

MEMORANDUM

SUBJECT: Annual Report to Congress on EPA Implementation of the Federal Financial Assistance Management Improvement Act of 1999

FROM: Morris X. Winn, Assistant Administrator
Office of Administration and Resources Management

TO: Joseph L. Kull, Deputy Controller
Office of Management and Budget

I am pleased to submit this annual report to Congress, titled "Annual Report to Congress on EPA Implementation of the Federal Financial Assistance Management Improvement Act of 1999". The attached document summarizes EPA participation in interagency efforts. These include streamlining grant application and reporting requirements for recipients and creating an electronic portal for recipients to use in identifying solicitations, and applying for and reporting on Federal grants. It also documents EPA initiatives consistent with the purposes and intent of the Act.

The report specifically addresses EPA accomplishments and future plans in the following areas: (1) improving the effectiveness and performance of grant programs, (2) simplifying grant application and reporting processes, (3) improving delivery of services to the public, and (4) facilitating greater communication among those responsible for delivering such services.

I am proud of the efforts we have made as an Agency and in cooperation with our colleagues throughout the Federal sector. Much more remains to be done before we can claim success in making grant transactions easier, cheaper, quicker and more understandable for applicants, while improving grant management across the board. EPA is committed to that effort.

If you have any questions about this report, please contact Howard Corcoran at (202) 564-1903.

Attachment

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Annual Report to Congress
on
EPA Implementation of the
Federal Financial Assistance Management
Improvement Act of 1999

August 1, 2002

EPA Designated Official:
Howard F. Corcoran

Annual Report to Congress on EPA Implementation of the Federal Financial Assistance Management Improvement Act of 1999

I. PURPOSE

This annual progress report summarizes efforts by the U.S. Environmental Protection Agency (EPA) to simplify and improve the effectiveness of the award and administration of federal grants and cooperative agreements. These activities are directed toward making it easier and less expensive for applicants to find, apply for, and manage grants, and to increase the Agency's capability to ensure reasonable return on investment of grant funds.

The report summarizes EPA participation in the interagency effort to implement the Federal Financial Assistance Management Improvement Act of 1999 (Public Law 106-107, The Act). It also outlines EPA internal accomplishments and planned activities in support of grants streamlining and management improvement. In addition, the report contains an attachment listing detailed accomplishments and future plans of the interagency P. L. 106-106 workgroups.

The report covers the period of May 2001 through May 2002. Section 5 of the Act requires the submission of this annual progress report to the Congress and the Office of Management and Budget (OMB).

II. PROGRESS REPORTS BY AREA

Achieving the purposes of P. L. 106-107 demands a firm commitment from the Federal community to engage in an aggressive and comprehensive streamlining program and to develop an electronic interface for recipients to find, apply for and report on grants. It also requires that each agency evaluate and enhance its own internal practices, systems, and relationships with applicants to maximize the value recipients and agencies receive from the streamlining effort. Our results and plans are presented in five categories: interagency streamlining, service delivery improvements, EPA internal simplification efforts, grant management improvements and expanded communication.

A. Participation in Interagency Streamlining and E-Grants Activities

To meet the requirements of P. L. 106-107, four workgroups were established. They are: the Pre-Award, Post Award, Audit, and Electronic Workgroups. These workgroups have collected data, analyzed issues, defined standard data elements and formats, and developed the streamlining recommendations and products accomplished in the last year and described in detail in the attachment to this report. The groups have also conducted pilot tests of various models of portions of the E-Grants portal, being developed to support electronic application and reporting for recipients. Additional streamlining activities and pilot tests of the FedBizOpps central grant solicitation Web site and E-Grants Application are planned. The workgroups will continue to be critical in accomplishing the goals yet to be achieved. EPA has been and will continue to be a participant in the workgroups and pilots.

As streamlining and system development activities proceed in the interagency arena, EPA is developing plans and allocating resources to fully implement these initiatives within the Agency. The FedBizOpps solicitation site will contain abstracts of solicitations and provide users the capability of hot linking to Agency Web sites containing the full solicitations. In support of this effort, EPA is developing a central website to consolidate access to all EPA grant solicitations.

The Agency is also preparing to modify its central grants management system (i.e., the Integrated Grant Management System). Enhancements include development of an interface to E-Grants and incorporating streamlined application and reporting requirements and data standards emerging from the P. L. 106-107 effort.

B. Improving Delivery of Services to the Public

The Agency has made significant strides in the delivery of services in three areas within the period covered by this report. The first is technical assistance to recipients. The second is competition policy and the third is automation.

During the last several years, EPA has focused increased resources on identifying violations of administrative or programmatic requirements and helping recipients and Agency staff in taking corrective action. This year the Agency has begun to supplement this approach with a proactive strategy to educate grantees about their grant obligations. This is particularly important for non-profit and tribal grantees, which may lack expertise in dealing with Federal grants.

This year the Agency organized a workgroup composed of EPA Headquarters and Regional grant and environmental program personnel, tribal representatives, and representatives of other Federal agencies, to evaluate tribal needs relative to grant management. Building on this effort, EPA will develop and implement an action plan for grants technical assistance and training for tribes. The Agency has also developed and is delivering a course on grant management tailored to the needs of non-profit organizations.

EPA has revised its post-award management policy to further the proactive strategy. The policy revision includes incentives to grant management offices and program offices to provide technical assistance to all types of grantees. Providing technical assistance to recipients offers great promise in preventing problems with grant management.

EPA is also increasing opportunities for a broad and diverse group of applicants to receive grants and cooperative agreements. The Agency is replacing current guidelines on grant competition with an EPA Order that will go into effect October 1, 2002. The Order identifies grant programs and projects that are appropriate for competition, establishes standard competitive award procedures, requires detailed justifications for non-competitive awards, and creates a new senior-level Grants Competition Advocate position to oversee compliance. It will also be consistent with the Administration's E-Grants initiative by requiring posting of EPA grant opportunities on FedBizOpps when available.

The Order will strengthen EPA's processes for grant competition, particularly for grants to non-profit organizations. To ensure proper implementation, EPA will provide competition training

to project officers on an ongoing basis. As an adjunct to the new policy, EPA will upgrade its procedures for preparing Catalog of Federal Domestic Assistance program descriptions, so that the public is better informed of potential funding opportunities.

EPA has developed a significant tool for simplifying and facilitating grant application, review and award, with the implementation of the Integrated Grant Management System (IGMS). This central system supports all EPA grant programs, providing capability for electronic workplan negotiation, application, review, approval, funding and award of grants. Designed in cooperation with states, it can be used by any recipient and fully automates the Agency's internal grant process. The system speeds up the grants process and makes information more available for management decision-making. Currently IGMS is being deployed to state agencies and within EPA. It is moving the Agency from a paper-based grant culture to an electronic culture. The Agency will develop an IGMS interface with E-Grants when it is complete and will use E-Grants as our source of electronic applications and reporting for recipients.

C. Simplifying Grant Application and Reporting Processes

EPA has made a concerted effort over the years to maintain simplicity in the grant application and reporting process. The Agency uses standard application and administrative reporting forms for all grant programs (SF424, the 424A etc.). However the applicant is also affected by the consistency and timeliness with which the Agency reviews proposals. Several efforts are underway which will make improvements in this area.

EPA is standardizing the business process for the programmatic review and approval of grants, with the revision of the funding recommendation document. This document provides a record of the review of the grant and information required as the basis of the award. Inconsistent expectations in grants offices and incomplete information coming from program offices created delays in the award of grants, which the standard document will reduce. The Agency will also standardize the administrative review of grants by developing an administrative checklist.

From a policy perspective, this year the Agency conducted a preliminary baseline evaluation of the impact and benefit of an application streamlining policy, (i.e., the Small Grants Policy), implemented in 1998. The policy permits streamlined procedures for fully funded grants under \$100,000. The Agency plans to use the results in a continuing effort to identify policy and procedural modifications to improve EPA's ability to meet the needs of the small grantee.

D. Improving Effectiveness and Performance of Grant Programs

Since 1998, the Agency has been engaged in a massive overhaul of its whole approach to post award and closeout management. The entire Agency has been engaged in a continuing effort to provide the policies, tools, training, resources and management climate which would support strong post award management. A number of activities have been completed this year and additional activities are planned which further this effort.

Besides developing a new policy on grant competition, EPA issued guidance on the management of equipment purchased with assistance funds. The guidance clarifies roles and responsibilities for equipment management and provides instruction on procedures and requirements.

The Agency has also developed a comprehensive post award management policy. This policy integrates post award and closeout requirements into a consistent whole, consolidating two grants policy issuances and two EPA Orders. Post-award monitoring provides assurance that federal financial award recipients are meeting the regulatory requirements and terms and conditions of their assistance agreements and is a crucial component in ensuring the success of the Agency=s grant programs. The new policy, which is now in the directives clearance process, establishes requirements for post award monitoring plans, including requirements for performing baseline monitoring and for conducting advanced monitoring on a minimum of 10% of the Agency=s active grantees annually. To complement the new policy, EPA will develop a Post Award/Closeout Module for the Integrated Grant Management System which will help project officers and grants specialists monitor grantee performance and manage grants.

Additionally, EPA has removed barriers to accurate and timely analysis of grant financial data. The Agency established policy on consistent data entry and modified existing grant and finance systems to facilitate matching of grant and financial records. The Agency built the Financial Data Warehouse, which consolidates grant award, funding and draw down information within a single system, facilitating effective financial management and the identification of unliquidated obligations.

This year EPA conducted a series of validation studies of Headquarters and Regional grants management and program offices to measure the effectiveness of the Agency=s post award monitoring and grant closeout polices. The studies show that while the Agency has made progress in grants management, there is room for further improvement. Audit reports issued by EPA=s Office of Inspector General (OIG) have also identified areas for improvement. To address these findings, EPA is developing a long term strategic plan that will focus on: developing a skilled grants management workforce; promoting grant competition; enhancing the Agency=s oversight program; and improving accountability, coordination and resource management in the grants area.

E. Facilitating Communication among Grant Services Providers

For EPA to achieve effective grants management, it must build strong partnerships on a number of levels. These include internal partnerships within the grants community and with Agency offices, as well as external partnerships with other Federal agencies. Additionally, communication is fundamental in establishing and reinforcing a shared culture of grant management.

As part of its long-term strategic plan, EPA will create a mechanism for high-level coordination and planning that will enable senior managers to address significant grants policy issues and establish a cross-Agency framework for grants management. In addition, EPA=s grants management offices have developed a consolidated business plan, laying out corporate goals and

objectives for the grants community. This plan facilitates sharing resources and promotes consistency in grants management. The plan will be updated on an annual basis.

Last year the Agency began a major training initiative for grants specialists and project officers. The objective was to establish a shared culture for grants management with clearly defined and consistent expectations. EPA developed and pilot tested a basic course for specialists, addressing core competencies. The Agency also defined a core curriculum for specialists emphasizing the business management aspects of grants management.

The Agency also implemented a requirement that the 4,500 environmental program personnel responsible for managing grants (i.e. project officers) be trained and re-certified every three years. To support this requirement, EPA developed a one day re-fresher course to up-date project officers about their grant management responsibilities and new initiatives and issues in grants management. Based on customer feedback, the Agency will expand its basic project officer training course to include more comprehensive treatment of application, budget and procurement review, as well as planning for environmental results. Additionally, the Agency will enhance the system used to track project officer certification and training to make it a more effective management tool.

III. MOVING FORWARD

EPA, with other agencies, has made tremendous strides within the past year in implementing the requirements of Public Law 106-107 and improving customer service, grants management and communication. The competition program, training for applicants, certification of Agency staff, standardization of business practices, the post award management program and deployment of the Integrated Grant Management System, mark a solid year of accomplishment. We are proud of the efforts we have made as an Agency and in cooperation with our colleagues throughout the Federal sector. Much more remains to be done before we can claim success in making grant transactions easier, cheaper, quicker and more understandable for applicants, while improving grant management across the board. EPA is committed to that effort.

Report of the Activities of the P.L. 106-107 Workgroups and E-Grants

I. PURPOSE

This is an annual progress report on the collaborative efforts of 26 Federal agencies to streamline and simplify the award and administration of Federal grants.¹ It covers interagency activities between May 2001 and May 2002, the first annual period following the agencies' submission of an initial plan for these efforts.² The submission of this annual progress report to the Congress and the Office of Management and Budget (OMB) is required by Section 5 of the Federal Financial Assistance Management Improvement Act of 1999 (Public Law 106-107, "the Act").

II. A NEW PARTNERSHIP OF P.L. 106-107 AND E-GRANTS

The creation of an electronic grants (E-grants) initiative is a major development related to the streamlining and simplification efforts described in the May 2001 initial plan. This new initiative is a part of the electronic government (E-Gov) priority under the President's Management Agenda (PMA).³ The PMA states that, through E-Gov, the agencies will use technology to "allow applicants for Federal grants to apply for and ultimately manage grant funds online through a common web site, simplifying grants management and eliminating redundancies in the same way as the single procurement portal will simplify purchasing." As the first step toward this E-grants portal,⁴ the E-grants initiative plans to deploy in October 2003 a site for electronic submission of applications. The planned E-grants portal relates directly to interagency efforts to implement P.L.106-107—electronic processes are integral to many of the streamlining and simplification activities described in this report and a stated purpose of the Act itself is to create a common application and reporting system that includes electronic processes. To take advantage of the interrelationship between the P.L.106-107 and E-grants efforts, and to maximize the effectiveness of both efforts, the OMB and the agencies made a change to the organizational approach described in last year's plan. That plan described four interagency work groups created to develop and recommend streamlining and simplification proposals to the Grants Management Committee of the Chief Financial Officers Council—the Pre-Award, Post-Award, Audit Oversight, and Electronic Processing Work Groups. The organizational change is the integration of the Electronic Processing Work Group into the organizational

¹ As in the initial plan submitted to the Congress in May 2001, the term "grant" used in this report includes cooperative agreements.

² The initial plan is available in two electronic formats at the Chief Financial Officers Council web site, www.cfoc.gov, under the Grants Management Committee.

³ The President's Management Agenda, Fiscal Year 2002 is available at <http://www.whitehouse.gov/omb/budget/fy2002/mgmt.pdf>. More details about the E-Gov priority and E-Grants initiative are available in the strategy for the former and Business Case for the latter, both of which are available at the E-Gov web site (www.egov.gov).

⁴ Note that the initial plan described efforts toward deployment of an electronic portal called the "Federal Commons." The E-grants initiative is using the term "E-grants portal" for that system.

structure supporting the Program Manager for the E-grants initiative at the Department of Health and Human Services.⁵

III. PROGRESS REPORTS BY AREA

This section discusses the progress on the interagency streamlining and simplification efforts since the submission of the May 2001 plan. It also describes plans for the efforts that the agencies will undertake in future years through the P.L. 106-107 work groups and through the E-grants initiative. The agencies have greatly benefited from consultations with affected applicant and recipient communities in carrying out these streamlining and simplification efforts.

This section is organized to parallel the grant pre-award and post-award processes. In areas where there may be differences in approach for discretionary grants and mandatory grants (including block grants, certain formula grants, and entitlement grants), the discussion will address the two classes of grants separately.

A. Announcements of Funding Opportunities

Each year Federal agencies publish hundreds of funding opportunity announcements for discretionary grants under programs with a broad range of purposes. The purpose of the announcements is to give potential applicants the information they need, such as the types of activity the agency will support, who is eligible to apply, and when and how to apply. Announcements are issued primarily for discretionary grant opportunities; they generally are not used for mandatory grants.

Public comments from applicant and recipient communities indicated significant potential for improvements in areas related to announcements. Some commenters noted the lack of a central source for obtaining information about all Federal agencies' current funding opportunities. Commenters also pointed out that information in Federal agencies' announcements is organized in many different ways, making it hard for potential applicants to quickly locate information they need, such as who is eligible to apply or whether cost sharing is required. Finally, commenters raised issues about business practices related to the application process (e.g., the amount of time that applicants are given to prepare applications and varying criteria that different Federal agencies use in determining that an application is late).

To provide a central source for information about Federal grant opportunities, the E-grants Program Office and Pre-Award Work Group are working with the General Services Administration (GSA) on a new segment of the GSA's FedBizOpps Internet site (www.fedbizopps.gov). Federal agencies currently post synopses of their acquisition opportunities at FedBizOpps and the new segment will display their grant opportunities. When the new segment is operational, the public will have access at that one location to summary information on all agencies' grant funding opportunities. If anyone wishes additional information on a funding opportunity, FedBizOpps will provide an electronic link to the web site where the full announcement is posted. The E-grants Program Office is working with the GSA to design the site and prepare for its deployment, while the Pre-Award Work Group is reviewing

⁵ The E-Grants Program Manager is at the Department of Health and Human Services (DHHS) because the OMB designated the DHHS as the lead agency for the E-grants initiative. The DHHS also is the OMB-designated lead agency under P.L. 106-107, as stated in the May 2001 initial plan.

the proposed FedBizOpps content to make sure it includes the information that potential applicants need when they decide if they are interested in a funding opportunity and want to review the full announcement.

Following a review of agency announcements and related business processes, the Pre-Award Work Group began to develop a government-wide standard format for use in discretionary grant announcements. Issuing a standard format in the near term will result in immediate benefits for applicants; for example, they will be able to find eligibility information in the same place in different agencies' announcements. While Federal agencies and applicants begin to use the standard format, the work group will continue to address its second objective—policy guidance on related business practices such as criteria for determining that applications are late—for incorporation into subsequent updates to the format.

Summary of This Year's Progress

- ◆ The E-grants Program Office and GSA planned for selected Federal agencies to pilot test the FedBizOpps grants segment. The grants segment will have synopses of the agencies' funding opportunities with electronic links to the full announcements.
- ◆ The Pre-Award Work Group refined the proposed FedBizOpps data elements. The OMB vetted the proposed elements with the 26 Federal grant-making agencies in advance of a formal proposal for public comment.
- ◆ The Pre-Award Work Group prepared a standard announcement format. The OMB circulated the format for Federal agencies' review, in preparation for proposing it for public comment.

Future Plans

- ◆ The Pre-Award Work Group will provide a final set of FedBizOpps data elements to the GSA and E-grants Program Office after resolving public comments from OMB's publication of proposed data elements in the *Federal Register*.
- ◆ The GSA will deploy the grants segment of the FedBizOpps Internet site.
- ◆ The E-grants Program Office will work with the GSA to explore the potential for upgrading the grants segment of FedBizOpps to automatically notify users by e-mail when agencies post new opportunities meeting user-identified criteria.
- ◆ The E-grants Program Office will work with the GSA to try to establish links between FedBizOpps and the *Catalog of Federal Domestic Assistance* (CFDA). The CFDA contains general descriptions of Federal domestic programs that use assistance instruments. The links would allow users direct access to the CFDA from the FedBizOpps site.
- ◆ The OMB will issue guidance requiring agencies to adopt the standard announcement format after publication in the *Federal Register* and resolution of public comments by the Pre-Award Work Group.

- ◆ The Pre-Award Work Group will develop guidance on business practices related to the application process, such as criteria for determining that applications are late, for incorporation into future OMB issuances of the standard announcement format.

B. Applications

An applicant for a discretionary grant must submit to the Federal awarding office information about itself and what it proposes to do with the Federal funds if it receives the grant. The awarding office uses the information for various purposes, such as establishing the applicant's eligibility, assessing the technical feasibility of the project or services the applicant proposes to carry out, and determining the appropriateness of the proposed budget for the project or services. The Federal awarding office may require the applicant to submit the information using specific paper or electronic forms or formats, which vary among the different Federal agencies and programs.

Regardless of the application form or format, the types of information an applicant for a discretionary grant submits fall into four broad categories: general cover information, such as information that appears on the face sheet of the SF-424; budgetary information; program-specific information, which may be objective data (e.g., quantitative information provided in a specified form or format), narrative, or other information; and certifications and assurances of compliance with national policy and administrative requirements. An applicant for a mandatory grant submits information in comparable categories although the applicant may be allowed to determine the format and the particular data and level of detail may differ from what is required for discretionary grants.

Since the submission of the initial plan in May 2001, the responsibility for defining a standard set of data elements for grant applications was transferred from the Pre-Award Work Group to the E-grants Program Office. The purpose of this transfer was to avoid duplication of effort, since defining the data set is an essential step in the E-grants initiative's planned deployment of an electronic system for discretionary grant applications. However, the goal remains the same—to adopt a standard core set of data elements for cover, budgetary, and program-specific information as well as certifications and assurances that agencies require at the time of application. Additional elements would require approval on a case-by-case basis through an OMB-sanctioned process.

In carrying out this effort, the E-grants Program Office will build upon previous work of the Pre-Award and Electronic Processing Work Groups. This year, the Pre-Award Work Group established a baseline of current agency practices for cover and budget information and other objective data by reviewing information requirements in more than 50 application forms and formats used in a sample of 102 discretionary grant programs of 18 Federal agencies. Due in part to variations in how different Federal agencies ask for the same or similar information, the baseline includes more than 2,800 data elements. The E-grants initiative will use that analysis and the work of the Electronic Processing Work Group that resulted in the Transaction Set (TS) 194 and its associated data dictionary. The TS 194 is approved by the National Institute of Standards and Technology as an American National Standards Institute standard for use in electronic data interchange transactions. It is one of a number of transaction sets developed as industry and government standards to ensure that electronic transactions are conducted in a uniform way.

While the E-grants initiative's initial core data set will include certifications and assurances that agencies require at the time of application, the Pre-Award Work Group will continue its review to determine whether there are simpler ways to obtain certifications and assurances. This year, the work group examined current practices of discretionary programs in 14 agencies. They found significant differences in the types and numbers of certifications and assurances required, as well as variations in when agencies obtain them (e.g., with applications or at time of award). Public comments suggested that there is an excellent potential for streamlining in this area. The work group is considering ways to eliminate differences that are not justified. The results of the work group's review may affect future updates to the certifications and assurances portion of the E-grants application data set.

In parallel with these efforts, the E-grants Program Office is reviewing available approaches to electronic transmission of grant applications to determine the most cost-effective approach for government-wide adoption. This includes a review of Federal agencies' electronic application systems as well as a market survey of available commercial products. The goal is to achieve savings if the E-grants effort can adopt or adapt existing approaches for general use. In addition to allowing submission of applications, the system should allow applicants to inquire about the status of their applications after submission and before agency funding decisions.

Summary of This Year's Progress

- ◆ The Pre-Award Work Group established a baseline of information that agencies currently require discretionary grant applicants to submit.
- ◆ The E-grants Program Office issued a Request for Information and evaluated the numerous responses from industry on capabilities of existing software, including World Wide Web-enabled applications, to meet Federal Government requirements for electronic grants.
- ◆ To further advance the E-grants goals of the President's Management Agenda, the National Institutes of Health, National Science Foundation, Department of Agriculture, National Oceanic and Atmospheric Administration, National Aeronautics and Space Administration, and Office of Naval Research initiated a pilot project to test multi-agency use of a World Wide Web-based application mechanism for discretionary grants.

Future Plans

- ◆ The E-grants Program Office will deploy an electronic system to accept electronic applications for discretionary grants.
- ◆ The E-grants Program Office will expand the system to allow electronic submission of plans and applications under mandatory grant programs.
- ◆ OMB will revise the Standard Form-424 for use by applicants who prefer to submit paper applications, in order to incorporate the set of core data elements developed for the E-grants portal.
- ◆ The E-grants Program Office will work with the Central Contractor Registration (to be superseded by the Integrated Vendor Profile Network) to explore the possibility of

integrating the registry of organizational profiles of grant applicants and recipients with the existing registry for procurement contractors.

- ◆ The E-grants Program Office will integrate the E-grants portal's grant application component with the organizational profile and FedBizOpps.

C. Non-Procurement Debarment and Suspension

The Interagency Committee on Debarment and Suspension, which is associated with the Pre-Award Work Group, is updating two government-wide common rules—the rule on non-procurement debarment and suspension and the rule on drug-free workplace requirements. The debarment and suspension rule helps to prevent poor performance, waste, fraud, and abuse in Federal programs by ensuring that federally funded activities are conducted with responsible entities. The drug-free workplace rule implements the Drug-Free Workplace Act of 1988, as it applies to grants. The objectives of the updating effort are to provide better protection for Federal programs and to streamline and to simplify the rules by making them clearer and easier to use and by reducing unnecessary requirements for applicants and recipients.

The proposed updates to the rules should benefit applicants and recipients by:

- Reconciling unnecessary differences between the government-wide common rule on non-procurement debarment and suspension and the corresponding rule for Federal agencies' procurement contracts, which is in the Federal Acquisition Regulation.
- Using plain language. Plain language should improve understanding of the requirements of the two rules, contributing to compliance and protection of Federal program interests.
- Simplifying the requirements of the rules. For example, the proposed updates to the two rules would let Federal agencies use assurances of compliance in lieu of certifications and obtain them periodically from recipients on an institutional basis. This streamlines the current requirement to obtain a certification from each applicant with each application it submits, whether the application ultimately is successful or unsuccessful. Institutional assurances can reduce burdens on recipients and provide the same recipient compliance and protection of Federal programs.

Summary of This Year's Progress

- ◆ Thirty Federal agencies jointly published the proposed updates to the two rules in the *Federal Register* [67 FR 3266, January 23, 2002] for public comment. An additional four agencies plan to publish separately.

Future Plans

- ◆ The agencies will work with the OMB to publish final versions of the updated requirements.

D. Awards

Award documents are formal agreements between Federal awarding agencies and recipients that delineate the parties' rights and obligations. The Pre-Award Work Group is seeking to reduce unnecessary burdens on recipients by streamlining and simplifying the three major components

of award documents: cover information; terms and conditions addressing administrative requirements, which generally relate to the governing OMB Circulars A-102 and A-110; and terms and conditions for national policy requirements in statutes, Executive orders, and other mandates separate from the OMB circulars. The objectives are to develop: a set of standard award data elements for use in either paper or electronic awards; a standard organization of the information for use in paper transactions; and standard language for award terms and conditions that are common to awards of different Federal agencies. For electronic transactions, the agencies ultimately will transmit award information through the E-grants portal.

This year, to establish a baseline of current practices, the Pre-Award Work Group reviewed a sample of discretionary award documents from programs of 15 Federal agencies. The group plans to review a corresponding sample of awards under mandatory grant programs. A preliminary analysis of agencies' discretionary awards revealed considerable variation in content and organization and the work group began the more detailed analysis that is the first step toward standard data elements, language, and organization.

As an integral part of the effort to develop uniform terms and conditions addressing administrative requirements, the work group will review the underlying requirements in OMB Circulars A-102 and A-110. Some variations in award terms and conditions are due to the ways that agencies implement the circulars. Other variations are due to differences between the two circulars themselves, since they sometimes address the same subject in different ways. While some differences between the circulars may be justified because they apply to different types of recipients, it could be helpful to recipients to eliminate other differences. The work group will recommend to the OMB any improvements in the circulars that would eliminate needless differences or simplify recipients' administration of awards, while maintaining necessary stewardship of Federal funds.

Summary of This Year's Progress

- ◆ The Pre-Award Work Group established a baseline of requirements in a representative sample of agency discretionary awards and began the detailed analysis that is prerequisite to development of standard data elements, language, and organization.

Future Plans

- ◆ The Pre-Award Work Group will perform a parallel analysis of mandatory award documents.
- ◆ The Pre-Award Work Group will recommend standard data elements, language, and organization for information that is common to awards of different Federal agencies.
- ◆ The Pre-Award Work Group will recommend any changes to OMB Circulars A-102 and A-110 that would promote uniformity in award terms and conditions addressing administrative requirements.

E. Cost Principles

The Office of Management and Budget (OMB) issues cost principles that define allowable costs under federally supported programs and projects. Different sets of cost principles, developed at different times, apply to different types of grantees—OMB Circular A-21, "Cost Principles for Educational Institutions;" A-87, "Cost Principles for State, Local, and Indian Tribal

Governments;” and A-122, “Cost Principles for Non-Profit Organizations.” All three sets of cost principles share the same purpose but use different language in some cases to describe similar cost items. This sometimes results in different interpretations by Federal staff, recipients, and auditors. Public comments indicated the need for more consistent language to describe similar cost items and for clarification of some of the cost principles.

The Cost Principles Subgroup under the Post-Award Work Group reviewed the three circulars to determine the potential for streamlining the circulars and using common language to describe cost items included in two or more circulars.

Summary of This Year’s Accomplishments

- ◆ The Cost Principles Subgroup completed its analysis and is proposing common language for 41 cost items, deleting 9 cost items, leaving 23 cost items unchanged.

Future Plans

- ◆ OMB will publish the recommendations in the *Federal Register* for public comment. Following the subgroup’s resolution of public comments, the OMB will issue revised circulars.

F. Payment Systems

Historically, each agency has used its own payment system or one of several payment systems that serve multiple agencies to make payments to its grant recipients. As a result, recipients that receive payments from more than one agency generally have to interface with multiple payment systems, each with its own set of requirements and procedures. Public comments noted the considerable administrative burden created by this situation.

To reduce this burden, the Chief Financial Officers (CFO) Council decided to reduce the number of payment systems and designated three systems for use by the 24 Federal grant-making agencies subject to the CFO Act of 1990. Federal civilian agencies are to use either the Department of the Treasury’s Automated Standard Applications for Payment System (ASAP) or the Payment Management System (PMS) of the Department of Health and Human Services (DHHS). By October 1, 2002, those agencies should be using only the designated systems. Department of Defense component organizations are to use the Defense Procurement Payment System.

Summary of This Year’s Accomplishments

- ◆ All but one of the civilian grant-making agencies subject to the CFO Act has selected one of the two designated payment systems. The remaining agency has contracted for an independent review of the two systems to determine which is most advantageous for their agency. The agency expects to make a decision by September 30, 2002.

Future Plans

- ◆ The Post-Award Work Group will document the progress made by the 24 agencies.

- ◆ The E-grants Program Office will perform the analysis to develop a common customer interface to the three payment systems (so that the systems will appear identical to recipients when requesting a payment).

G. Post-Award Reporting

Post-award reports are a primary tool used by Federal agencies for monitoring recipient progress and activities under grants. At a minimum, all grants require financial and performance reporting by recipients although the form, frequency, or level of detail may differ. Some agencies or programs also require other types of reports. Currently, there are only a few government-wide standard reports used in discretionary and mandatory grant programs. For other reports, agencies establish their own requirements for report content and submission. Public comments expressed concerns with the number of forms and formats required by the agencies for reporting purposes, the level of detail required, and the frequency and means of submission. The Post-Award Work Group established a Reporting Subgroup to develop a core set of standard data elements for financial, performance, and other reports (e.g., environmental and property), as well as uniform business processes when practicable.

Summary of This Year's Accomplishments

- ◆ The Reporting Subgroup completed a baseline of the major categories of reports that Federal agencies require of recipients.
- ◆ The Reporting Subgroup developed standard data elements and policy guidance for a government-wide summary invention report and is exploring use of an interactive World Wide Web-based form to facilitate the submittal of the report.
- ◆ The Reporting Subgroup developed standard data elements and a report format for a single standard financial report that is intended to replace the SF-272, "Federal Cash Transactions Report," and the SF-269, "Financial Status Report."

Future Plans

- ◆ OMB will publish the standard data elements and policy guidance for the summary invention report in the *Federal Register* for comment. Following resolution by the Reporting Subgroup of public comments, the National Institutes of Health will place the interactive web form on the Interagency Edison invention reporting system (iEdison), and the OMB will issue policy guidance.
- ◆ The Reporting Subgroup will explore the possibility of incorporating any post-award environmental reporting into performance reports, eliminating the need for separate reports.
- ◆ The Reporting Subgroup will complete the development of a set of core data elements for a standard property report.
- ◆ The Reporting Subgroup will develop core data elements or a standard format/formats for performance reporting.

- ◆ The Reporting Subgroup will work with the E-grants Program Office to implement the revised reporting requirements through the E-grants portal.

H. Audits

Audits are an important means of providing reasonable assurance that grant recipients are managing Federal awards in compliance with applicable laws and regulations and the terms and conditions of the agreement. OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations” requires recipients that expend \$300,000 or more in year in Federal funds to have an independent audit for that year and sets forth standards for obtaining consistency and uniformity among Federal agencies for those audits. When submitting their A-133 audits, auditees must submit copies of a reporting package, which includes the auditor’s report, to a Federal Audit Clearinghouse (FAC). Reviewing the quality of the audits is the responsibility of federal cognizant/oversight agencies.

During the past year, the Audit Oversight Work Group reviewed the A-133 audit process, focusing on areas that had been identified by Federal agencies, auditors, or recipients as needing improvement. These areas included a review of the operations of the FAC and the quality of audits. The Work Group also undertook efforts to familiarize Federal program officials and recipients with the operation and expected benefits of single audits and to find ways to ensure that all required audits are completed and submitted timely.

Summary of This Year’s Accomplishments

- ◆ The Audit Oversight Work Group’s review of FAC operations resulted in two new initiatives: the development of special FAC reports and a study to determine the feasibility of providing electronic copies of all or part of single audit reports.
- ◆ The Audit Oversight Work Group developed and distributed a pamphlet, “Highlights of the Single Audit Process,”⁶ to more than 40,000 Federal recipients and Federal agencies in order to ensure a better understanding of the single audit process.
- ◆ The Audit Oversight Work Group recommended to the Grants Management Committee of the CFO Council a plan to identify recipients who failed to submit timely audit reports.

Future Plans

- ◆ The Audit Oversight Work Group will work with the FAC to develop special reports to the Federal agencies on audit compliance and to have the FAC provide electronic copies of single audit reports, if found feasible.
- ◆ The Audit Oversight Work Group will complete a plan for using information available from Federal payment systems to help identify recipients who are delinquent in providing single audit reports. This will enable the agencies to follow-up as necessary to obtain recipients’ compliance.

⁶ The pamphlet can be accessed at http://www.dot.gov/ost/m60/grant/HTML_10_22.htm.

- ◆ The Audit Oversight Work Group, in conjunction with OMB, will issue reports recommending actions to promote agencies' reliance on the single audit as a monitoring tool.
- ◆ The Audit Oversight Work Group will recommend improvements to the structure of the Compliance Supplement to OMB Circular A-133, to enable easier use by the audit community and enhance the quality of guidance to auditors.
- ◆ The Audit Oversight Workgroup will review grantee and subgrantee monitoring practices and recommend any improvements that are warranted.

IV. THE ROAD AHEAD

The interagency efforts to streamline and simplify the award and administration Federal grants will be a long journey. We are under way and have passed some important milestones: the creation of the partnership with the E-grants initiative, one of 24 E-Gov initiatives; the plain language pamphlet on single audits; meaningful progress on the standard format for announcing funding opportunities; and significant steps toward updating government-wide policies on debarment and suspension and drug-free workplace. The considerable resources dedicated to these efforts include the combined talent, dedication, and enthusiasm of Federal agency participants in the streamlining and simplification effort and our counterparts in the applicant and recipient communities. We have made significant progress and see great opportunities to make transactions with Federal agencies easier, cheaper, quicker, and more understandable for the many thousands of grant applicants and recipients.