
Testimony of Dr. Ed Sontag
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Department of Health and Human Services
April 29, 2003
House Committee on Governmental Reform,
Subcommittee on Technology and Information Policy

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 more than \$360 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 will be 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. 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.

**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) 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.