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Good morning Mr. Chairman and members of the Subcommittee. I am pleased to be here today to testify on our progress for improving the Federal grant process. This is an exciting time for all Americans as they participate in and bear witness to a major overhaul of the Federal grants administration process. The awarding of Federal grants results in the annual obligation of nearly \$400 billion to thousands of organization and individual recipients. President Bush's Management Agenda and the Federal Financial Assistance Management Improvement Act of 1999 (P.L. 106-107) both mandate grant process streamlining, simplification and the utilization of electronic technology to affect the changes. The Department of Health and Human Services has demonstrated leadership in the cross-government efforts to achieve these goals. Serving as the Managing Partner for the E-Gov E-Grants Initiative, we are working to level the playing field for potential applicants who are trying to find grant opportunities, reduce the administrative burden on grantees, and position the Federal grant-making agencies for improvements in efficiency and effectiveness in their business processes. I will review with you how we are attacking these initiatives, what successes we have achieved thus far, and what challenges we still face.

The Federal activity to award and administer grants is highly decentralized. There are 26 grant-making agencies with one or more organizational components with authority to award grants for hundreds of separate programs, involving a myriad Federal staff. Each separate program has its own statutory, regulatory, and administrative framework that prescribes the type of projects to be supported, how to use and account for funds, what performance goals are expected and the type of information that is required to be reported. This framework is overlaid with statutory, regulatory, and policy requirements intended to achieve national goals or to ensure that recipients adhere to minimum standards for use of the grant funds. Many of these requirements are addressed in the Office of Management and Budget (OMB) Circulars and guidance; others are addressed by designated lead agencies; and still others are addressed individually by the awarding agencies.

Prior to P.L.106-107 and E-Grants, initiatives to improve the grant process were often agency-specific. Although there have been some notable efforts at interagency cooperation with constituents to reduce the burden on applicants and recipients, including the Federal Demonstration Partnership (collaboration of Federal grant-making agencies and universities) and the Interstate Advisory Group; cross-agency efforts were the exception rather than the rule. In an era of greater complexity, increased demands, and fewer resources, the non-Federal constituencies that apply for and receive Federal

financial assistance made their voices for relief heard across the Federal government with the enactment of P.L.106-107. We are working to overcome the entrenched legacy of burdensome agency-specific processes and requirements. We are bringing about a more unified, streamlined and effective array of government-wide grant processes, policies, and systems.

I am here today to describe how we are implementing that legislation and how we are using the E-Grants initiative to transform the grant environment for the benefit of the American citizens in support the goals of P.L.106-107 and the President's Management Agenda.

## **BACKGROUND**

### **Public Law 106-107**

The Federal Financial Assistance Management Improvement Act of 1999 is watershed legislation. It provides not only the mandate but also the impetus for Federal agencies to improve the efficiency and effectiveness of the Federal financial assistance process. The broad definition of Federal financial assistance in the Act comprises of grants, cooperative agreements, loans, loan guarantees, property interest subsidies, insurance, food commodities, and direct appropriations. As indicated in the initial plan to Congress (submitted in May 2001) and the Federal agencies' 2002 progress reports, we are initially concentrating on grants and cooperative agreements, which account for most of the dollars and transactions within scope of the Act.

While leaving to the agencies the details of what to do and how to do it, the Act provided mandates to:

- Develop and use a common application and reporting system, using a common application(s).
- Provide non-Federal entities the ability, including electronic processes, to apply for, manage, and report on use of funding.
- Establish uniform administrative rules across agencies.
- Use an interagency process to determine ways to streamline administrative procedures and reporting requirements.
- Improve interagency and intergovernmental coordination of information collection and data sharing.
- Improve the timeliness, completeness, and quality of information received by Federal Agencies from applicants.

### **E-Grants**

The E-Grants initiative, one of the 24 E-Gov initiatives included in the President's Management Agenda, begun in October 2001, became the vehicle for implementing many of the improvements required by and already planned under P.L. 106-107. The E-Grants initiative will create a unified electronic storefront for interactions between grant

and cooperative agreement applicants and recipients conducting business with the Federal grant-making agencies. Through the Grants.gov web site, the storefront will simplify the process of finding information on Federal grant opportunities, which will produce significant benefits for, in particular, smaller organizations, and those that are novice grant applicants, as well as those entities that engage in multiple transactions with multiple Federal agencies and/or programs on a continuing basis. It also will have benefits for Federal agencies by eliminating certain process redundancies, such as minimizing use of non-standard data elements.

The E-Grants initiative will implement many of the P.L. 106-107 directives in the near-term and plans to implement several others in the longer-term. Phase I of the E-Grants initiative, which has a 2-year timetable starting in February 2002, will implement a unified Grants.gov electronic storefront, in which potential applicant organizations will be able to find Federal grant and cooperative agreement opportunities and submit their applications electronically. The Grants.gov electronic storefront is in development today, with production service being readied for October 2003.

### **HHS Leadership for Both P. L. 106-107 and E-Grants**

Leadership of the cross-agency implementation of P.L.106-107 is a collaborative effort of HHS and OMB. The oversight of the P.L.106-107 efforts is provided by the Grants Management Committee, under the joint leadership of OMB and HHS and is comprised of senior policy officials from the 26 grant-making agencies. Reporting to the Grants Management Committee are three Work Groups (with various subgroups and teams beneath them) that follow grant process life cycle of Pre-Award, Post-Award, and Audit Oversight. The Grants Management Committee is responsible for approving the various work groups' streamlining recommendations before they are formally submitted to OMB. A General Policy and Oversight Team, co-chaired by HHS and OMB consisting of the chairpersons from the various work groups, representatives from OMB and HHS, provides working-level guidance back to the work groups as they prepare and vet their products for approval.

In response to the President's Management Agenda, the E-Grants Program Management Office (E-Grants Office) was established within HHS. HHS has provided significant start-up resources to the E-Grants initiative that include dedicated staff, office space, and funds. HHS works with 10 other partner agencies, each of which represents a significant portion of the Federal grant dollars and/or transactions awarded. The E-Grants Office has developed governance and financing strategies, received substantial financial support from the partner agencies, and staffing support in the form of full-time details from eight agencies.

While the interagency efforts under P.L. 106-107 and E-Grants have very structured and separate timelines for implementation of initiatives, the common thread of collaboration and leadership by the Department of Health and Human Services is clear, both senior managers responsible for these two efforts report directly to me. HHS enthusiastically supports both initiatives through personnel and other resources such as administrative

support, management of resources for the E-Grants initiative, and devoting of time from several of our senior level managers. We also ensure that, at a policy level, the goals, objectives, and approaches of the streamlining and E-Grants are integrated. I assure you that the partnership is strong between HHS and OMB on both P.L.106-107 and E-Grants.

HHS leadership in both P.L.106-107 and E-Grants has produced substantial synergies, particularly in light of the many common outcomes demanded of the P.L.106-107 and E-Grants teams. For example, in both areas HHS has a close leadership collaboration with OMB. The HHS representative on the E-Grants Executive Board also serves as co-chair of the P.L.106-107 Grants Management Committee. The E-Grants Program Manager is also a member of the P.L.106-107 Grants Management Committee. This cross-pollination of shared leadership helps achieve the goals of both the P.L.106-107 and E-Grants efforts.

### **Partnership with OMB**

We have been an active partner with OMB in working to accomplish the objectives of P.L. 106-107 and the E-Grants initiative. We work closely with the various offices within OMB that are responsible for P.L. 106-107 implementation—the Office of Federal Financial Management—and the office responsible for the E-Gov initiatives—the Associate Director of Information Technology and E-Government. This includes joint decision-making and shared responsibility in a number of areas, including coordination and outreach to the other Federal grant-making agencies and to the affected constituencies. We also co-chair with OMB the Grants Management Committee and General Policy and Oversight Team.

### **Working with the Federal grant-making agencies**

In our leadership role for P.L. 106-107 activities and E-Grants, and in addition to interfacing with those agencies that are leading the work groups or are E-Grants partners, we are reaching out to all of the Federal grant-making agencies. In order to make many of the changes currently being proposed, we need to involve not only the agency policy makers but also the staff on the front lines—those with whom applicants and recipients interact with on a regular basis—and other implementers—including those responsible for agency systems. We are involving these individuals in deciding on the changes to be made and are ensuring that they understand and support the changes. To accomplish this, we are serving as “ambassadors” who make presentations to agency groups, provide technical assistance upon request, and engage in other outreach activities.

Our most direct work with the Federal grant-making agencies has primarily been in the E-Grants arena where non-traditional activities are currently taking place. Through our direct efforts, we are initiating pilot programs, performing hands-on training, demonstrations, and making ourselves available as resources to agencies as they plan for the advent of E-Grants. As an example, the E-Grants Program Office is assisting the agencies in creating the needed interface between their existing back office systems and the E-Grants storefront; and the integration of E-Grants data with the legacy data in their

agency systems. One of our recently awarded contracts is specifically for outreach activities, involving Federal agencies as well as the non-Federal community.

### **Involving our constituencies**

We held public consultations with affected constituencies—State governments, local governments, Native American tribes and organizations, universities and non-profit research organizations, and other non-profit organizations in the fall of 2000. Using that input, we developed a draft initial implementation plan, which was published in the *Federal Register* in January 2001. The comments we received on the initial plan, numbering close to 1,000 separate comments from more than 75 different sources, have served as our guideposts in determining our approach to streamlining and priority areas, and were used to develop the initial plan presented to this Committee in May 2001. Those comments also serve to remind us of the interests and needs of different constituencies, for example, the need to ensure that we continue a viable paper process for those not ready or able to do business with the Federal government electronically.

The E-Grants Program Office recognizes that outreach to external non-Federal communities is an essential component of a successful initiative. Guided by the citizen-centric President's Management Agenda, E-Grants is communicating with grantee organizations as well as organizations that would like to become grantees, identifying issues, challenges, requirements, and needed changes to existing processes. By identifying the needs of the external communities and by building demand among those communities for improved ways of doing business with Federal grantor agencies, E-Grants plans to use that demand to drive the Federal agencies to participate in the unified, streamlined E-Grants electronic storefront. To this end, E-Grants interacts with State, County, Local, and Tribal governments; academic institutions; not-for-profit, faith-based, and community-based organizations; public housing authorities; and other organizations within the grant recipient community. For example, the Inter-Agency Electronic Grants committee, which is supported by the E-Grants Program Office, has a working relationship with States via the Interstate Advisory Group, which allows sharing of information and input on Federal proposals while still in the concept phase. The E-Grants Initiative has been vigorous in its outreach and collaboration with groups such as the National Association of State Auditors, Comptrollers, and Treasurers; the National Association of Counties; and the university members of the Federal Demonstration Partnership and the National Council of University Research Administrators.

On a continuing basis, representatives of OMB, HHS, and our Work Groups speak to constituency organizations and provide updates on the status of our initiatives.

### **OBJECTIVES AND ACCOMPLISHMENTS**

I want to highlight for you several major accomplishments, including those that will make the pre-award process more visible to potential applicants and easier to navigate. We believe these changes will open up the application process to entities that previously have not had the resources to find the funding opportunities for which they were eligible,

to understand the process, and submit timely and quality applications. These accomplishments also lay the foundation for future improvements in reporting and enhancing the quality of information received and used in the grant process.

### *Finding Grant Opportunities*

A significant problem for potential grant applicants, particularly for small organizations, has been finding grant opportunities for which to apply. The Federal grant-making agencies announce opportunities in a variety of ways through a variety of venues, which has made it exceedingly difficult to find opportunities. We are solving this problem. This major accomplishment results from the combined energies of the E-Grants Program Office and the P.L. 106-107 Work Groups. We are implementing a single Web site where potential applicants can go to find summaries of all agencies' discretionary grant and cooperative agreement funding opportunities.

Using the FedBizOpps system as a model, in which the Federal procurement community announces procurement opportunities in a unified way, the Federal grant-making agencies will post grant opportunity synopses on a single searchable web site. Each opportunity synopsis will contain sufficient information to allow any member of the public, including potential applicants, to determine whether to review the entire announcement. E-Grants and the P.L.106-107 workgroups have collaborated with the General Services Administration on the system development, and E-Grants has provided funds to GSA to deploy, host, and run the system.

A potential applicant can conduct a key word search of the entire database to find opportunities, determine eligibility, view contact information, and identify the Catalog of Federal Domestic Assistance number for that opportunity. This information, all found within a single web site, will have the same look regardless of which agency posts the announcement. The posted funding synopsis will also provide direct access to the full announcement rather than requiring a search of individual agencies' or program's Web sites. In addition, potential applicants will be able to sign up for email notification, providing automatic emails whenever a new opportunity is posted that meets the potential applicants' areas of interest.

This important unification of Federal grant announcement processes results from fruitful collaboration among E-Grants, GSA, the P.L.106-107 workgroups, OMB, the grantee community, and the grant-making agencies. This is a truly impressive and unprecedented success in grants process unification and streamlining, producing tangible benefits to all organizations that need to find grant opportunities. Federal grant-making agencies are posting announcement synopses in the system, with public accessibility to the system via [www.grants.gov](http://www.grants.gov). OMB is preparing a policy that, as of October 1, 2003, will require all agencies to post the required information at this single site. This impressive achievement sets the stage for the next steps in the Federal grant process unification and streamlining.

### *E-Grants Creates Grants.gov Storefront*

The E-Grants Initiative is developing the unified Grants.gov Storefront, which will provide a single point of entry to find grant opportunities, apply electronically, and ultimately submit post-award reports.

As of October 1 of this year, applicants will be able to submit applications electronically through the Grants.gov Storefront. We have undertaken a number of activities in preparing for the opening of the Grants.gov Storefront. These include working with OMB to establish a standard set of data elements and definitions (currently found in the Standard Form 424 application with the addition of a few data elements) that will serve as a set of “core” elements. Over 100 grant programs today use solely this set of “core” data in their grant applications, which provides a great starting place for unifying the grant application process across agencies. These “core” data elements are also part of the American National Standards Institute’s (ANSI) Transaction Set 194, a national electronic standard for the Federal grant application, which helps to standardize the data conventions and provides a foundation on which to build future applications. In addition, with the cooperation of the Office of Information and Regulatory Affairs, OMB, over time the concept of core data and the need to justify additional data elements should greatly reduce the number of differing and non-standard data elements that applicants currently find in applications.

We have initiated a pilot allowing participant applicants to submit sample applications, in an electronic format, to participating agencies, using these standard data elements. Later this summer, we will run an additional pilot test of the Grants.gov Storefront to ensure its readiness to receive applications beginning October 2003. These pilots will help ensure that the system meets the needs of grant applicants, simplifying the process of grant application.

We are truly excited about the impending availability of a unified grant application mechanism that will handle applications for agencies across the Federal government. The public will be able to avoid the burden and expense of printing and mailing applications; they will find applications at a single web site rather than having to search across Federal agency sites; applications will have a similar format no matter which agency or program is being applied to; and differences in data and requirements across agencies will be minimized. Federal agencies will be able to streamline and standardize their application requirements, identify common mechanisms for handling electronic applications, and avoid the costly process of handling paper applications.

Acceptance of electronic applications from the Grants.gov Storefront have fostered internal discussions within several agencies, such as the Department of Commerce, Department of Agriculture, and HHS, regarding the consolidation of internal grants management systems. The E-Grants initiative has been and will continue to encourage Federal agencies to participate in the Grants.gov unified electronic grant application system. This is a tremendous challenge, and we are successfully facing the challenge in order to bring the benefits of unification, transparency of business processes and administrative streamlining to grant applicant communities.

## *Financial Reporting*

OMB recently published a notice in the *Federal Register* seeking public comment on a financial reporting form that would revise and consolidate multiple existing forms. In designing the form, the E-Grants Program Office took into account the translation of the data elements into an electronic form, which will be implemented during Phase II of the E-Grants initiative. In addition to the form, the proposal includes proposed changes in due dates for report submission, making them due on calendar quarters rather than on an award-specific basis.

This proposed streamlining is consistent with the public comments we received on our initial plan. Those comments asked for elimination of the redundancy in financial reporting, consistency in reporting periods, and the ability to submit reports electronically. At this time, we are asking for the public's comments on the details of the proposal. Following the public comment period, we expect to move quickly to make final changes and allow recipients to begin using this form in hard copy until the E-Grants programming required for electronic submission of the report can be completed.

## **FUTURE PLANS**

Even as we continue to implement the unified Grants.gov Storefront for finding grant opportunities and applying electronically, we are planning for Phase II of the E-Grants initiative, which will include an emphasis on unifying and streamlining the management and reporting processes required of grantees. This will move us further toward our ultimate vision of "one-stop" point of service for the American public.

We are continuing our activities to simplify and standardize, to the extent appropriate, the administrative requirements and national policy requirements to which recipients are subject. The primary objective is to develop standard language in plain English for all award terms and conditions. The proposal on simplification of assurances, made in conjunction with the revising of the standard application SF-424, will adopt as a government-wide practice an approach currently used by some agencies, which is to publish the assurances as part of the program announcement; rather than have them in the application kit.

We also have begun our in-depth review of the needs of mandatory grant programs (which include certain formula grant programs, block grants, and entitlements). While these programs have general business processes and requirements similar to those for discretionary grants, we must ensure that appropriate differences between discretionary and mandatory grants and the unique characteristics of the various types of mandatory grants are considered when looking for opportunities to streamline and simplify. We are using a phased approach to ensure that we are building on our success and incorporating lessons learned.

## **CONCLUSION**

I am pleased with our accomplishments. To reach this point, the Federal agencies have worked cooperatively with us and with each other. They have devoted considerable staff time and other resources to these initiatives. We anticipate that the changes being implemented and those recently proposed will be well received by the public.

We will continue to keep you informed of our progress, through the P.L.106-107 annual report and by other means. This year's report is being drafted at this time and will detail the accomplishments I have just summarized and our future expectations.

Thank you for this opportunity to testify. I'd be happy to answer any questions that you may have.