United States Government Accountability Office

GAO

Report to Congressional Requesters

May 2013

GRANTS MANAGEMENT

Improved Planning, Coordination, and Communication Needed to Strengthen Reform Efforts

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Why GAO Did This Study

GAO has previously identified several management challenges that have hindered grants management reform efforts. GAO was asked to review recent federal grants management reform efforts. GAO reviewed (1) what OMB and other federal grants governance bodies have done since the passage of P.L. 106-107 to reform grants management processes, and (2) what actions, if any, have been taken to address what GAO has found to be persistent management challenges. GAO reviewed relevant legislation, OMB circulars and guidance, action plans of interagency councils responsible for overseeing grants management reforms, and previous GAO work and other literature on grants management reforms. GAO also reviewed its previous work on collaborative mechanisms and management consolidation efforts. GAO also interviewed officials from OMB, grant-making agencies, and associations representing a variety of grantee types.

What GAO Recommends

GAO recommends that the Director of OMB: (1) develop and make publicly available an implementation schedule that includes performance targets, goal leaders who can be held accountable for each goal, and mechanisms to monitor, evaluate, and report on results; (2) clarify the roles and responsibilities for various streamlining initiatives; and (3) develop an effective two-way communication strategy with relevant stakeholders. OMB generally concurred with our recommendations and provided additional and updated information, which was incorporated into the report as appropriate.

View GAO-13-383. For more information, contact Stanley J. Czerwinski at (202) 512-6806 or czerwinskis@gao.gov.

What GAO Found

In the past 14 years, since the passage of the Federal Financial Assistance Management Improvement Act of 1999 (P.L. 106-107), there has been a series of legislative- and executive-sponsored initiatives aimed at reforming aspects of the grants management life cycle. Recently, a new grants reform governance body, the Council on Financial Assistance Reform (COFAR), replaced two former federal boards—the Grants Policy Committee (GPC) and Grants Executive Board (GEB). The Office of Management and Budget (OMB) created COFAR and charged it with identifying emerging issues, challenges, and opportunities in grants management and policy and providing recommendations to OMB on policies and actions to improve grants administration.

In addition to this new governance structure, OMB and other entities involved with federal grants management are overseeing several ongoing reform initiatives intended to address the challenges grantees encounter throughout the grants life cycle. These initiatives include consolidating and revising grants management circulars, simplifying the pre-award phase, promoting shared information technology (IT) solutions such as the development of shared end-to-end grants management systems, and improving the timeliness of grant close out and reducing undisbursed balances. Management and coordination challenges could hinder the progress of some of these initiatives. For example, although promoting shared IT solutions for grants management—an original goal of P.L. 106-107—remains a priority, there has been uncertainty regarding the status of this initiative and future plans for it. The lead agency for this initiative changed several times since 2012, and it has been unclear at times whether promoting shared IT systems for grants management would continue to be a priority, and if so, which agency was in charge. After receiving GAO's draft report for review, OMB issued a "Controller Alert" on April 29, 2013, announcing that the Department of the Treasury would lead efforts to transform federal financial management by, among other things, relying on common standards, shared services, and using state-of-the-art technology.

Although COFAR has recently identified several high-level priority goals for 2013 through 2015, it faces some of the same management challenges identified in previous GAO reports on grants management, such as the lack of a comprehensive plan for implementing reforms, confusion over roles and responsibilities among grants governance bodies, and inconsistent communication and outreach to the grantee community. COFAR has not yet released to the public an implementation plan that includes key elements such as performance targets and goal leaders for each goal, and mechanisms to monitor, evaluate, and report on progress made toward stated goals. Furthermore, agencies involved with current grants management reforms are not always clear on their roles and responsibilities for various streamlining initiatives which may cause such initiatives to languish. Finally, GAO found that members of the grant recipient community continue to voice concern because they do not see a role for themselves as OMB and COFAR develop priorities for reforming federal grants management. In the comments it provided on April 29, 2013, OMB described actions it is taking to address these challenges, such as using a more detailed project plan internally and scheduling outreach events with federal partners and members of the grantee community.

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Abbreviations

ACF	Administration for Children and Families
COFAR	Council on Financial Assistance Reform
FIT	Department of the Treasury's Office of Financial Innovation and Transformation
FDP	Federal Demonstration Partnership
FFATA	Federal Funding Accountability and Transparency Act of 2006
FMLOB	Financial Management Line of Business
GATB	Government Accountability and Transparency Board
GEB	Grants Executive Board
GMLOB	Grants Management Line of Business
GPC	Grants Policy Committee
GSA	General Services Administration
HHS	Health and Human Services
IT	Information Technology
OMB	Office of Management and Budget
NSF	National Science Foundation
PMO	Program Management Office
PMS	Payment Management System
Recovery Board	Recovery Accountability and Transparency Board

May 23, 2013

The Honorable Thomas R. Carper
Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Tom Coburn, M.D.
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Claire McCaskill
Chairman
Subcommittee on Financial and Contracting Oversight
Committee on Homeland Security and Governmental Affairs
United States Senate

Grants play a significant role in implementing and funding federal programs including medical services, nutrition programs, and housing assistance for the sick and economically disadvantaged; financial aid for more than 14 million postsecondary students; and funding and maintenance of our nation's highways, bridges, and mass transit system.[1] Federal outlays for grants to state and local governments steadily increased from $91 billion in fiscal year 1980 (about $221 billion in 2011 constant dollars) to approximately $545 billion in fiscal year 2012.[2] Over time, growth in the numbers of grant programs to state and local governments and their level of funding has contributed to greater diversity and complexity in the federal grants management processes. Multiple reporting systems and data requirements associated with administering these federal grants have increased the burden and cost of grants management for agencies and grantees.

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[1]For more information on the scale and scope of federal grant-making activities, see GAO, *Grants to State and Local Governments: An Overview of Federal Funding Levels and Selected Challenges,* GAO-12-1016 (Washington, D.C.: Sept. 25, 2012).

[2]Constant dollar amounts reflect adjustments for inflation (e.g., the purchasing power of the $91 billion spent in 1980 represents about $221 billion in fiscal year 2011 dollars).

Efforts to streamline federal grants management have been under way for well over a decade. Concerned that aspects of the grants management process lacked coordination among agencies and consistency with application and reporting requirements, Congress passed the Federal Financial Assistance Management Improvement Act of 1999, commonly referred to by the grants community as P.L. 106-107.[3] Since the enactment of P.L. 106-107, the federal government has taken a number of additional steps to reform government-wide grants management to achieve greater efficiency and transparency. While P.L. 106-107 sunsetted in 2007, a number of reform initiatives continue, and new initiatives have been put into place. Our previous work described many of these initiatives and the related challenges—the lack of a comprehensive plan for implementing reforms, confusion over roles and responsibilities among grants governance bodies, and inconsistent communication and outreach to the grantee community—that have undermined the government's ability to simplify grants management processes, reduce unnecessary burden on applicants, grantees, and federal agencies, and improve delivery of services to the public.[4]

You asked us to examine federal grants management reform efforts. To accomplish this, we reviewed (1) what the Office of Management and Budget (OMB) and other federal grants governance bodies have done since the passage of P.L. 106-107 in 1999 to reform grants management processes and reduce unnecessary burdens on applicants, grantees, and

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[3]As defined in the act, "federal financial assistance" includes grants, cooperative agreements, loans, loan guarantees, insurance, interest subsidies, and other forms of assistance. Pub. L. No. 106-107, §4,113 Stat. 1486 (Nov. 20, 1999), citing 31 U.S.C. 7501(a)(5). The current streamlining efforts have focused on grants and cooperative agreements. In our evaluation we have also limited our assessment to grants and cooperative agreements and, for simplicity, refer to them as grants.

[4]See GAO, *Grants Management: Improving the Timeliness of Grant Closeouts by Federal Agencies and Other Grants Management Challenges*, GAO-12-704T (Washington, D.C.: July 25, 2012); *Grants Management: Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies*, GAO-12-360 (Washington, D.C.: Apr. 16, 2012); *Grants.gov: Action Needed to Address Persistent Governance and Funding Challenges,* GAO-11-478 (Washington, D.C.: May 6, 2011); *Grants Management: Grants.gov Has Systemic Weaknesses That Require Attention,* GAO-09-589 (Washington, D.C.: July 15, 2009); *Grants Management: Grantees Concerns with Efforts to Streamline and Simplify Processes,* GAO-06-566 (Washington, D.C.: July 28, 2006); *Grants Management: Additional Actions Needed to Streamline and Simplify Processes*, GAO-05-335 (Washington, D.C.: Apr. 18, 2005); and GAO-12-1016.

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federal agencies; and (2) what actions, if any, have been taken to address what we have found to be persistent management challenges.

To address these objectives, we reviewed P.L. 106-107, relevant OMB circulars and guidance, and action plans created by former and current interagency councils with responsibility for overseeing grants management reforms.[5] We interviewed officials from the Office of Management and Budget (OMB) who are involved with developing and implementing government-wide grants management policy; officials at the three agencies that served as consortia leads for the 2004 to 2012 Grants Management Line of Business (GMLOB) e-government initiative: the National Science Foundation (NSF), Department of Health and Human Services (HHS), and the Department of Education(Education); and officials at the General Services Administration (GSA), the agency that managed the Financial Management Line of Business (FMLOB) e-government initiative in 2012. To capture the perspective of grantor agencies, we spoke to officials from HHS, NSF, and Education in their grant-making and administration capacities. To understand grantee perspectives, we interviewed officials from grantee associations that represent a variety of grantee types including state and local governments, nonprofit organizations, and universities.[6] Finally, we reviewed our previous work on grants management initiatives and the related challenges that have undermined the government's ability to simplify grants management processes, reduce unnecessary burden on applicants, grantees, and federal agencies, and improve delivery of services to the public. We also reviewed our previous work on collaborative mechanisms and management consolidation efforts. For more information on objectives, scope and methodology, see appendix I.

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[5]OMB-12-01, "Creation of the Council on Financial Assistance Reform", OMB A-102, "Grants and Cooperative Agreements With State and Local Governments", and A-110, "Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations", which describe administrative requirements for different types of grantees, and OMB's February 12 Advance Notice of Proposed Guidance, which proposes several ideas for circular reforms (77 Fed. Reg. 11,778).

[6]For this review, we interviewed and collected comments from officials at the following organizations: National Association of State Auditors, Comptrollers, and Treasurers, National Association of State Budget Officers, National Association of Regional Councils , National Association of Counties , National Grants Management Association , National Grants Partnership , Federal Demonstration Partnership , National Council of Nonprofits, National Association of Chief Information Officers , and Federal Funds Information for States .

We conducted this performance audit from July 2012 to May 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
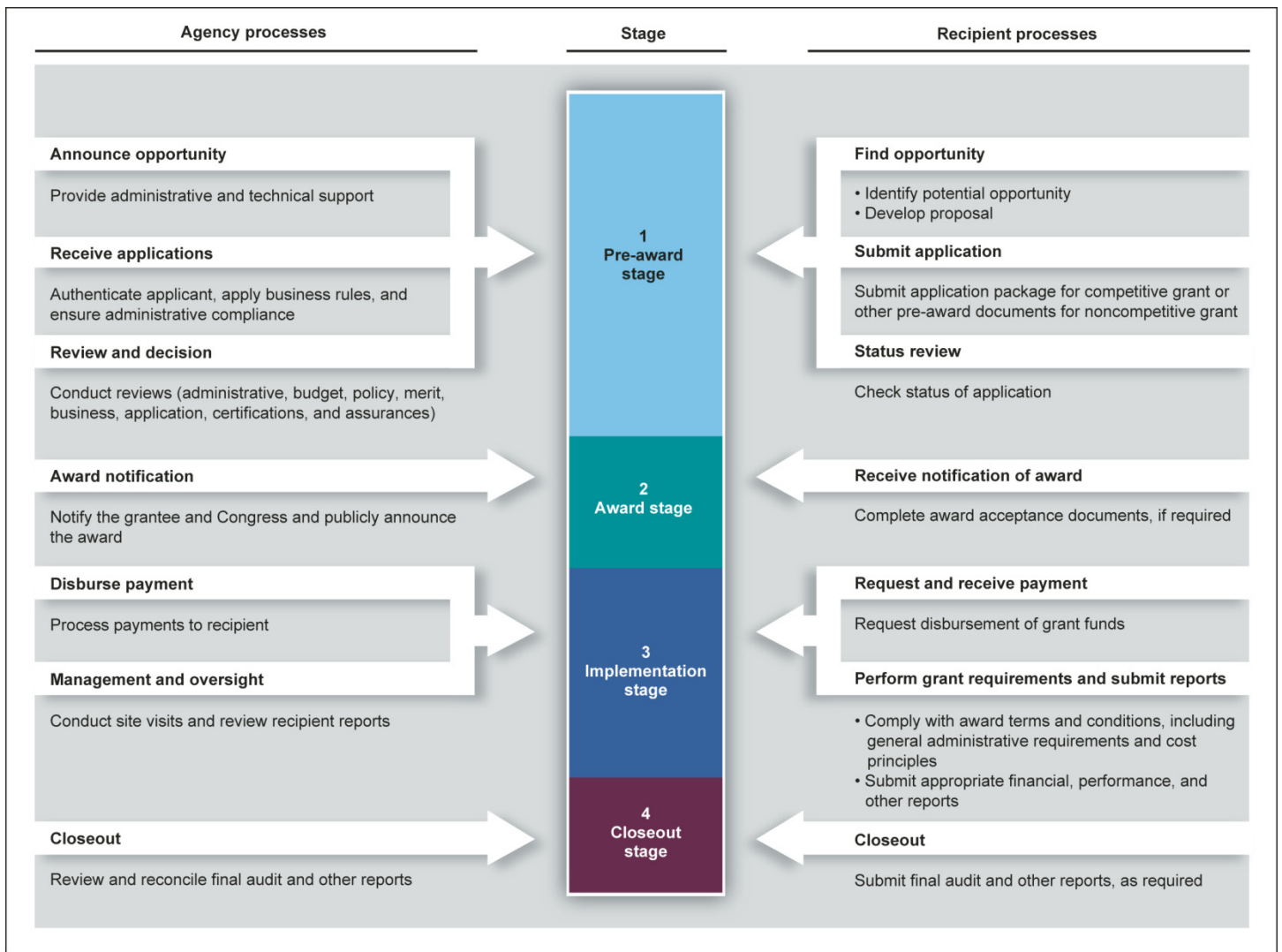
Background

Grant Life Cycle and Reporting Requirements

While there is substantial variation among grant types, competitively awarded federal grants generally follow a life cycle comprising various stages—pre-award (announcement and application), award, implementation, and closeout—as seen in figure 1. Once a grant program is established through legislation, which may specify particular objectives, eligibility, and other requirements, a grant-making agency may impose additional requirements on recipients. For competitive grant programs, the public is notified of the grant opportunity through an announcement, and potential recipients must submit applications for agency review. In the award stage, the agency identifies successful applicants or legislatively defined grant recipients and awards funding. The implementation stage includes payment processing, agency monitoring, and recipient reporting, which may include financial and performance information. The closeout phase includes preparation of final reports, financial reconciliation, and any required accounting for property. Audits may occur multiple times during the life cycle of the grant and after closeout.

Figure 1: Grant Life Cycle for Federal Grant-Making Agencies and Grant Recipients

Agency processes	Stage	Recipient processes
Announce opportunity Provide administrative and technical support **Receive applications** Authenticate applicant, apply business rules, and ensure administrative compliance **Review and decision** Conduct reviews (administrative, budget, policy, merit, business, application, certifications, and assurances)	**1 Pre-award stage**	**Find opportunity** • Identify potential opportunity • Develop proposal **Submit application** Submit application package for competitive grant or other pre-award documents for noncompetitive grant **Status review** Check status of application
Award notification Notify the grantee and Congress and publicly announce the award	**2 Award stage**	**Receive notification of award** Complete award acceptance documents, if required
Disburse payment Process payments to recipient **Management and oversight** Conduct site visits and review recipient reports	**3 Implementation stage**	**Request and receive payment** Request disbursement of grant funds **Perform grant requirements and submit reports** • Comply with award terms and conditions, including general administrative requirements and cost principles • Submit appropriate financial, performance, and other reports
Closeout Review and reconcile final audit and other reports	**4 Closeout stage**	**Closeout** Submit final audit and other reports, as required

Source: GAO.

Federal agencies do not have inherent authority to enter into grant agreements without affirmative legislative authorization. In authorizing grant programs, federal laws identify the types of activities that can be funded and the purposes to be accomplished through the funding. Legislation establishing a grant program frequently will define the program objectives and leave the administering agency to fill in the details by regulation.

Adding to the complexity of grants management, grant programs are typically subject to a wide range of accountability requirements (under their authorizing legislation or appropriation) and implementing regulations, which are intended to ensure that funding is spent for its intended purpose. Congress may also impose increased reporting and oversight requirements on grant-making agencies and recipients. In addition, grant programs are subject to crosscutting requirements applicable to most assistance programs. OMB is responsible for developing government-wide policies to ensure that grants are managed properly and that grant funds are spent in accordance with applicable laws and regulations. For decades, OMB has published guidance in various circulars to aid grant-making agencies with such subjects as audit and record keeping and the allowability of costs.[7]

Federal Grants Management Reforms

In the past 14 years, since the passage of P.L. 106-107, there has been a series of legislative- and executive-sponsored initiatives aimed at simplifying aspects of the grants management life cycle; minimizing the administrative burden for grantees, particularly those that obtain grants from multiple federal agencies; and ensuring accountability by improving the transparency of the federal grants life cycle. See figure 2 for more information.

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[7]In 1971, OMB published standards for establishing consistency and uniformity in the administration of grants and other types of financial assistance to state and local governments and certain Indian tribunals. The first circular was A-102, "Uniform Administrative Requirements for Grants-In-Aid to State and Local Governments." In 1976, OMB published Circular No. A-110, "Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations," 41 Fed. Reg. 32,016 (July 30, 1976). Other key circulars and guidance include OMB Circulars No. A-21, A-87, A-122 establishing principles for determining costs applicable to grants, contracts, and other agreements with educational institutions, state, local, and tribal governments, and nonprofit organizations, and OMB Circular A-133 setting forth standards for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and nonprofit organizations expending federal awards.

Figure 2: Timeline of Selected Grants Management Reforms

Directions:
Mouseover the following reforms on the following timeline for more information.

| 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |

Governance initiatives: Intended to make changes that affect policy and oversight

Process initiatives: Intended to simplify aspects of the grants lifecycle

Transparency initatives: Intended to increase the transparency of information detailing federal awards and expenditures

Source: GAO.

Print instructions To print text version of this graphic, go to appendix II.

Process Initiatives Helped Reform Aspects of the Grants Management Life Cycle, but Management and Coordination Challenges Could Hinder Further Progress

Since the passage of P.L. 106-107, OMB and other entities involved with federal grants management have overseen several ongoing initiatives intended to address the challenges grantees encounter throughout the grants life cycle. These initiatives include consolidating and revising grants management circulars, simplifying the pre-award phase, promoting shared IT solutions for grants management, and improving the timeliness of grant closeout and reducing undisbursed balances. However, management and coordination challenges could hinder the progress of some of these initiatives.

Increasing Efficiency and Effectiveness of Grant Programs by Consolidating and Revising Guidance in Grant Management Circulars

As part of the effort to implement P.L. 106-107, OMB began an effort in 2003 to (1) consolidate its government-wide grants guidance, which was located in seven separate OMB circulars and policy documents, into a single title in the Code of Federal Regulations, and (2) establish a centralized location for grant-making agencies to publish their government-wide grant regulations.[8] The purpose of this effort was to make it easier for grantees to find and use the information in the OMB circulars and agencies' grant regulations by creating a central point for all grantees to locate all government-wide grants requirements. As of March 2013, OMB has completed revisions on guidance related to two areas—suspension and debarment and drug-free workplace.[9] All grant-making agencies have relocated their suspension and debarment regulations to one title of the Code of Federal Regulations and some have relocated the drug-free workplace regulations.

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[8]See *Government-wide Guidance for Grants and Agreements; Federal Agency Regulations for Grants and Agreements*, 69 Fed. Reg. 26,276 (May 11, 2004).

[9]OMB has not completed revisions for any of the OMB grants-related circulars (administrative requirements, guidance related to costs, and audit guidance) or the guidance on lobbying restrictions.

OMB has also been consulting with stakeholders to evaluate potential reforms in federal grant policies contained in the multiple grant circulars.[10] As a first step, in February 2012, OMB published an advanced notice of proposed guidance detailing a series of reform ideas that would standardize information collection across agencies, adopt a risk-based model for single audits (annual audits required of nonfederal entities that expend more than $500,000 in federal awards annually), and provide new administrative approaches for determining and monitoring the allocation of federal funds.[11] After receiving more than 350 public comments on the advanced notice of proposed guidance, OMB published its circular reform proposal in February 2013 and plans to implement the reforms by December 2013.[12] OMB officials believe that once implemented, these reforms have the potential to make grant programs more efficient and effective by eliminating unnecessary and duplicative requirements and strengthening the oversight of grant dollars by focusing on areas such as eligibility, monitoring of subrecipients, and adequate reporting.

Simplifying the Pre-Award Phase by Improving Grants.gov

Launched in 2003, Grants.gov is a website the public can use to search and apply for federal grant opportunities. Officials we spoke to from associations representing state and local governments, universities, and nonprofits praised Grants.gov. Many noted that it simplified the pre-award stage by making it easier for applicants to search for and identify federal grant funding opportunities. Specifically, one organization said the site does an excellent job categorizing grants by topic, making it easier for resource-constrained applicants that may not have a professional grant writer to search for relevant grants.

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[10]OMB's effort is in response to Executive Order 13520, which directed OMB to work with executive branch agencies; state, local, and tribal governments; and other key stakeholders to evaluate potential reforms to federal grants policies. See Exec. Order No. 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, 74 Fed. Reg. 62,201 (Nov. 25, 2009).

[11]"*Reform of Federal Policies Relating to Grants and Cooperative Agreements: Cost Principles and Administrative Requirements (including Single Audit Act),*" Advance Notice of Proposed Guidance, 77 Fed. Reg. 11,778 (Feb. 28, 2012).

[12]"*Reform of Federal Policies Relating to Grants and Cooperative Agreements; Cost Principles and Administrative Requirements (Including Single Audit Act),*" Proposed Guidance, 78 Fed. Reg. 7282 (Feb. 1, 2013).

However, grantee association officials also raised concerns about aspects of the site. For example, although there is an OMB policy directive establishing a standard format for federal funding opportunity announcement requirements, grantee officials said that in practice the lack of a standardized grants announcement can increase their burden because extra time is required to determine eligibility and other requirements.[13] We have also reported that persistent management challenges, such as a lack of performance measures and communication with stakeholders and unclear roles and responsibilities among the governance entities, have adversely affected Grants.gov operations.[14]

Since we first reported on these issues in July 2009, HHS has made some progress to address these challenges and increase the effectiveness and long-term viability of Grants.gov. Specifically, HHS is taking steps to implement several of our prior recommendations. For example, in 2012, the Program Management Office (PMO) adopted a performance monitoring tool that currently monitors 22 technical measures covering availability, usage, and performance. The PMO also hired a communications director whose responsibilities include outreach to stakeholders. The PMO reported that starting in fiscal year 2013, HHS plans to more actively solicit input from grants applicants on ways to enhance the site. While it is too soon to determine the effectiveness of these reforms, tracking site performance and developing an effective two-way communication strategy to engage with stakeholders are practices which, if thoughtfully and deliberately implemented, may address the challenges we identified.

Promoting Post-Award Shared Information Technology Solutions for Grants Management

Promoting shared information technology (IT) solutions for managing grants—an original goal of P.L. 106-107 and the governance bodies charged with implementing the legislation—could provide an additional way to simplify post-award grants management activities by consolidating the administration and management of grants across agencies and potentially reducing the costs of multiple agencies developing and maintaining grants management systems. However, it is unclear whether

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[13] *Office of Management and Budget, Office of Federal Financial Management Policy Directive on Financial Assistance Program Announcements*, Notice of Issuance of Final Policy Directive, 68 Fed. Reg. 37,370 (June 23, 2003).

[14] GAO-09-589 and GAO-11-478.

promoting shared IT systems for grants management is still a priority, and if so, which agency is in charge of this effort.

In 2004, OMB established the GMLOB to develop government-wide solutions intended to support end-to-end grants management activities, including shared grants management systems (which could include modules for intake of applications, peer review, award, payment, and performance monitoring and final closeout of the grant award). In 2005, OMB chose three agencies—the National Science Foundation (NSF), the Administration for Children and Families within the Department of Health and Human Services (HHS), and the Department of Education—to develop grants management systems that they could provide for other agencies. Currently, NSF operates Research.gov, which has one other external agency customer that uses individual modules of the Research.gov system; the Administration for Children and Families operates GrantSolutions.gov, which services 17 government customers, 8 of which are HHS components; and Education operates G5, which has 13 customers all of which are Education components (see appendix III for a list of NSF, HHS, and Education customers).

Since 2012, there has been uncertainty regarding the status of and future plans for the operational elements of what was the GMLOB. OMB folded GMLOB into the Financial Management Line of Business (FMLOB)—an initiative focused on financial systems improvements— in 2012, and initially announced the Treasury Department would be the managing partner.[15] Later, OMB informed us the General Services Administration (GSA) would be the managing partner, but GSA officials informed us they were only the managing partner of the FMLOB from June to September 30, 2012. GSA officials also told us that according to OMB officials, GSA would not be responsible for working with NSF, HHS, or Education, or promoting shared service agreements for grants management systems. As of March 2013, OMB had not publicly announced who the managing partner of FMLOB would be for fiscal year 2013. After receiving a draft copy of this report for its review and comment, OMB issued a "Controller Alert" on April 29, 2013, announcing that, for fiscal year 2013, the Department of the Treasury's Office of Financial Innovation and Transformation (FIT) will serve as Managing Partner and the Program

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[15]U.S. Office of Management and Budget, *Report to Congress on the Benefits of the President's E-government Initiatives, Fiscal Year 2012* (Washington, D.C.: Mar. 19, 2012).

Management Office for the FMLOB. OMB also highlighted the Controller Alert in its comment letter to us, also dated April 29, 2013 (see appendix IV for OMB's letter).

In May 2012, OMB issued guidance directing agencies to find ways to spend federal dollars on IT more efficiently to compensate for a 10 percent reduction in overall IT spending.[16] The guidance also directed agencies to propose how they would reinvest the savings from proposed cuts to produce a favorable return on investments. One of the strategies OMB had previously highlighted to reduce duplication, improve collaboration, and eliminate waste across agency boundaries was the Federal IT Shared Services Strategy, also referred to as "Shared First," an effort to share common IT services across agencies. The guidance did not specifically mention grants management systems, and it is unclear whether OMB intends to encourage other agencies to partner with NSF, HHS, and Education to continue sharing services. In its April 29, 2013, Controller Alert, OMB stated that in accordance with OMB's guidance on shared services, the Treasury's FIT will "lead efforts to transform federal financial management, reduce costs, increase transparency, and improve delivery of agencies' missions by operating at scale, relying on common standards, shared services, and using state-of-the-art technology."[17] However, OMB's Controller Alert did not address whether the roles of NSF, HHS, and Education would change as a result of FIT's leadership in this area.

Improving the Timeliness of Grant Closeout and Reducing Undisbursed Balances at the End of the Grant Life Cycle

As part of its efforts to improve grants management government-wide, OMB has instructed agencies to improve the timeliness of their grant closeout procedures. Once the grant's period of availability to the grantee has expired, the grant can be closed out and the funds deobligated by the awarding agency. Timely closeout helps to ensure that grantees have met all financial and reporting requirements. It also allows federal agencies to identify and redirect unused funds to other projects and priorities as authorized or to return unspent balances to the Department of the Treasury. In August 2008, we reported that during calendar year 2006

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[16]M-12-13, *OMB Fiscal Year 2014 Budget Guidance*, (Washington, D.C.: May 18, 2012).

[17] The Federal Information Technology Shared Services Strategy is available at: http://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/shared_services_strategy.pdf.

about $1 billion in undisbursed funding remained in expired grant accounts in the largest civilian payment system for grants, the Payment Management System.[18] In a follow-up report issued in April 2012, we found that at the end of fiscal year 2011 there was more than $794 million in funding remaining in expired grant accounts.[19] To improve the timeliness of grant closeout, we recommended that OMB instruct all executive departments and independent agencies to annually track the amount of undisbursed grant funding remaining in expired grant accounts and report on the status and resolution of the undisbursed funding in their annual performance plan and annual performance and accountability report. In response to our recommendations, on July 24, 2012, the Controller of OMB issued a "Controller Alert" to all federal chief financial officers instructing agencies to take appropriate action to close out grants in a timely manner. The alert provided strategies agencies should consider to achieve this goal, including establishing annual or semiannual performance targets for timely grant closeout, monitoring closeout activity, and tracking progress in reducing closeout backlog.

OMB and the Council on Financial Assistance Reform Face Persistent Challenges in Reforming Federal Grants Management

OMB has taken actions to address persistent management challenges identified in several of our reports issued from 2005 through 2011. For example, in October 2011, OMB replaced the Grants Executive Board (GEB) and Grants Policy Committee (GPC) with the Council on Financial Assistance Reform (COFAR), an interagency council, and charged it with providing policy-level leadership for the grants community and implementing reforms to improve effectiveness and efficiency in federal grants. Although COFAR has recently identified several high-level priorities for 2013 to 2015, the council faces some of the same challenges we previously identified, such as the lack of a comprehensive plan for implementing reforms, confusion over roles and responsibilities among grants governance bodies, and inconsistent communication and outreach to the grantee community. Moreover, based on recent reviews of collaborative mechanisms and management consolidation efforts, we found that interagency councils benefit when participants identify goals, devise a plan for reaching and achieving those goals, clearly articulate

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[18]GAO, *Grants Management: Attention Needed to Address Undisbursed Balances in Expired Grant Accounts*, GAO-08-432 (Washington, D.C.: Aug. 29, 2008).

[19]GAO-12-360.

roles and responsibilities, and develop an effective two-way communication strategy with relevant stakeholders.[20],[21]

COFAR Announced Grants Management Reform Goals, but Key Implementation Elements Remain Undefined

In a September 2012 report, we identified certain key features for effective interagency collaborative efforts, including the importance of identifying goals for short-and long-term outcomes. Identifying goals can help decision makers reach a shared understanding of what problems genuinely need to be fixed, how to balance differing objectives, and what steps need to be taken to create not just short-term advantages but long-term gains.[22]

In February 2013, COFAR posted five priority goals for fiscal years 2013 to 2015 to the U.S. Chief Financial Officers Council website:[23]

1. Implement revised guidance to target risk and reduce administrative burden.

2. Standardize federal agencies' business processes to streamline data collections.

3. Provide public validated financial data that aligns spending information with core financial accounting data in coordination with the work of the GATB.

4. Ensure that federal agencies' grants professionals are highly qualified.

5. Reduce the number of unclean audit opinions for grant recipients.

For each priority, COFAR identified proposed deliverables and milestone dates for those deliverables. As of May 2013, COFAR had not released to the public an implementation plan that includes other key elements such

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[20]GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, GAO-12-1022 (Washington, D.C.: Sept. 27, 2012).

[21]GAO, *Streamlining Government: Questions to Consider When Evaluating Proposals to Consolidate Physical Infrastructure and Management Functions*, GAO-12-542 (Washington, D.C.: May 23, 2012).

[22]GAO-12-542.

[23]See https://cfo.gov/cofar/. Also, on February 8, 2013, COFAR and members of the grant community held a webcast to discuss in a roundtable format the proposed reforms and COFAR priorities.

as performance targets, mechanisms to monitor, evaluate, and report on progress made towards stated goals, and goal leaders who can be held accountable for those goals. Establishing implementation goals and tracking progress toward those goals helps to pinpoint performance shortfalls and suggest midcourse corrections, including any needed adjustments to future goals and milestones. Reporting on these activities can help key decision makers within the agencies, as well as stakeholders, obtain feedback for improving both policy and operational effectiveness.

In response to the draft report we provided for them to review, OMB officials stated in their comment letter dated April 29, 2013, that they used a more detailed internal project plan to monitor timelines and roles and responsibilities. They acknowledged that more needs to be done by pointing out that as the work of COFAR matured, the council would be better able to articulate metrics that allowed for a more thorough evaluation of whether the policy changes were having their intended impacts. They added that the publically-stated deliverables were intended to leave room for further evolution of the right approach for implementation. While we have not been able to assess or validate OMB's newly provided information on COFAR's approach, we believe a more detailed, publically-available implementation plan that will allow Congress and the public to better monitor the progress of the reforms is needed.

Lack of Clearly Articulated Roles and Responsibilities Continues to Be a Challenge

We previously reported that when interagency councils clarify who will do what, identify how to organize their joint and individual efforts, and articulate steps for decision making, they enhance their ability to work together and achieve results.[24] In interviews with federal grant management officials we were told that OMB and the council do not always clearly articulate the roles and responsibilities for various streamlining initiatives, plans for future efforts, and means for engaging small grant-making agency stakeholders and utilizing agency resources.

Agency officials involved with current grants management reforms told us that the roles and responsibilities for various streamlining initiatives are not always clear. For example, OMB designated Treasury as the

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[24]GAO-12-1022.

managing partner of the FMLOB initiative, then designated GSA as the managing partner, but only for four months. As of March 2013, OMB had not issued a subsequent announcement as to which agency would take over the grants management related functions of FMLOB after GSA. In the meantime, the former GMLOB consortia leads are unsure whether promoting shared grants management systems is still a priority. As previously mentioned, OMB's Controller Alert of April 29, 2013, announced that Treasury's FIT office will serve as Managing Partner and the Program Management Office for the FMLOB for fiscal year 2013. However, the Controller Alert did not address whether the roles of NSF, HHS, and Education would change as a result of FIT's leadership in this area.

In addition to OMB, eight agencies are permanent members of COFAR. COFAR also has a rotating member, currently NSF, which serves a two-year term.[25] Agency officials involved with COFAR told us that the council is still determining the role of the rotating agency and how COFAR will reach out to smaller grant-making agencies not on the council. According to OMB officials, they are still working out how to provide other agencies with a communication channel and the opportunity to review and comment on proposed changes. In its April 29, 2013, comment letter, OMB acknowledged that the expectation was that the rotating member would be able to represent the views of smaller agencies and that there may be federal officials or agencies that wish to be more involved or not fully aware of the all the COFAR's work. OMB officials also stated that COFAR staff will help the rotating agency gather input and feedback from the broader collection of smaller agencies. OMB officials said incorporating the views of all federal grant-making agencies was essential to the work of the COFAR and that their strategy would continue to evolve over time, as it will for engaging with nonfederal stakeholders.

Agency officials also told us that they are still trying to determine how to bring together financial, policy, and IT staff, and incorporate their areas of expertise into discussions on proposed policy and program changes. One agency official noted this had been a challenge with the previous grants management structure. She said that the GPC focused on policy and the

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[25]The eight agencies that provide the largest amounts of financial grants assistance and are permanent COFAR members are the Departments of Agriculture, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, Labor, and Transportation.

GEB focused on systems and technology solutions and, even though there was some level of overlap among the people staffing the two boards, a stronger connection was needed to ensure that streamlining efforts included technology and policy expertise. In their comment letter, OMB officials stated they made repeated efforts to solicit the views of all federal agencies through town hall meetings, formal circulation of draft policies for comment prior to publication, and conference calls to share information on key issues.

Grantee Stakeholders Continue to Report Limited Opportunities to Provide Feedback on Grants Management Reforms

We have noted that communication is not just "pushing the message out," but should facilitate a two-way, honest exchange and allow for feedback from relevant stakeholders.[26] We previously reported that grantees felt that the lack of opportunities to provide timely feedback resulted in poor implementation and prioritization of streamlining initiatives and limited grantees' use and understanding of new functionality of electronic systems.[27] For example, grantees experienced problems stemming from policies and technologies that were inconsistent with their business practices and caused inefficiencies in their administration of grants.

Members of the grantee community told us they continue to have concerns because they do not see a role for themselves as OMB and COFAR develop priorities for reforming federal grants management. For example, officials from the eight associations representing state and local governments, universities, and nonprofit recipients told us that outreach to grantees on proposed reforms continues to be inconsistent or could be improved. Ten organizations representing state and local officials, including some of the same organizations we interviewed, submitted a letter to OMB after the creation of COFAR was announced, expressing their disappointment that there would be no state or local representation on the council.[28] In the letter, the state and local officials stated that formal

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[26]GAO-12-542

[27]GAO-06-566.

[28]Signatories to the letter include officials from the National Governors Association, National Conference of State Legislatures, Council of State Governments, National Association of Counties, National League of Cities, U.S. Conference of Mayors, International City/County Management Association, National Association of State Auditors, Comptrollers, and Treasurers, National Association of State Chief Information Officers, and National Association of State Budget Officers.

engagement of all stakeholder parties is necessary for success and that their exclusion from the council undermined the important work of the council before it even commenced.

OMB officials stated they are seeking different forums to engage with members of the grantee community. Several association officials said they appreciated that OMB reached out to them for comment before proposing changes to OMB circulars. OMB and COFAR also hosted a webinar in February 2013 to coincide with the circular reform proposal, and invited representatives from grantee associations to discuss their concerns and ask questions. In addition, following their review of the draft report, OMB officials provided us with a list of invitations for speaking engagements they have accepted since February 2013 as a snapshot of the types of engagements they participate in to communicate with interested stakeholder groups.

While improved outreach to the broader grantee community is an ongoing challenge, certain groups of grantees have established communication channels with the federal government. These approaches could be a useful model for COFAR to build upon with different grantee communities. For example, we have previously reported that the research community established avenues of communication with relevant federal agencies through the Federal Demonstration Partnership (FDP), a cooperative initiative of 10 agencies and over 90 research institutions.[29] Agency officials and members of the research community continue to describe this partnership as an effective model for promoting two-way communication. Officials from the HHS Grants.gov PMO told us they solicit information and feedback related to the functionality of Grants.gov through quarterly meetings and open forum-type sessions with FDP members. According to these officials, consistent communication with the FDP has enabled them to survey the community and determine appropriate improvements to the system to avoid undertaking inefficient or counterproductive revisions to the Grants.gov system. Likewise, a FDP official told us face-to-face meetings with grantor agency officials allow them to provide input on proposed changes to grants management policies and practices.

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[29] GA0-06-566.

In a second example, several state and local grantee association officials referred to the communication channels that were set up while implementing the Recovery Act as an example of effective two-way communication they would like to see replicated. In the same letter submitted to OMB after the creation of COFAR was announced, 10 organizations representing state and local officials referenced the constant and consistent communication OMB and the Recovery Board engaged in with members of the grantee community as a requirement for success. We have also previously reported that OMB and Recovery Board officials held weekly conference calls with state and local representatives to hear comments, concerns, and suggestions from them and share decisions.[30] As a result of these calls, federal officials changed their plans and related guidance. This type of interaction was essential in clarifying federal intent, addressing questions, and establishing working relationships for the implementation efforts. However, several officials said these outreach efforts have dwindled, and they again feel OMB is not involving them in COFAR priority-setting discussions. Although the circumstances surrounding the Recovery Act were unusual in that there was a high level of funding available that had to be spent quickly, there are opportunities for COFAR to learn what communication strategies worked for agency officials and grantees, and apply those strategies.

Another possible mechanism for improving communication with states and localities might be to use the Partnership Fund for Program Integrity Innovation (Partnership Fund) as a venue for federal policymakers to communicate and engage with the grantee community on proposed grants management reforms. Established by the 2010 Consolidated Appropriations Act, and administered by OMB, the Partnership Fund allows federal, state, local, and tribal agencies to pilot innovative ideas for improving assistance programs in a controlled environment. We previously reported that as part of implementing the Partnership Fund, OMB established a Federal Steering Committee, consisting of senior policy officials from federal agencies that administer benefits programs and formed the "Collaborative Forum."[31] The Collaborative Forum is made up of state representatives and stakeholder experts, including federal agencies, nongovernmental organizations, and others, who collaborate to

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[30]GAO-12-913T.

[31]GAO, *Streamlining Government: Key Practices from Shared Efficiency Initiatives Should Be Shared Governmentwide*, GAO-11-908 (Washington, D.C.: Sept. 30, 2011).

generate, develop, and consult on potential pilot projects. The forum's website, http://collaborativeforumonline.com, is used to hold discussions about potential projects and to share lessons and best practices among members.

Conclusions

In a time of fiscal constraint, continuing to support the current scope and breadth of federal grants to state and local governments will be a challenge. Given this fiscal reality, it becomes more important to design and implement grants management policies that strike an appropriate balance between ensuring accountability for the proper use of federal funds without increasing the complexity and cost of grants administration for agencies and grantees. Duplicative, unnecessarily burdensome, and conflicting grants management requirements result in resources being directed to nonprogrammatic activities, which could prevent the cost-effective delivery of services at the local level. Streamlining and simplifying grants management processes is critical to ensuring that federal funds are reaching the programs and services Congress intended.

In October 2011, OMB created COFAR and tasked it with overseeing the development of federal grants management policy. Although COFAR recently identified some priorities, it has not yet released to the public an implementation plan that includes performance targets, mechanisms to monitor, evaluate, and report on progress made towards stated goals, and goal leaders who can be held accountable for those goals. Although OMB officials provided us with some additional and updated information in their comment letter that we were unable to assess or validate, they agreed with our recommendations that OMB and COFAR need to develop an implementation schedule and mechanisms to monitor, evaluate and report on results, clarify roles and responsibilities for the various streamlining initiatives and engagement with federal stakeholders, and develop an effective two-way communication strategy that includes the grant recipient community. OMB officials acknowledged that more needs to be done to clarify roles and responsibilities and plans for moving forward with various streamlining initiatives. Moreover, stakeholders continue to express frustration about limited opportunities to provide feedback on proposed reforms. If grantees remain isolated from COFAR's development of new grants management systems and policies, those systems and policies could be ineffective or require more resources to use.

Recommendations for Executive Action

We recommend the Director of OMB, in collaboration with the members of COFAR, take the following three actions:

1. Develop and make publicly available an implementation schedule that includes performance targets, goal leaders who can be held accountable for each goal, and mechanisms to monitor, evaluate, and report on results.

2. Clarify the roles and responsibilities for various streamlining initiatives and steps for decision making, in particular how COFAR will engage with relevant grant-making agency stakeholders and utilize agency resources.

3. Improve efforts to develop an effective two-way communication strategy that includes the grant recipient community, smaller grant-making agencies that are not members of COFAR, and other entities involved with grants management policy.

Agency Comments and Our Evaluation

We provided a draft of this report to OMB, Education, GSA, HHS, and NSF for comment. NSF and HHS provided technical comments, which we incorporated as appropriate. In its written comments, OMB generally concurred with our findings and recommendations but also said there had been significant progress on the grants management streamlining process in recent months, including
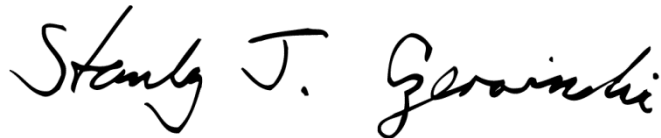
- using a more detailed project plan internally to monitor progress made towards the priorities established for COFAR;

- making efforts to solicit the views of all federal agencies including town hall meetings, formal circulation of draft policies for comment prior to publication, and conference calls to share information on key issues; and

- using meetings, webinars, and teleconferences to inform a diverse cross section of stakeholder groups about the work that the COFAR is doing, and to get their feedback on upcoming policy changes.

Because OMB only provided us with additional and updated information at the end of its comment period, we could neither verify nor validate it. However, we have incorporated OMB's comments into the body of the report, as appropriate, in order to make our review as up-to-date as possible.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date.   At that time, we will send copies to the Secretaries of Education, and Health and Human Services; Administrator of GSA; Director of the National Science Foundation; the Director of the Office of Management and Budget and to appropriate congressional committees. The report also is available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff members have any questions or wish to discuss the material in this report further, please contact me at (202) 512-6806 or czerwinskis@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in Appendix V.

Stanley J. Czerwinski
Director, Strategic Issues

Appendix I: Scope and Methodology

We were asked to examine federal grants management reform efforts. To accomplish this, we reviewed (1) what the Office of Management and Budget (OMB) and other federal grants governance bodies have done since the passage of P.L. 106-107 in 1999 to reform grants management processes and reduce unnecessary burdens on applicants, grantees, and federal agencies; and (2) what actions, if any, have been taken to address what we have found to be persistent management challenges, such as the lack of a comprehensive plan for implementing reforms, confusion over roles and responsibilities among grants governance bodies, and inconsistent two-way communication with stakeholders.

To address both objectives, we reviewed P.L. 106-107; and OMB circulars and guidance such as OMB-12-01, "Creation of the Council on Financial Assistance Reform," OMB A-102, "Grants and Cooperative Agreements With State and Local Governments," and A-110, "Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations," which describe administrative requirements for different types of grantees, and OMB's February 2012 advanced notice of proposed guidance, which proposes several ideas for circular reforms.[1] We also reviewed action plans created by former and current interagency councils with responsibility for overseeing grants management reforms, as well as our previous work and other literature on grants management initiatives and the related challenges that have undermined the government's ability to simplify grants management processes, reduce unnecessary burden on applicants, grantees, and federal agencies, and improve delivery of services to the public. We also reviewed our previous work on collaborative mechanisms and management consolidation efforts.

We interviewed officials from OMB who are involved with developing and implementing government-wide grants management policy; officials at the three agencies that served as consortia leads for the 2004 to 2012 Grants Management Line of Business (GMLOB) e-government initiative: the National Science Foundation (NSF), Health and Human Services (HHS), and the Department of Education; and officials at the agency that managed the Financial Management Line of Business (FMLOB) e-

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[1]"Reform of Federal Policies Relating to Grants and Cooperative Agreements: Cost Principles and Administrative Requirements (including Single Audit Act)," Advance Notice of Proposed Guidance, 77 Fed. Reg. 11,778 (Feb. 28, 2012).

government initiative in 2012: the General Services Administration (GSA). To capture the perspective of grantor agencies, we spoke to officials from HHS, NSF, and the Department of Education in their grant-making and administration capacities. To understand grantee perspectives, we interviewed officials from grantee associations that represent a variety of grantee types including state and local governments, nonprofit organizations, and universities.

To select the grantee associations that we interviewed, we relied on three data sources:

4. Our previous work on grant streamlining which included 31 grantee associations separated into four categories: state government, local and regional government, nonprofits, and tribal;

5. A list of grant associations included on the Grants.gov website; and

6. Additional grantee associations that have been active in grants-related topics in the past.

We selected 16 grantee associations to contact. These associations represented a variety of grantee types from state and local government, nonprofit organizations, as well as associations representing grantees on crosscutting grants related issues. In addition, the associations could offer a historical perspective on federal efforts to streamline grants management. Of the 16 associations we contacted, 8 associations said they were knowledgeable about grants management reforms and could answer our questions. We interviewed officials at these 8 associations:

*   National Association of State Auditors, Comptrollers, and Treasurers
*   National Association of State Budget Officers
*   National Association of Regional Councils
*   National Association of Counties
*   National Grants Management Association
*   National Grants Partnership
*   Federal Demonstration Partnership
*   National Association of Chief Information Officers

Two additional associations, Federal Funds Information for States and National Council of Nonprofits, sent us comments on grants management reforms in writing.

We conducted this performance audit from July 2012 to May 2013 in accordance with generally accepted government auditing standards.

Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Table of Selected Grants Management Reforms

Name of Initiative	Start date	Type	Content
The Federal Financial Assistance Management Improvement Act of 1999 (Public Law 106-107),	1999	Governance	To address grants management issues, the act required the Office of Management and Budget (OMB) to direct, coordinate, and assist federal agencies in establishing common grants management systems, and simplifying their application, administrative, and reporting procedures with the goal of improved efficiency and delivery of services to the public. The law sunsetted in 2007.
Grants Policy Committee (GPC)	1999	Governance	The Chief Financial Officers (CFO) Council established the GPC to implement P.L. 106-107. Composed of grants policy experts from across the federal government, the GPC oversaw the efforts of cross-agency work groups focusing on different aspects of grants management, recommended policies and practices to OMB, and coordinated related interagency activities. OMB replaced the GPC in 2011 with the Council on Financial Assistance Reform (COFAR).
Grants Executive Board (GEB)	2002	Governance	This board consisted of senior officials from federal grant-making agencies and provided strategic direction and oversight of Grants.gov, a grant identification and application portal. OMB coordinated grants management policy through the board and the GPC until October 2011, when OMB announced that COFAR would replace both of these federal grant bodies.
Grants.gov	2003	Process	In response to P.L. 106-107, OMB created Grants.gov, a central grant identification and application website for federal grant programs. The Grants.gov oversight and management structure includes HHS, the managing partner agency, the Grants.gov Program Management Office, which is housed within HHS and responsible for day-to-day management, and formerly the GEB which provided leadership and resources. The GPC was also involved because of its role in streamlining pre-award policies and implementing P.L. 106-107.
Grants Management Line of Business (GMLOB)	2004	Process	Established to support the development of a government-wide solution to support end to-end grants management activities that promote citizen access, customer service, and agency financial and technical stewardship. In 2005, OMB selected the Department of Health and Human Services (HHS) and the National Science Foundation (NSF) to jointly lead the effort. Later, NSF took over the leadership role. In fiscal year 2012, it became part of the Financial Management Line of Business.
Federal Funding Accountability and Transparency Act of 2006 (FFATA)	2006	Transparency	This act required OMB to establish a free, publicly accessible website containing data on federal awards and subawards. OMB began providing data on federal awards on USAspending.gov in December 2007 and phased in reporting on subawards in 2010.
American Recovery and Reinvestment Act of 2009 (Recovery Act)	2009	Transparency	Congress and the administration built provisions (such as quarterly use and outcome reporting) into the Recovery Act to increase transparency and accountability over spending. The Recovery Act called for a website (Recovery.gov) for the public to access reported data. A second website (FederalReporting.gov) was established so grant recipients could report their data. The Recovery Act also established the Recovery Accountability and Transparency Board to coordinate and conduct oversight of funds distributed under the act in order to prevent fraud, waste, and abuse.

Name of Initiative	Start date	Type	Content
Government Accountability and Transparency Board (GATB)	2011	Transparency	This board, established by an executive order, provides strategic direction for enhancing the transparency of federal spending and advance efforts to detect and remediate fraud, waste, and abuse in federal programs. It is charged to work closely with the existing Recovery Board to extend its successes and lessons learned to all federal spending.
Council on Financial Assistance Reform (COFAR)	2011	Governance	This council replaced the GPC and GEB in October 2011. OMB charged COFAR with identifying emerging issues, challenges, and opportunities in grants management and policy and providing recommendations to OMB on policies and actions to improve grants administration. COFAR is also expected to serve as a clearinghouse of information on innovations and best practices in grants management. COFAR is made up of the OMB Controller and the Chief Financial Officers from the largest eight grant-making agencies and one of the smaller federal grant-making agencies. The latter serves a rotating 2-year term.
Grants Circular Reforms	2012	Process	In February 2012, OMB published an advanced notice of proposed guidance detailing a series of reform ideas that would standardize information collection across agencies, adopt a risk-based model for single audits, and provide new administrative approaches for determining and monitoring the allocation of federal funds. After receiving more than 350 public comments on its advanced notice of proposed guidance, OMB published its circular reform proposal in February 2013, and plans to implement the reforms by December 2013.
Grant Closeout Controller Alert	2012	Process	To improve the timeliness of grant close out and reduce undisbursed balances, the Controller of OMB issued a "Controller Alert" to all federal chief financial officers instructing agencies to take appropriate action to closeout grants in a timely manner. It provided a number of strategies such as establishing annual performance targets for timely grant close out.

Source: GAO.

Legend:

Governance initiatives: Intended to make changes that affect policy and oversight

Process initiatives: Intended to simplify aspects of the grants life cycle.

Transparency initiatives: Intended to increase the transparency of information detailing federal awards and expenditures

G5—Department of Education:

- *Department of Education*

  - Federal Student Aid
  - Institute of Education Sciences
  - Office of Chief Financial Officer
  - Office of the Deputy Secretary
  - Office of Elementary and Secondary Education
  - Office of Innovation and Improvement
  - Office of Legislation and Congressional Affairs
  - Office of Postsecondary Education
  - Office of Special Education and Rehabilitative Services
  - Office of Special Education Programs
  - Office of Vocational and Adult Education
  - Office of English Language Acquisition, Language Enhancement and Academic Achievement for Limited English Proficient Students
  - Office of Planning, Evaluation and Policy Development
  - Risk Management Services

Grantsolutions.com—Department of Health and Human Services

- *Department of Health and Human Services*

  - Administration for Children and Families
  - Administration for Community Living
  - Center for Medicare & Medicaid Services & Office of Consumer Information & Insurance Oversight
  - Health Resources & Services Administration
  - Indian Health Services
  - Assistant Secretary for Preparedness & Response
  - Office of Assistant Secretary for Health
  - Office of the National Coordinator

- *Department of State*

  - Over 20 bureaus and programs

- *Department of Transportation*

  - Federal Railways Administration
  - Federal Motor Carriers Administration
  - Pipelines and Hazardous Materials Safety Administration

- **United States Agency for International Development**

- **Department of Treasury**

  - Internal Revenue Service

- **Department of Homeland Security – U.S. Citizenship &
  Immigration Service**

- **Social Security Administration**

- **Denali Commission**

Research.gov—National Science Foundation

- National Science Foundation

- National Aeronautics and Space Administration

Appendix IV: Comments from the Office of Management and Budget

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE CONTROLLER

April 29, 2013

Mr. Stanley Czerwinski
Director, Strategic Issues
U.S. Government Accountability Office
440 G Street, NW
Washington, DC 20548

Dear Mr. Czerwinski,

Thank you for the opportunity to comment on the draft report entitled "Grants Management: Improved Planning, Coordination, and Communication Needed to Strengthen Reform Efforts" (GAO 13-383). The Office of Management and Budget (OMB) agrees with the objectives reflected in GAO's recommendations to develop an implementation schedule and mechanisms to monitor, evaluate and report on results, clarify roles and responsibilities for various streamlining initiatives and engagement with Federal stakeholders, and develop an effective two-way communications strategy that includes the grant recipient community. There has been significant progress on the grants streamlining process in recent months, and OMB would like to ensure that GAO has complete information, provided below, about all of the activities supporting this initiative.

(1) Two-way stakeholder engagement is essential to the work of the COFAR.

OMB strongly agrees with the emphasis placed by GAO on the importance of two-way stakeholder engagement. The COFAR has a two-pronged strategy for gathering and incorporating stakeholder feedback into its efforts.

1. Establish mechanisms for stakeholders to provide feedback that are equally available to all.
OMB has made use of several venues for dialogue with stakeholders that allow any interested entity – large or small – to participate. These include the following:

1. Inviting public comment on the COFAR's policy deliverables. For the COFAR's first deliverable there were two Notices published in the Federal Register: an Advance Notice of Proposed Guidance (ANPG)[1] in February 2012 and a Notice of Proposed Guidance (the proposal – published online and with notice in the Federal Register)[2] in February 2013. In response to the ANPG, OMB received over 350 public comments. The ensuing proposal would, if adopted, represent an overhaul of all government-wide guidance on grants and is intended to reduce burden and risk of waste, fraud and abuse.
2. Maintaining a public website. The COFAR website is available at cfo.gov/COFAR and provides information regarding the COFAR priorities, deliverables with expected due dates and responsible

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[1] ANPG and public comments received are available at http://www.regulations.gov/#!docketDetail;dct=FR%252BPR%252BN%252BO%252BSR%252BPS;rpp=25;po=0;D=OMB-2012-0002
[2] The proposal and public comments received are available at: http://www.regulations.gov/#!docketDetail;D=OMB-2013-0001

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entities for accomplishment, and indicators of success. This website lists an email address (COFAR [AT] omb.eop.gov) where any stakeholder may contact the COFAR.

3. <u>Live and recorded webcasts</u>. OMB with the COFAR is conducting webcasts (the first was held on February 8, 2013)[3] where representatives of large stakeholder organizations are able to engage in a dialogue and an unlimited number of stakeholders can view the events live and as a recording. (More than 2,600 viewers have watched the recording of the first webcast.)

2. Engage in in-depth dialogues with interested stakeholder groups pro-actively and upon request.

OMB leverages opportunities to address key stakeholder groups at meetings, conferences, and on conference calls (as the draft report suggests) and webcasts. The attached list provides a sample list of 25 of these opportunities since the publication of the proposal alone. Although budget constraints prevent us from traveling to attend all of these events, we often find alternative ways to participate remotely when needed. These engagements include conversations with FDP (as suggested in GAO's draft report), along with many others groups representing Federal agencies; universities; state, local, and tribal governments; nonprofits; and private industry, including the audit community. In addition, OMB and the COFAR have worked to cultivate relationships and opportunities for dialogue with groups of stakeholders who may not have been aware of the COFAR's work otherwise, such as the Council of Nonprofits and the United South and Indian Tribes. As a snapshot of the types of engagements in which OMB participates, please see the attached list of invitations for speaking engagements OMB has accepted since February 2013.

This two-pronged approach is an attempt to address what OMB sees as a fundamental challenge in stakeholder engagement in an area as broad and sweeping as grant management policy: there are so many diverse stakeholders that any policy creating a particular committee or select consultative group of stakeholders would by definition leave others out.

Despite all of this outreach, OMB recognizes that there may always be a stakeholder or group of stakeholders who wish to be more involved or who are not fully aware of all the work of the COFAR or of the nuances of how work is progressing. OMB's objective in conducting outreach is to ensure that stakeholders who are interested in contacting OMB or the COFAR are able to do so, and that policies that are issued demonstrate to stakeholders that their feedback has been heard.

While this strategy will continue to evolve over time, OMB has received some feedback that indicates its efforts are proving successful. OMB has received several email inquiries per week at the COFAR email address, and as of April 2013 has responded to all of them. More than 350 entities provided feedback in response to the ANPG. More than 2,600 viewers have watched the webcast on grant reform (a combination of both live and recorded viewings). In the webcast, several of the participating stakeholders noted that though they may not have agreed with all policies in the proposal, they could see that their feedback had been incorporated. OMB will carefully evaluate the feedback it receives in response to the proposal that is currently out for comment, not just for the policy recommendations included but also to evaluate how well the COFAR's proposal reflected the feedback previously received. OMB looks forward to continuing to work with GAO to ensure that we and the COFAR are doing the most we can to incorporate stakeholder feedback throughout our policy development process.

(2) Incorporating the views of all Federal grant-making agencies is essential to the work of the COFAR.

The COFAR recognizes that in order for a select group of nine agencies to successfully represent the entire Federal grant-making community, there must be a pro-active effort to solicit the views of all

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[3] The Webcast may be viewed at: http://youtu.be/dlZfb9ALBck .

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Federal agencies. As a result, in addition to the avenues for feedback described above, the COFAR has
made use of three further venues for Federal agencies to engage:

1. Town Hall meetings with points of contact from each of the Federal grant-making agencies. The
COFAR has held three of these meetings since its inception in October 2011, the first two of which were
held on August 28, 2012, and December 12, 2012. Summaries of these meetings are available on the
COFAR website at cfo.gov/COFAR. A third town hall was held on April 23, 2013, and a written
summary of the meeting will be posted when available. The COFAR has not set a predetermined
frequency for these meetings in order to allow them to be held whenever there are substantive policy
issues requiring input and interagency discussion.

2. Formal OMB circulation for comment of draft policies prior to publication. Prior to the release of both
the ANPG and the proposal for reforming governmentwide guidance, OMB circulated these documents
for formal interagency review and comment. Including the interagency comments OMB collected
internally during the public comment period, there have been a total of four opportunities to date for
agencies to comment on the draft policy, and OMB anticipates that any final reform policy will be
circulated for agency comment prior to being published.

3. Ad hoc conference calls in order to share information on particular key issues. Since the establishment
of the COFAR, OMB has periodically hosted conference calls with grant-making agencies in order to
share information and discuss the status of various initiatives. For example, such conference calls were
held this past summer to solicit agency feedback for the financial assistance community interagency
contributions to the funds for the Integrated Acquisition Environment and System for Award
Management.

4. A Rotating member that speaks with the voice of a smaller agency. In addition to the permanent
members of the COFAR, the COFAR includes one seat that is held, on a rotating basis, by a smaller
agency. The expectation is that this rotating member will be able to represent the views of small agencies
by speaking from the perspective of a small agency while relying on the COFAR staff centrally to gather
input and feedback from the broader collection of smaller agencies.

As with the strategy for engaging non-Federal stakeholders, OMB recognizes that there may always be a
Federal official or agency who wishes to be more involved or who is not fully aware of all the work of the
COFAR or of the nuances of how work is progressing. In evaluating whether engagement with Federal
agencies is effective, OMB seeks to answer similar questions to those offered for non-Federal
stakeholders above.

**(3) To ensure that reforms are implemented effectively, the COFAR must provide the public with
clearly articulated deliverables, including timelines and responsible entities for implementation and
indicators of success, and metrics to measure results.**

When the COFAR was created in October 2011, its first goal was to deliver on the directives of the
President in Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal
Programs*[4] and a February 2011 Presidential Memorandum on Administrative Flexibility, Lower Costs,
and Better Results for State, Local, and Tribal Governments.[5] Given the momentous task of overhauling
governmentwide guidance governing grants management, the COFAR focused exclusively on this

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[4] EO 13520 is available at: http://www.whitehouse.gov/the-press-office/executive-order-reducing-improper-payments
[5] The Presidential Memorandum is available at: http://www.whitehouse.gov/the-press-office/2011/02/28/presidential-memorandum-administrative-flexibility

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initiative for the first year of its work. As the COFAR made progress through the publication of the ANPG and the development of the proposal published this February, it also developed the broader internal control framework that supports grants management.

The result of this work was a set of priorities that was announced at the time of the new COFAR website in early February 2013. The slide deck describing the priorities addresses:

- The challenge faced by the grants community that the COFAR will seek to address
- The proposed deliverables to address the challenge
- Timelines for completion
- Responsible entities for implementation
- Expected return on investment of the initiative, as a mechanism to evaluate results
- Indicators of success, as further mechanisms to monitor results

In addition to the information on these priorities that was made public, OMB has used a more detailed project plan to monitor timelines and roles and responsibilities internally, an example of which is attached to this letter. As noted above, the past two and a half years of COFAR work have been primarily devoted to implementation of the first priority; the additional priorities are more nascent and will encourage stakeholder engagement as they are refined (per the points described above). The publicly-stated deliverables are intended to leave room for further evolution of the right approach for implementation.

OMB anticipates that as the work of the COFAR matures and the policy outcomes of the initial priorities are closer to being finalized, the COFAR will be better able to articulate metrics that allow for more thorough evaluation of whether policy changes implemented are having their intended impacts, thus providing evidence that can be used to determine whether further changes are required and where future priority areas of work may be.

(4) The Financial Management Line of Business (FMLOB) is managed by the Treasury Department and supports implementation of Chief Financial Officer Council and COFAR priorities.

OMB issued a Controller Alert on April 29, 2013 that announced that, for Fiscal Year 2013, the Department of the Treasury (Treasury) will serve as the managing partner for the Financial Management Line of Business (FMLOB). In this role, Treasury will provide support to partner agencies under the guidance and strategic direction of the Chief Financial Officers Council (CFOC) and COFAR. OMB believes that Treasury's key role in financial management governmentwide makes it ideal to support implementation of financial management policies.

Treasury's Office of Financial Innovation and Transformation (FIT) will serve as Managing Partner and the Program Management Office (PMO) for the FMLOB. In accordance with OMB's guidance on shared services (the Federal IT Shared Services Strategy[6]), the Treasury's FIT will lead efforts to transform Federal financial management, reduce costs, increase transparency, and improve delivery of agencies' missions by operating at scale, relying on common standards, shared services, and using state-of-the-art technology.

Under the guidance of the CFOC, and COFAR, partner agencies will work with the FMLOB's support to standardize core financial business processes (including financial assistance) and data elements across the Federal Government to provide: (1) reliable and accessible financial data to the public; (2) adequate training and development resources to agency workforces; and (3) strong oversight of Federal programs

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[6] The Federal Information Technology Shared Services Strategy is available at:
http://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/shared_services_strategy.pdf

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using tools such as the Single Audit. The FMLOB will also play a role in implementing OMB's Memorandum M-13-08, Improving Financial Systems Through Shared Services. We anticipate that the FMLOB's efforts will save Federal funds, improve public reporting of Federal financial data, reduce administrative burdens, lower the risk of waste, fraud and abuse, and significantly improve Federal financial management services.
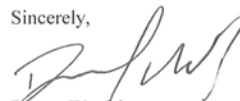
(5) Reducing administrative burden on recipients, including through the use of standard data elements such as a standard format for grant announcements, has long been and continues to be a priority under the COFAR.

In 2004, OMB published Memorandum 04-01,[7] requiring a standard format for grants announcements on grants.gov. Since then, building on work done under Public Law 106-107 to standardize all data elements throughout the lifecycle of grants has continued to be a priority of the community. In the ANPG and the proposal for reforming grants policy, OMB refers to renewed policy emphasis in this area. Further, with respect to announcements, the requirement to use a standard format is included in section .204 of the proposal. Requirements for standard applications are discussed in section .206 *Standard Application Requirements*, and standard reporting requirements are discussed in section .505 *Performance and Financial Monitoring and Reporting*. This idea is discussed more fully in the preamble document summarizing the reforms. As discussed on the COFAR website, refining implementation of these standard requirements is one of the COFAR's priorities. As with all the COFAR priorities, this policy proposal was developed in response to feedback received through the ANPG and other stakeholder engagement venues described above.

In closing, OMB would submit that the most comprehensive single step we could take to streamline grants management would be to finalize the proposal published this past February. We would welcome any feedback GAO or the Congress may have on the merits of the ideas described therein. OMB agrees with the draft report's emphasis on the need for defined deliverables and deep engagement with both Federal and non-Federal stakeholders in order to ensure effective management of Federal grants, and believes that significant progress has already been made in this regard. We appreciate the opportunity to provide additional information on the efforts OMB and the COFAR. We look forward to working with GAO to ensure that these and other efforts form a comprehensive approach to reducing administrative burden for grant recipients while ensuring robust targeting of waste, fraud, and abuse.

Thank you again for the opportunity to comment on the draft report. We look forward to continuing our work together.

Sincerely,

Danny Werfel
Controller

Attachments:
November 2012 Internal Project Plan
Sample List of Speaking Engagements

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[7] M-04-01 OMB Issues Grants.gov FIND Policy is available here:
http://www.whitehouse.gov/omb/memoranda_fy04_m04-01

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Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

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