

## PROGRESS REPORT ON IMPLEMENTATION OF PUBLIC LAW 106-107

### 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.<sup>1</sup> 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.<sup>2</sup> 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).<sup>3</sup> 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,<sup>4</sup> 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,

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

<sup>2</sup> The initial plan is available in two electronic formats at the Chief Financial Officers Council web site, [www.cfoc.gov](http://www.cfoc.gov), under the Grants Management Committee.

<sup>3</sup> 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](http://www.egov.gov)).

<sup>4</sup> 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.

Post-Award, Audit Oversight, and Electronic Processing Work Groups. The organizational change is the integration of the Electronic Processing Work Group into the organizational structure supporting the Program Manager for the E-Grants initiative at the Department of Health and Human Services.<sup>5</sup>

### **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 Management 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](http://www.fedbizopps.gov)). Federal agencies currently post synopses of their acquisition opportunities at FedBizOpps and the new segment will display their grant opportunities. When

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<sup>5</sup> 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 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 Management Office is working with the GSA to design the site and prepare for its deployment, while the Pre-Award Work Group is reviewing 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 Management 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 and, on August 12, 2002, proposed them for public comment in the *Federal Register*.
- ◆ The Pre-Award Work Group prepared a standard announcement format. The OMB circulated the format for Federal agencies' review and, on August 12, 2002, proposed it for public comment in the *Federal Register*.

#### Future Plans

- ◆ The Pre-Award Work Group will provide a final set of FedBizOpps data elements to the GSA and E-Grants Program Management Office after resolving public comments from OMB's August 12, 2002 publication of the proposed data elements in the *Federal Register*.
- ◆ The GSA will deploy the grants segment of the FedBizOpps Internet site.
- ◆ The E-Grants Program Management 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 Management Office will work with the GSA 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 resolution by the Pre-Award Work Group of public comments received in response to the August 12, 2002 *Federal Register* notice.
- ◆ 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 discretionary grant applications was transferred from the Pre-Award Work Group to the E-Grants Program Management 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 Management 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 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 Management 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 Management 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.
- ◆ A multi-agency work group, comprised of research agencies, initiated a pilot project to help establish a possible electronic solution for the collection of discretionary grant applications via the Internet.

### Future Plans

- ◆ The E-Grants Program Management Office will deploy a unified electronic system to accept electronic applications for discretionary grants across the government.

- ◆ The E-Grants Program Management 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 Management 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 Management 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 recommending common language for 41 cost items, deleting 11 cost items, and leaving 22 cost items unchanged. On August 12, 2002, OMB published the Subgroup’s recommendations in the *Federal Register* for public comment.

Future Plans

- ◆ After the Cost Principles Subgroup resolves public comments on the August 12, 2002 *Federal Register* notice, 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 Management 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 Management 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,"<sup>6</sup> 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.
- ◆ 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

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<sup>6</sup> The pamphlet can be accessed at [http://www.dot.gov/ost/m60/grant/HTML\\_10\\_22.htm](http://www.dot.gov/ost/m60/grant/HTML_10_22.htm).

## ENCLOSURE 1

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.