

Testimony of  
The Honorable Linda M. Springer  
Controller, Office of Federal Financial Management  
Office of Management and Budget  
Before the  
Subcommittee on Technology, Information Policy,  
Intergovernmental Relations and the Census  
Committee on Government Reform  
United States House of Representatives  
April 29, 2003

Thank you, Mr. Chairman,

I am pleased to testify before this subcommittee on the status of government-wide efforts to streamline and simplify the administration Federal grants. As you know, the Federal Financial Assistance Management Improvement Act of 1999, or Public Law 106-107 (the Act), requires the Office of Management and Budget (OMB) to direct, coordinate, and assist Federal agencies in establishing (1) a common application and reporting system, and (2) an interagency process for addressing the grants streamlining work.

To put this responsibility into perspective, Federal grants account for 20% of overall government budgeted outlays, at nearly \$400 Billion in FY2003 alone. The Department of Health and Human Services (HHS) accounts for approximately 60% of all Federal awards under such programs as Medicaid, Temporary Assistance for Needy Families (TANF), Head Start, Foster Care, and Child Support Enforcement.

Annually, the Federal government makes 218,000 awards under 600 different programs administered by 26 Federal agencies. The grantee community ranges from sophisticated entities with access to state-of-the-art technologies to small, rural

organizations that may not have any computer access. Each of approximately 34,000 recipients receive more than \$300,000 in Federal grant awards.

Although there are variations in the specific requirements for different types of grants or recipients, the grants life cycle generally includes:

- Legislative authorization and appropriations to establish and fund a Federal program;
- Announcement of a funding opportunity by a Federal program;
- Preparation and submission of applications by non-Federal entities to the sponsoring agency;
- Award to those entities that meet eligibility and program requirements and that are selected for funding following an evaluation of applications;
- Post-award performance and administration by the recipient in accordance with the terms and conditions of award, including general administrative requirements and cost principles;
- Reporting on financial and programmatic performance and other activities, such as inventions and/or environmental impact reporting, as applicable;
- Agency monitoring and technical assistance;
- Payment;
- Audit; and
- Closeout.

The agencies use a variety of administrative processes and requirements, both government-wide and agency-specific to support the grants life cycle, and provide the foundation for agency and recipient compliance with Federal laws, regulations, and requirements, including fiscal accountability. There are significant opportunities to reduce these variations and thereby meet the purposes of the Act, which are to:

- (1) improve the effectiveness and performance of Federal financial assistance programs,
- (2) simplify Federal financial assistance application and reporting requirements,
- (3) improve the delivery of services to the public, and

(4) facilitate greater coordination among those responsible for delivering services.

To shepherd the implementation of Public Law 106-107, we have been operating with four interagency simplification work groups— Pre-Award, Post-Award, Audit Oversight, and Electronic Processing—as well as a policy and oversight team. Additionally, under the President’s Management Agenda’s Expanded Electronic Government Initiative, the E-Grants project is underway, addressing the work of the former Grants Management Council Electronic Processing work group. HHS is the lead agency for E-Grants, and you will hear more about E-Grants today from Ed Sontag.

The interagency work has focused on various process improvements and administrative changes that make it easier for recipients to identify, apply for, and manage the programs funded by the Federal government. In accordance with the requirements of the Act, the agencies consulted with non-Federal constituencies via several actions, including immediately establishing a unique electronic mailbox ([PL106107@hhs.gov](mailto:PL106107@hhs.gov)) to accept public comment on the grants streamlining effort, and posting invitations to comment on several agencies’ grant-related web sites. The Grants Management Council held a series of five public consultation meetings with: (1) States, (2) local governments, (3) Native American tribes and tribal organizations, (4) universities and non-profit organizations that conduct research, and (5) other non-profit organizations. In addition, public comment was requested in the *Federal Register* notice published on January 17, 2001 [66 FR 4584] to solicit opinions on the grant areas that need improvement.

An Initial plan to implement the Act was prepared jointly by the 26 major Federal grant-making agencies and submitted to OMB and the Congress on May 18, 2001. This plan identified grant forms and regulations that could be simplified and committed to establishing a common way of doing grants business, including electronic processes, to make it easier for all stakeholders to administer Federal grant programs. Last summer, each agency submitted to OMB and the Congress an annual progress report on the

collaborative, as well as agency-specific, efforts to streamline and simplify the award and administration of Federal grants. This year's progress report is due to OMB and the Congress no later than August 29, 2003. I can give you a flavor of what we will report at that time.

### **Accomplishments 2000 – 2003**

Each work group uses agency volunteers to perform the detailed analysis of current practices, determine where differences exist, explore the bases for those differences (evaluating whether differences are justified), and consider whether and how streamlining or simplification can be accomplished. Every work group has access to the full set of public comments to factor into decisions about what can be streamlined or simplified. As products have been developed, the drafts have been shared with OMB and with all grant-making agencies prior to any *Federal Register* publication to ensure acceptance and future use by those agencies. The public and grantee community have continued to be involved via conference presentations, media news releases, information available on grants-related web sites, and the formal 60-day comment period of each *Federal Register* proposal. So, as you can see, every effort is made to involve all stakeholders before streamlining changes are made final.

### **Pre-Award Work Group**

- **Standard Format for Announcements of Funding Opportunities:** The purpose of this product is to help potential applicants for discretionary grant funds find information by making the agency announcements more uniform. Very early in the implementation process, commenters noted that Federal agencies organize the information in their announcements in many different ways, making it difficult to find basic information, such as who is eligible to apply and what types of activity the agency will support. A standard format was proposed on August 12, 2002 [67 FR 52548] with an associated OMB policy directive for its use. The public comments supported the concept of a standard announcement format, and suggested specific improvements to the proposal. OMB circulated

the final standard announcement format to agencies in early April 2003, and expects to issue this standard very soon.

- **FedBizOpps:** The purpose of the FedBizOpps initiative is to establish a central Internet source with synopses of Federal agency announcements to make it easier for potential applicants to learn about announcements of funding opportunities. The Pre-Award work group developed and recommended a set of FedBizOpps data elements to be used for discretionary grants synopses. These were proposed on August 12, 2002 [67 FR 52554] and public comments were supported. This initiative is being done in partnership with the E-Grants project, which has established a government-wide “E-FIND” function at the FedBizOpps Internet site of the General Services Administration (GSA). The GSA site is already a central source of information about Federal procurement opportunities. OMB circulated the final data elements for FedBizOpps synopses to agencies in early April 2003, and expects to issue these data standards very soon.
- **Grant Applications:** Our goal is to streamline the process for all applicants, whether they choose to submit electronic or paper applications. This effort has three initiatives: (1) establishing the government-wide data standards for discretionary grant applications, (2) creating an electronic portal under E-Grants to let applicants apply electronically, if they choose to, and (3) creating a single consolidated assurance statement that an applicant will comply with award terms and conditions if it is approved for a Federal grant. This will eliminate the need for multiple assurances of compliance at time of application that separately identify national policies and administrative requirements. On April 8, 2003, OMB published in the *Federal Register* [68 FR 17090] a notice proposing the standard data elements for both electronic and paper applications for discretionary grants, including use of the consolidated assurance statement, which will eliminate two current forms (SF424B and SF424D), thereby streamlining both paper and electronic applications. Comments on this proposal are due June 9, 2003, after which time OMB expects to move quickly in finalizing this data standard.
- **Standard Award Terms and Conditions:** The Pre-Award work group has started to develop government-wide standard award terms and conditions, and

related OMB guidance to Federal agencies, for (1) the administrative requirements in OMB Circulars A-102 (requirements for State and local governments) and A-110 (requirements for institutions of higher education, hospitals, and other non-profit organizations), and (2) national policy requirements common to multiple agencies' grants. The work involves three guiding principles. First, we want the terms and conditions to speak clearly to award recipients. Second, we want to streamline and simplify award requirements as much as is possible, while continuing to maintain responsible stewardship of Federal funds. Third, we want to eliminate unnecessary differences between the administrative requirements in the two circulars and the Federal agencies' implementation of those requirements in award terms and conditions. We expect this work will not be complete until the end of next year.

#### Post-Award Work Group

- **Consolidated Federal Financial Report:** OMB proposes to consolidate several existing financial reporting forms into a single financial report to be used by Federal agencies and grant recipients. The purpose of the consolidated Federal Financial Report (FFR) is to provide a standard format and consistent reporting requirements to be used when reporting financial information on formula and discretionary grants and cooperative agreements. The new FFR will replace the Financial Status Report (SF-269 and SF-269A) and the Federal Cash Transaction Report (SF-272 and SF-272A). Consolidation of these forms is intended to reduce the reporting burden placed on award recipients and to streamline the data collection process.
- **Standards for Invention Reporting:** Grantees are required to report (interim or final) on inventions conceived or first actually reduced to practice during the term of any Federal award under the Bayh-Dole Act [35 U.S.C. Section 206; 37 CFR Section 401.5(f)(1) and (3)]. OMB worked with nine agencies to develop and propose standard data elements for this purpose. The 30 proposed data elements, which will replace 90 data elements currently in use in six different forms, were proposed in a *Federal Register* notice published on October 30,

2002 [67 FR 66178]. The notice also proposed a single common web form to simplify and streamline the invention reporting process. Comments from nine entities were received, and an interagency team is carefully reviewing these in collaboration with all affected agencies. We expect the final data standard to be issued in late summer/early fall.

- **Additional Post-Award Reporting:** Interagency teams are addressing two other types of post-award reporting—performance and real property reports. Analyses have resulted in agreement that a core performance reporting data standard can be developed, particularly for grants with common purposes. The team is working to establish a baseline of performance data requirements, based on an inventory of forms used by Federal agencies. Furthermore, in the area of real property reporting, that team has completed a government-wide survey of current reporting and developed a set of real property reporting requirements under three life cycle areas: (1) initiation/start up, (2) performance/ongoing operation, and (3) closeout. These requirements, which include the associated rules and regulations, are being circulated to Federal agencies for review and comment. The team is working to structure and format specific data elements determined to be “common” government-wide.
- **Eliminating Needless Differences in the Cost Principles:** OMB issues the cost principles that define allowable costs under Federally funded programs, and the three circulars (developed at different times) apply to different types of grantees. OMB Circulars A-21 (educational institutions), A-87 (State, local, and Indian Tribal governments), and A-122 (non-profit organizations) share the same purpose, but in some cases use different language to describe similar cost items. This has resulted in different interpretations by Federal staff, grant recipients, and auditors. On August 12, 2002, OMB proposed revisions to the three cost principles circulars in a *Federal Register* notice with the objective of standardizing definitions and clarifying ambiguous language. The notice proposed (1) adopting common language across the three circulars for 46 cost items, (2) deleting 12 cost items, and (3) leaving the remaining 17 cost items unchanged. Nearly 200 comments were received, supporting the overall

objective. OMB is working with an interagency team to resolve these comments and develop the final *Federal Register* notice to be published in May. Any proposed language change that involves a substantive policy change will be re-proposed in a separate *Federal Register* notice.

- **Improving the Grant Payments Process:** Agencies have been directed to use one of three specified payment systems for their grant payments. For civilian agencies, one of two payment systems are used—the Automated Standard Applications for Payment System (ASAP) operated by the Department of the Treasury’s Financial Management Service and the Federal Reserve Bank of Richmond, or the Payment Management System (PMS) operated by HHS. The third system is the payment system used by Department of Defense (DoD) components. Currently, OMB leads an interagency team working to create a common front-end to these three payment systems, which will be implemented through the E-Grants initiative.

#### Audit Oversight Group

- **Improving the Single Audit Process:** OMB and the Federal Audit Clearinghouse have published and distributed a plain-language pamphlet to more than 40,000 Federal agencies and grant recipients in order to ensure a better understanding of the single audit process. Furthermore, work has been completed to make audit results a more useful tool in monitoring recipients for compliance with Federal law and regulation. Several special reports, based on data available in the Federal Audit Clearinghouse data warehouse, have been developed for Federal agency use, and are available on the FAC web site or can be generated directly by individual users.
- **Maintaining the Single Audit Compliance Supplement:** On April 17, 2003, OMB published in the *Federal Register* the notice indicating availability of the 2003 OMB Circular A-133 Compliance Supplement. This annual publication provides auditors with accurate and up-to-date information for the conduct of single audits. This year’s Compliance Supplement included a substantial

revision to the section that addresses indirect costs, making the information easier to understand and use.

Perhaps the most significant accomplishment that cuts across all aspects of the grants process is OMB's decision to implement a universal identifier by making it a required grant application data element. We determined there was a need for improved statistical reporting of Federal grants and cooperative agreements, and we needed a more effective means to identify discrete organizations/entities that receive those awards. A universal identifier is the key to improved oversight of Federal grantees and grant programs. OMB proposed Dun and Bradstreet's (D&B) Data Universal Numbering System (DUNS) as this universal identifier in an October 2002 *Federal Register* notice [67 FR 66177]. The DUNS number is already in use by the Federal government to identify entities receiving Federal contracts. We received comments from 37 entities and will address these in a final *Federal Register* notice, which will be published soon. This identifier will be used for tracking purposes and to validate address and point of contact information. Among existing numbering systems, the DUNS number is the only one that provides the Federal government with the ability to determine hierarchical and family-tree data for related organizations. The DUNS number will supplement other identifiers required by statute or regulation, such as tax identification numbers, and we intend to use it throughout the grants life cycle.

In closing, I want to provide you with two different comments that we received relating to the grants streamlining effort. About the current announcement process, a commenter from a non-profit organization in Roanoke, Virginia, told us that "the Federal Register is incredibly difficult to read....creates a lot of confusion and difficulty and makes application seem like a hazing ritual that one must get through, almost like a Survivor television program. Only the strong-willed need apply!" When asked to comment on our proposed standard format for grant announcements, the Council on Governmental Relations (COGR) had this to say:

*We commend the creation of a standard format for federal financial assistance program announcements because we believe it will help applicants to identify*

*assistance opportunities for a variety of activities with greater ease and reliability. We strongly endorse the efforts by the Office of Management and Budget (OMB) to introduce clarity in the eligibility information, review criteria, and selection process. Clear standards are essential to ensure that the time and resources devoted to preparing applications are well spent.*

These comments certainly embody the goals that this committee enacted with Public Law 106-107. We are closer to realizing the important objectives of this common sense law.

