAO also stated that their absence has resulted in a lack of progress in implementing the initiatives. Furthermore, the

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[10] *Results Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, United States General Accounting Office, July 2003, GAO-03-669, http://www.gao.gov/new.items/d03669.pdf.

initiatives are not strategically integrated with one another, as discussed earlier in this paper, which exacerbates the effects of unclear goals.

VI.A Goals articulated

Each initiative has made attempts to articulate its goals for completion. In this section we will review the stated goals.

VI.A.1   Public Law 106-107, the grants streamlining initiative

P.L. 106-107 is clear in its purposes[11]:

> The purposes of this Act are to—
> (1) improve the effectiveness and performance of Federal financial assistance programs;
> (2) simplify Federal financial assistance application and reporting requirements;
> (3) improve the delivery of services to the public; and
> (4) facilitate greater coordination among those responsible for delivering such services.

The Grants Streamlining Initiative defines three general thrusts that should be pursued:

- Create an administrative infrastructure to instantiate the purposes of P.L. 106-107:
  - o Develop plans by each participating agency
  - o Designate agency leads responsible for P.L. 106-107
  - o Develop an interagency process to work on streamlining activities
- Establish common systems and data standards:
  - o Common application instruments
  - o A common electronic grant application, management, and reporting system
- Create common rules, policies, and business processes:
  - o Uniform interagency administrative rules
  - o Improved interagency and intergovernmental coordination of information collection and sharing
  - o Improved timeliness, completeness, and quality of information submitted by grantees to Federal grantors

VI.A.2   Grants.gov

Grants.gov's objective has been clear from the start. In early presentations regarding their mission, Grants.gov indicated that they would be the "front office" of Federal financial assistance, as illustrated in the diagram in Figure 2.

The first phase of Grants.gov was to create a single location where grantees could find and apply for all Federal government grant opportunities, as indicated in the first oval to the left in the diagram. The Grants.gov PMO, located at HHS, has done an excellent job of tracking their progress in achieving these goals. The second phase that was articulated for Grants.gov is represented by the dotted-line oval on the right in the diagram, and deals with the review and award of grants, and the reporting associated with oversight of grants.

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[11] *Public Law 106-107, Federal Financial Assistance Management Improvement Act,* Section 3, November 20, 1999, http://www.grants.gov/assets/GSI/PL106107.pdf.
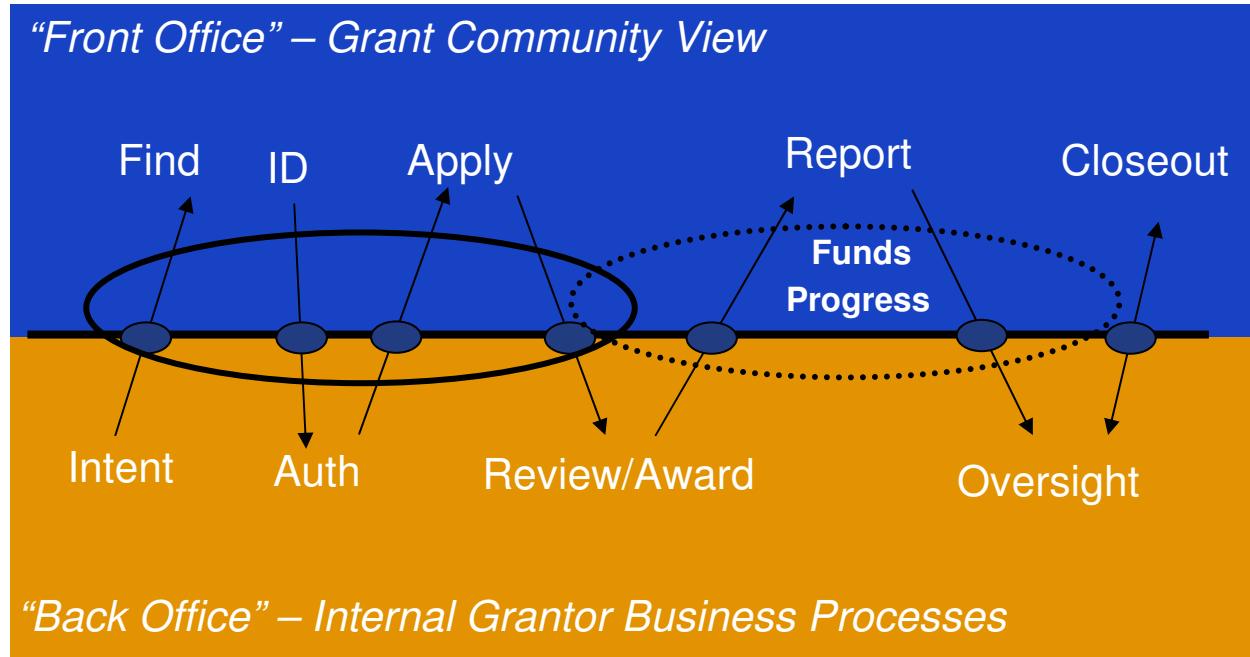
Figure 2: Front office and back office functions of grant making

VI.A.3   Grants Management Line of Business (GM LoB)

In the Request for Information (RFI) issued to industry and government in April 2004[12], GSA stated that "the complete success" of the GM LoB would be "A government-wide solution to support end-to-end grants management activities that promote citizen access, customer service, and agency financial and technical stewardship."

VI.B Progress towards goals

P.L. 106-107's stated purposes suggest a few specific goals, which have been addressed as shown in Table 2. Grants.gov has almost completed its Phase 1 goals and the system has entered a mature state (especially when compared to other eGov initiatives). Now it is unclear whether Grants.gov's mandate and funding will be extended or curtailed. Grants.gov is widely expected to continue operation as the government's "Find & Apply" portal for grants, and to extend functionality to include Phase 2-like business processes such as grant reporting. However this remains speculation and that uncertainty leaves Grants.gov's customers—Federal agencies and grantees alike—unclear about a major component of the Federal grant making enterprise.

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[12] *Line of Business Opportunity Development Initiative, Lines of Business (LoB) Enterprise Architecture, Request for Information (RFI)*, Office of Management and Budget, April 15, 2004, http://www2.eps.gov/servlet/Solicitation/R/GSA/OGP/OAP/Reference-Number-RFI-04-001.

Table 2: How the specific goals of P.L. 106-107 have been addressed

Specific Goal	Addressed By
Development of plans by each participating agency, and Designation of agency leads responsible for P.L. 106-107	In May 2001, the P.L.106-107 PMO submitted a "common plan" to Congress and OMB, having coordinated with 26 grant making agencies to define steps to achieve the purposes of the legislation[13].
Common application instruments	Grants.gov's use and standardization on the SF-424 as the 'core data set', with cross-agency, agency-specific, and program-specific supplemental data sets.
A common electronic grant application, management, and reporting system	Deployment of Grants.gov, which satisfies the need for a common electronic grant application system.

The GM LoB initiative has developed models that describe the grant making business process across government, and developed common approaches to grant making upon which agencies are collaborating. With HHS, DoEd, and NSF leading the initiative, and after rejecting a "one size fits all" approach to grants management systems in government, the current proposal is to develop grants service centers that will provide technology and grants servicing across the government. This model has worked well for functions such as government payroll, and there is already significant consolidation on two or three major financial management vendors. However, unlike financial management, which has standardized on JFMIP (Joint Financial Management Improvement Program), the ability for the same to happen for grants management is significantly inhibited by the lack of common grants business processes and standards across agencies. There is no JFMIP-like set of standards for grants management. Therefore the GM LoB must now turn its attention to creating those standards, which agencies can adopt in preparation for the GM LoB Service Center approach.

VI.C Evolution toward integration

As shown in Table 2, the specific goals of P.L. 106-107 have, to date, been addressed by the administrative structures put in place to implement the legislation (the P.L. 106-107 Project Management Office) and a technical solution (Grants.gov). Significant parts of P.L. 106-107's intentions remain unfulfilled, namely:

- Administrative infrastructure to instantiate the purposes of P.L. 106-107:
    - Development of an interagency process to work on streamlining activities
- Common systems and data standards that must be established:
    - A common electronic grant management and reporting system
- Common rules, policies, and business processes:
    - Uniform interagency administrative rules

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[13] *Federal Financial Assistance Management Improvement Act of 1999, Plubic Law 107-107, Initial Plan*, May 18, 2001, http://www.grants.gov/assets/GSI/PL106107InitialPlan.pdf.

- o Improved interagency and intergovernmental coordination of information collection and sharing
- o Improved timeliness, completeness, and quality of information submitted by grantees to Federal grantors

The remaining purposes and thrusts of P.L. 106-107 do not have specific goals. Indeed, it could be argued that the legislation is focused on *improving* Federal financial assistance and that improvement of any organization is an inherently iterative and ongoing process with only intermediate goals. It is our contention, therefore, that P.L. 106-107 can never be "completed" as it is currently defined. Indeed, we may never wish to complete the process of Federal financial assistance management improvement. This should not excuse a lack of measurable performance improvement in each of the functions that together comprise the organization. However, it is important to note that the ability to say, "Yes, we have improved Federal financial assistance" is dependent on a plethora of goals that are not fully described in P.L. 106-107. Those goals should be articulated and pursued through initiatives governed in the fashion described in the *Integration of the Three Initiatives* section of this paper.

To date, the greatest progress in grants streamlining, from a grantee's point of view, has been made by implementing technologies and data standards (Grants.gov, the SF-424 data set, etc.). But the remaining objectives cannot be solved by using technology as leverage for change, or in a few meetings of the stakeholders. The remaining goals are the harder problems to address, requiring ongoing, consistent, and dedicated effort across agencies and governments.

The Grants Management Line of Business provides an opportunity to generate momentum and mind-share around these problems. The GM LoB has already produced drafts of a common, government-wide grants management business process, and set a vision to create a consortium of systems to instantiate the back-office functions for government grantors, as shown in Figure 2. The GM LoB's major flaw, in our opinion, is its focus on the implementation of consolidated IT systems (service centers) to eradicate stovepiped business processes and systems. The discussion should be in the opposite direction: development of consolidated, consistent business processes that can be adopted by all grantors, *enabling the implementation of systems to support efficient grants business processes*.

VI.D Agencies and grantees can make progress today

Grants streamlining is a management effort that involves the entire grant universe. Despite its sunset in 2007, P.L. 106-107 represents a set of initiatives that should generate iterative improvements over multiple years. There will never be a grants streamlining "switch on" moment, when grant making changes from disparate, fragmented rules, policies, procedures, and systems to a consolidated, streamlined approach that will remain static forever. Opportunities therefore exist today for grantors and grantees to improve their grants management businesses and therefore contribute to the improved definitions of grants streamlining goals.

Federal agencies and other grantors can:
- Adopt and collaboratively extend extant data standards, such as the Uniform Financial Data Elements and Definitions (as proposed by The National Grants Partnership)[14]

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[14] See http://www.nasact.org/coalition.htm.

- Look for data standard consolidation opportunities across all grant programs
- Inventory the existing back office systems, and identify overlaps
- Develop a vision of consolidated grants-management business processes and systems at the agency level
- Develop consolidated interfaces with Grants.gov (as demonstrated by USDA's Grants.USDA.gov solution)
- Use consolidated "Apply" functionality as leverage to consolidate back-end business processes
- Map existing business processes to those drafted by GM LoB, and identify gaps and concerns; provide feedback, and demand dialog on this subject with OMB
- Interact with grantees proactively, repeatedly, and regularly to better understand their concerns and experiences with grant programs
- Use Grants.gov's 'Find' functionality to publicize grant opportunities
- Provide feedback to Congress on how consistency in grant policies and procedures can be achieved during the program-definition stage

Grantees can:
- Form and participate in groups (NGP, FDP) to consolidate opinion and lobby grantors
- Analyze their own grants-management business processes to identify consolidation opportunities
- Consolidate stovepiped State, local, tribal, and non-profit grant offices
- Adopt and collaboratively extend extant data standards such as the Uniform Financial Data Elements and Definitions (as proposed by The National Grants Partnership) [15]

VI.E What OMB and the CGO Council can do

OMB has developed an inventory of grants management systems in the Federal government, and this inventory needs further analysis to deliver a more accurate picture of how Federal government grants management is supported by IT today. Only by determining our current state can we confidently imagine and move towards a better future.

More importantly, however, more input is needed from the policy side of grant making. Up to this point the emphasis has been on reducing IT investments rather than the costs associated with duplicative, redundant, or outdated grant policies, procedures, and processes. These inefficient policies and procedures create flow-down costs by increasing the complexity of the business process and the IT systems that support them. Earlier in this paper we recommend establishment of the Federal CGO Council, and explain how this group could make a big impact in rationalizing grants management policies and, in effect, reduce the costs associated with grants administration and its associated IT investments. (If our recommendation is not adopted, the Federal CFO Council should participate.) For example, the creation of a grant making equivalent of JFMIP (JGMIP; as discussed in the *Integration of the Three Initiatives* section of this paper) would enable the promulgation of standards and cheaper, more flexible COTS products that comply with those standards and can be adopted more broadly.

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[15] See http://www.nasact.org/coalition.htm.

The purposes of P.L. 106-107 that remain unmet are those that demand extensive grants domain knowledge from the business owners. They are not IT problems. An IT "solution" can gloss over these challenges but will never fully address them. Reliance on IT to fix a broken business process will continue to increase costs and eat tax dollars unnecessarily. The GM LoB might effect change by persuading the business owners that a better IT system is not the solution, and that the business itself needs to change. Such an approach will need ongoing effort, and should fully employ the key practices for transformation that GAO itself identified as necessary for success.

Everyone involved in the grants enterprise—grantors, grantees, and Congress—has the ability and an *obligation* to participate in this organizational transformation.

VII   Supplemental Recommendations

In developing this paper's suggestions for implementation of GAO's recommendations, it became clear that additional opportunities exist to accelerate grants streamlining. These are supplemental recommendations to those detailed in GAO's report. Adoption of these recommendations will significantly ameliorate many of the problems in grants management government-wide, and the political blockades that have stymied progress to date.

Key Recommendations
✪ Government should harmonize grant legislation.
✪ Grants streamlining should be part of agencies' annual performance assessment.
✪ A common understanding of the grants enterprise business model should be established before the government embarks on any technical deliberations or implementations.
✪ Grantees should consolidate stovepiped grant offices.

VII.A   Harmonize grant legislation

Grants are a means of delivering financial assistance to the citizenry. This assistance is approved through legislation, which specifies the purposes, means, and controls that are exacted on the assistance to be provided. The development and finalization of this legislation is not coordinated in any fashion. Programs are developed by legislators in response to an identified need in the nation. The responsive nature of the legislation that enacts a grant results in each grant program possessing unique characteristics. Excellent examples of this problem are provided earlier in the *Common Grant-Reporting Systems* section of this paper, and in OMB Watch's April 2003 report on its survey[16], which found that:

- 177 of the 365 respondents (over 48%) provided examples of inconsistent standards and duplicate reporting requirements

- 33% of respondents said they are required to file multiple reports for the same activities

- 42.4% said their funding agencies have more than one definition for the same thing

There are legitimate causes for these disparities. There are dozens of grant programs funding a broad spectrum of initiatives—from job skills development to airport construction—and those programs are controlled by different laws administered by disparate agencies that are overseen by different committees of Congress. However, even considering the legitimacy of the causes, we cannot ignore the fact that these disparities lead to massive inefficiencies in the grants enterprise. For example, government agencies must build business processes and systems to accommodate fractious and ever-changing programmatic demands. Grantees must accommodate in their processes and systems the demands of multiple programs that have different requirements.

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[16] *Results and Findings: Survey of Nonprofits On Government Grants,* OMB Watch, April 2003, http://www.ombwatch.org/article/articleview/1454.

These outcomes have serious long-term implications across the enterprise:

- Grantor and grantee staff that become familiar with the unique demands of programs become irreplaceable: if an office relies on one or two people, the business's operations are fragile and prone to delays and serious cost implications if those people become unavailable
- The complexity of the business process demands a greater amount of management and administrative oversight to ensure accuracy in data
- IT systems reflect and do not simplify the complexity of the business processes
- Systems must be custom-built to deliver the flexibility required to meet the business's demands

If grant legislation were harmonized, many of these consequences would be significantly minimized. It is possible to model legislation as it is being drafted—just as it is possible to model the systems that support the legislation once enacted—to identify disparities early on and make the lives of the citizenry and government operations a great deal more efficient.

VII.B   Grants streamlining and agencies' performance assessment

Federal Financial Assistance accounts for over 21.45% of government spending each year, second only to spending on national defense, and more than government acquisition activity. Grants are therefore the most significant monetary investment in the country that the government makes on behalf of the nation. Federal Financial Assistance has more volume, has more real-world impact, and affects more citizens than any other activity that the government undertakes. It also has a significantly greater impact on society than procurements of the Federal government because complimentary State programs multiply each billion of Federal dollars many times over.

The Government Performance Results Act was passed in 1993 to link government performance to results. This effort had less impact than anticipated due to the administrative burden of its implementation, which included demands upon agencies for 16,000 pages of performance plans and measures[17]. The President's Management Agenda (PMA)[18] was established in 2001 as "an aggressive strategy for improving the management of the Federal government." Its focus was on five government-wide areas, and agencies were scored on a red-yellow-green scale on their performance in each of the five areas. While grants featured heavily in the PMA as a vehicle for assistance delivery, streamlining the government grants enterprise was only addressed in the context of building a single e-grants portal, using technology as cure-all. Most recently, in 2003, OMB developed the Performance Assessment Rating Tool (PART)[19], which is a methodological and standardized tool through which individual government programs can be evaluated.

GPRA, PMA, and PART are integrated initiatives that have built upon each other over time. However, given the fact that Federal financial assistance constitutes a massive part of the annual Federal budget, it is puzzling why grants streamlining is itself not a major part of the performance improvement efforts. While the PART assesses the real-world impact of programs, it does not seem to address the inefficiencies and overhead costs of their implementation.

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[17] *PART, GPRA, and PMA: Integration, Performance, and Management,* Jeffrey E. Bergin, The Performance Institute, 2003, http://www.performanceweb.org/images/media/03-12_bergin.ppt.
[18] See http://www.whitehouse.gov/omb/budintegration/pma_index.html.
[19] See http://www.whitehouse.gov/omb/part/.

Agencies are responding to the PART because failure to do so results in loss of programs and budgets. If the same consequences were to befall those who failed to improve their grants management enterprises, we believe that grants streamlining would become a much higher agenda item among those with the power to effect real change.

VII.C   Establish a common understanding of the grants enterprise business process

Technology cannot repair broken business processes. At best, technology can smooth over the cracks in a business process, much as one can spackle holes in plasterboard. But if the holes are too large, the spackle cannot hold the wall up, and the room will eventually come crashing in on itself. IT systems are built upon the business process. Implementation of a technology solution on a fractured and inefficient business process will, at best, give the *appearance* of efficiency. True efficiency gains and true performance improvement across the grants enterprise can only be achieved through an honest, open, and collaborative examination of the grants enterprise business model.

The GM LoB initiative has begun this work, and developed a high-level model that most agencies participated in creating. But it is shallow, demonstrating agreement only on the highest levels of the model, and it is narrow, focused entirely on government agencies' own businesses, without input or consideration from non-Federal stakeholders. This allows stakeholders to maintain the claim that their grant programs are unique and, once you get down to a real-world level, they're not anything like the other programs under discussion.

The greatest progress possible today is to achieve real consensus on the details of the enterprise business process across all stakeholders.

VII.D   Consolidate stovepiped grantee grant offices

To respond to the disparate demands of government grant programs, grantees often create offices devoted to those programs. On the surface, this makes sense, because if each program has unique requirements then there are few obvious opportunities for efficiency gains by consolidating these offices. But this surface view is flawed.

Despite its (to date) narrow and shallow view of the grants enterprise business model, the GM LoB has correctly identified that, at a high level, the grants business process is essentially the same across most grant programs. While a more in-depth analysis will reveal uniqueness among programs, the high level commonalities allow some consolidation today. For example, program officers could work on multiple programs across multiple domains; peer review operations can be consolidated; call centers can be brought under one roof; and so on. Moreover, grantee's grant offices are generally smaller and can be more nimble than government's, so they have a greater ability to effect change quickly.

Consolidation efforts can occur without changes in the legislation that enacts grant funding because consolidation of business activities is a question of organizational structure, not of funding sources. The way in which one grant program office receives and disburses funds is not significantly different from how another office does it, as the GM LoB has demonstrated. To begin consolidation, stakeholders in the grants enterprise must model their business processes, map them to the resources and contracts that support them, and identify overlaps and opportunities for efficiency

gains. Based on this analysis, it would be possible to develop a vision of consolidated grants management operations that can be realized by organizational and contractual redesign.

VIII Conclusion

This paper furthers the recommendations made by the GAO in its April 2005 report. To implement GAO's recommendations, the government needs to take the actions detailed in the table on the following page and discussed in previous sections. The recommendations both further and supplement GAO's proposals, and will move the grants enterprise more swiftly towards the goals of P.L. 106-107.

While P.L. 106-107 is due to sunset in 2007, its goals will endure. The recommendations made in this paper suggest that the infrastructure implemented under P.L. 106-107 should be supplemented and elevated to a higher level of responsibility in government, namely the President's Management Agenda and the Office of Management and Budget. With the former delivering a clear message of the importance of grants streamlining, the latter can legitimately demand attention, inspire investment, and measure progress in the tasks required to achieve the goals of P.L. 106-107.

Table 3: Detailed summary of recommendations

Recommendations	Audience		
	OMB	**Agencies**	**Grantees**

Analyze all key modernization drivers: policy, people, process, and technology.
  A. Understand the overall Federal grants management landscape, and each agency's own position in it.
  B. Develop systems that are structured yet flexible to meet the ever-changing needs of financial and performance reporting.
  C. Develop systems and business processes in parallel to meet P.L. 106-107's 2007 sunset date.
	●	●	

Understand the state of the custom, GOTS, and COTS grant management product offerings.
  A. Conduct a study of existing grant reporting systems (COTS and GOTS) to determine systems in place, or components of those systems, that can be used as a foundation for a common system.
  B. Pilot candidate common reporting systems.
  C. Integrate the common reporting system with Grants.gov.
	●	●	●

Stakeholders should focus on the business process of grant making before discussing information technology systems implementation or modernization	●	●	●

Harmonize Federal financial assistance legislation
  A. Ensure that reporting requirements are synchronized across agencies for performance on common grant programs (i.e. if HUD and ACF are serving a similar population, then their reporting requirements should be harmonized so that the grantee can collect information in a common manner to meet the reporting requirements of both agencies and their respective legislations for which they are held accountable).
  B. Establish standard performance metrics and methodologies for cross-cutting, non-financial performance measurement.
  C. Annual reports should be based on comparable metrics, not free-form narrative.
  D. Agencies should provide feedback to Congress on how consistency in grant policies and procedures can be achieved during the program definition stage.
	●	●	

Recommendations	Audience		
	OMB	**Agencies**	**Grantees**
Elevate grants streamlining to be part of the President's Management Agenda. A. Secure the participation of political appointees in the grants streamlining process and be responsive to their concerns.	●		
Establish a Grants Ombudsman in the Office of Federal Financial Management within OMB and provide additional resources focused on Federal grants management.	●		
Establish an overall Program Management Office to oversee grant streamlining initiatives and report to the Office of Federal Financial Management. A. Organize requirements gathering workgroups by grant type. B. Be mindful of work that's already been done, and don't duplicate the work. C. Create a bibliography of existing work for reference purposes.	●	●	
Create a Chief Grants Officer Council to address the unique processes and requirements of the grants management function and serve as an advisory body to the PMO.	●	●	
Work in partnership with constituencies to develop a grants business process that is standardized across the grants enterprise. A. Agencies should map existing business processes to those drafted by GM LoB; identify gaps and concerns; provide feedback; demand dialog on this subject with OMB. B. Agencies should develop a vision of consolidated grants management business processes at the agency level. C. Agencies should establish a common understanding of the grants enterprise business model before embarking on any technical deliberations or implementations. D. Grantees should analyze their own grants management business processes to identify consolidation opportunities.	●	●	
Implement a concerted effort to communicate the value of grants streamlining to non-Federal grantors.	●	●	
Adopt and collaboratively extend extant data standards, such as the Uniform Financial Data Elements and Definitions (as proposed by The National Grants Partnership's Uniform Guidelines Project), and look for further data standard consolidation opportunities across all grant programs. A. Institute a collaborative environment with grantees to create standard reporting formats that are useful to both parties. B. Develop an incentive mechanism to increase participation and acceptance of standards.	●	●	●

Recommendations	Audience		
	OMB	Agencies	Grantees
Inventory existing back office systems, identify overlaps, and consolidate similar functions. For example, Federal agencies can develop consolidated interfaces with Grants.gov, and use consolidated "Apply" functionality as leverage to consolidate back-end business processes. A. Non-Federal government grantors, including non-profits, should use Grants.gov's "Find" functionality to publicize grant opportunities.		●	●

Interact proactively, repeatedly, and regularly
    A. Understand stakeholder needs and expectations.
    B. Grantees should form and participate in groups (NGP, FDP) to consolidate opinion and contact grantors.
		●	●

Consolidate State and local grantees' stovepiped grant offices.			●

IX   Appendix A: Acronyms

The following acronyms are used in this document.

Table 4: Acronyms

Acronym	Full Text
CFO	Chief Financial Officer
CGO	Chief Grants Officer
CIO	Chief Information Officer
COTS	Commercial Off-The-Shelf
DOC	Department of Commerce
DoEd	Department of Education
FDP	Federal Demonstration Partnership
FFR	Federal Financial Report
GAO	Government Accountability Office (formerly the US General Accounting Office)
GC	Grants Committee
GM LoB	Grants Management Line of Business
GOTS	Government Off-The-Shelf
GPRA	Government Performance and Results Act
HHS	Department of Health and Human Services
IT	Information Technology
JFMIP	Joint Financial Management Improvement Program
JGMIP	Joint Grants Management Improvement Program
NGP	National Grants Partnership
NSF	National Science Foundation
NSTC	National Science and Technology Council
OCFO	Office of the Chief Financial Officer
OFFM	Office of Federal Financial Management
OFGM	Office of Federal Grants Management
OMB	Office of Management and Budget
P.L..	Public Law
PAR	Performance and Accountability Report
PART	Performance Assessment Rating Tool
PMA	President's Management Agenda
PMO	Program Management Office
PPOC	P.L. 106-107 Policy and Oversight Committee
PPR	Performance/Progress Report
RBM	Research Business Models
RFI	Request for Information
S.F.	Standard Form