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Report to Congressional Committees

May 2011

GRANTS.GOV

Additional Action Needed to Address Persistent Governance and Funding Challenges

GAO-11-478

GAO Accountability • Integrity • Reliability

Highlights

Highlights of GAO-11-478, a report to congressional committees

May 2011

GRANTS.GOV

Additional Action Needed to Address Persistent Governance and Funding Challenges

Why GAO Did This Study

In response to the Federal Financial Assistance Management Improvement Act of 1999, the Office of Management and Budget (OMB), among other things, deployed Grants.gov as the central grant identification and application portal for federal grant programs in 2003 and named the Department of Health and Human Services (HHS) its managing partner. As a result of funding and governance challenges—such as untimely contributions, a lack of performance metrics, unclear lines of authority, and confusion over roles and responsibilities among Grants.gov's governance bodies—that have adversely affected operations, GAO is required to examine (1) key factors HHS should consider when proposing a funding model for Grants.gov, and (2) how the Grants.gov governance bodies could address Grants.gov's previously identified governance challenges. To do this, GAO analyzed agency documents and interviewed officials at HHS, OMB, the Grants Executive Board (GEB), three case study agencies that manage similar E-Gov initiatives and three Grants.gov partner agencies.

What GAO Recommends

GAO is making four recommendations to HHS aimed at improving Grants.gov's funding calculation, cost tracking, and annual and strategic plan; and knowledge-sharing with other E-Gov initiatives. HHS generally agreed with our findings and recommendations.

View GAO-11-478 or key components.
For more information, contact Stanley J. Czerwinski at (202) 512-6806 or czerwinskis@gao.gov.

What GAO Found

In keeping with OMB's expectation to move toward a fee-for-service model, starting with the fiscal year 2010 budget, the Grants.gov contribution calculation changed to better reflect agencies' use of Grants.gov's services. However, GAO found that the calculation results in different contribution amounts for agencies with similar usage profiles because the calculation includes a measure of agency size that does not correlate well with an agency's use of Grants.gov. For example, usage data for the fiscal year 2011 contributions indicates that the Department of Housing and Urban Development (HUD, a large agency) posted 40 grant opportunities and received 4,817 applications through the Grants.gov Web site while the National Endowment for the Humanities (NEH, a small agency) posted 42 opportunities and received 4,577 applications. However, HUD's contribution is $414,422 while NEH's is $155,159. In addition, GAO found that the Grants.gov Program Management Office (PMO) does not track and report on certain key costs, limiting partner agencies' ability to understand the relationship between services received and amounts paid for that service. Grants.gov also does not charge partner agencies for all known costs, which can result in some agencies subsidizing other agencies' use of the system. Finally, Grants.gov continues to suffer from untimely agency contributions. While the other E-Gov initiatives GAO spoke with report similar challenges, some take mitigating steps that aid them in managing delays. They are: (1) depositing partner fees/contributions into multiyear appropriation accounts and (2) receiving some form of funds from their managing partners until partner agency contributions become available.

Accountability and responsibility for Grants.gov performance among its governance bodies—the PMO, GEB and HHS's Office of the Chief Information Officer (OCIO)—remains unclear. Since GAO first reported on these issues in July 2009, some progress has been made clarifying roles and responsibilities, developing performance measures to track important aspects of system performance, and providing partner agencies with key performance and cost information. However, although the GEB and the OCIO continue to share responsibility for approving major changes to, and funding for, the Grants.gov system, there remains little evidence that the GEB-approved funding for Grants.gov is considered in HHS's review of Grants.gov as an IT investment as required by OMB guidance. In addition, Grants.gov's performance measures have not changed since GAO reported on them and still do not provide a clear picture of system performance. Finally, Grants.gov does not communicate some key performance and activity cost information with its partner agencies.

A new federal grants governance model under OMB review would merge various Grants.gov governance entities and serve as the federal grants advisory body responsible for establishing the direction for and coordinating all governmentwide grants initiatives, including Grants.gov. As a preliminary, concept document, it is understandable that it contains few implementation details; however, the proposal lacks even an overview of several critical elements, such as how grants initiatives would be managed as IT investments.

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Abbreviations

CCB	Change Control Board
CFO	Chief Financial Officer
CIO	Chief Information Officer
CNCS	Corporation for National and Community Service
CPIC	Capital Planning and Investment Control
DAIP	Disaster Assistance Improvement Program
DHS	Department of Homeland Security
DOE	Department of Energy
DOI	Department of the Interior
DOL	Department of Labor
E-Gov	Electronic Government
FEMA	Federal Emergency Management Agency
FPDS	Federal Procurement Data System
FY	Fiscal Year
GEB	Grants Executive Board
GPC	Grants Policy Committee
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IAE	Integrated Acquisition Environment
IT	information technology
MOU	Memorandum of Understanding
NEH	National Endowment for the Humanities
OCIO	Office of the Chief Information Officer
OMB	Office of Management and Budget
PMO	Program Management Office

GAO
Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

May 6, 2011

The Honorable Tom Harkin
Chairman
The Honorable Richard Shelby
Ranking Member
Subcommittee on Labor, Health and Human Services,
Education, and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Denny Rehberg
Chairman
The Honorable Rosa Delauro
Ranking Member
Subcommittee on Labor, Health and Human Services,
Education, and Related Agencies
Committee on Appropriations
House of Representatives

Grants.gov[1] serves as the central grant identification and application portal for more than 1,000 federal grant programs that fund approximately $500 billion in grants from 26 grant-making agencies for activities such as training, research, planning, construction, and the provision of services in areas such as health care, education, transportation, and homeland security. However, as we have previously reported, the Department of Health and Human Services (HHS), Grants.gov's managing partner, has faced funding and governance challenges that have adversely affected Grants.gov operations.[2] For example, we said that Grants.gov's challenges had in some cases led to late or incomplete applications and lost opportunities for both grantees and the population that may have benefited from the grantee's programs and services. In March 2009, the Office of Management and Budget (OMB) also noted that the Grants.gov system had experienced periods of noticeably degraded performance and

[1] http://www.grants.gov/.

[2] GAO, *Recovery Act: Consistent Policies Needed to Ensure Equal Consideration of Grant Applications*, GAO-09-590R (Washington, D.C.: Apr. 29, 2009) and GAO, *Grants Management: Grants.gov Has Systemic Weaknesses That Require Attention*, GAO-09-589 (Washington, D.C.: July 15, 2009).

described the system as being at serious risk for failure. Concerned about the impending influx of Recovery Act-related grant applications, OMB instructed federal grant-making agencies with viable alternatives to identify temporary, alternate methods for accepting grant applications and in April 2009, instructed the agencies to cover the additional costs of urgent improvements to the system.[3] In a July 2009 report, we recommended that the Director of OMB work with HHS to develop Grants.gov system performance measures, guidance clarifying the governance structure, a structured means for applicant input, and uniform policies for processing grant applications. OMB and HHS generally agreed with our recommendations; while they have taken some steps to address them, they have not yet fully implemented the recommendations.

This report responds to a mandate to examine the Grants.gov system and make recommendations to improve system management, focusing on a business model that provides an adequate, reliable funding stream and the appointment of a unified administrative body that is delegated both control and resources. To accomplish this, we evaluated (1) key factors HHS should consider when proposing a funding model for Grants.gov, and (2) how the Grants.gov governance bodies could address Grants.gov's previously identified governance challenges. In order to address both objectives, we reviewed available reports and documentary evidence and conducted interviews with relevant officials from OMB, HHS, and the Grants Executive Board (GEB). To obtain further information for both objectives, we also selected three case study agencies—the Department of Labor (DOL), the Department of Homeland Security (DHS), and the General Services Administration (GSA)—all of which are managing partners of other E-Government (E-Gov) initiatives identified by OMB as similar to Grants.gov. To draw on the experiences of these three managing partners, we reviewed available reports and documentary evidence and conducted interviews at DOL – managing partner of Benefits.gov (see app.

[3]Office of Management and Budget, *Recovery Act Implementation—Improving Grants.gov and Other Critical Systems*, M-09-14 (Washington, D.C.: Mar. 9, 2009) and Office of Management and Budget, *Improving Grants.gov*, M-09-17 (Washington, D.C.: Apr. 8, 2009). In April 2010, OMB reported that these risks had been successfully mitigated and instructed federal grant-making agencies to resume using the apply function of Grants.gov for all programs that previously used this functionality by April 30, 2010. See Office of Management and Budget, *Grants.gov - Return to Normal Operations*, M-10-16 (Washington, D.C.: Apr. 23, 2010). According to the Grants.gov PMO, all federal partners but one—with some additional individual programmatic exceptions—use both the find and apply functions. In fiscal year 2010, 4,217 discretionary synopses were posted and 246,631 applications were submitted.

II); DHS/Federal Emergency Management Agency (FEMA) – managing partner of Disaster Assistance Improvement Program (DAIP) (see app. III) and GSA – managing partner of Integrated Acquisition Environment (IAE) (see app. IV). Each of these initiatives have funding and governance models similar to those of Grants.gov. In addition, in order to obtain more information from the perspective of Grants.gov partner agencies, we interviewed relevant officials at the Departments of Homeland Security, Labor, and the Interior.

We conducted this performance audit from April 2010 to May 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Over 1,000 federal grant programs are disbursed and managed by 26 federal agencies and other federal grant-making organizations. Because of concerns about the burden on grantees of the varying requirements imposed by these different grant programs, Congress enacted the Federal Financial Assistance Management Improvement Act of 1999, commonly referred to by the grants community and OMB as Public Law 106-107.[4] Among other things, the act also required OMB to direct, coordinate, and assist agencies in developing and implementing a common application and reporting system that included electronic processes with which a nonfederal entity can apply for multiple grant programs that serve similar purposes but are administered by different federal agencies.[5] In response to Public Law 106-107, among other things, OMB created Grants.gov (initially known as e-Grants), and included it among the initiatives designated in OMB's 2002 E-Government Strategy.[6] As these programs

[4]Pub. L. No. 106-107 (Nov. 20, 1999).

[5]For more information on Public Law 106-107 implementation, see GAO, *Grants Management: Additional Actions Needed to Streamline and Simplify Processes*, GAO-05-335 (Washington, D.C.: Apr. 18, 2005), GAO, *Grants Management: Grantees' Concerns with Efforts to Streamline and Simplify Processes*, GAO-06-566 (Washington, D.C.: July 28, 2006) and GAO-09-589.

[6]Office of Management and Budget, *E-Government Strategy* (Washington, D.C.: Feb. 27, 2002).

were initiated shortly after the E-Government Act of 2002 became law,[7] we refer to them in this report as legacy E-Gov initiatives. The Grants.gov Web site was deployed with both the "Find" and "Apply" tools on October 31, 2003, and was meant, in part, to improve the announcement and application stages (together known as the pre-award stage) of the grant-making process for grantees. OMB has directed that almost all federal discretionary grant opportunities should be posted to the Grants.gov Web site; applicants can search for grant opportunities by agency or across agencies using the "Find" mechanism. Many grant announcements include a link to application forms and instructions.

Grants.gov Governance

As with all legacy E-Gov initiatives, OMB established a management structure to oversee the initiative and to facilitate a collaborative working environment for Grants.gov. This management structure included a managing partner agency—HHS—to manage the system and to coordinate agency involvement in managing and developing procedures supporting the use of the system. The Grants.gov oversight and management structure also includes the GEB, and the Grants.gov Program Management Office (PMO).

Managing Partner Agency. As managing partner for Grants.gov, HHS is responsible for managing Grants.gov. HHS is also responsible for managing Grants.gov as an information technology (IT) investment through HHS's Office of the Chief Information Officer (OCIO). The OCIO is required to manage Grants.gov through HHS's capital programming and budget process. The HHS Office of Grants provides departmental input to Grants.gov and other governmentwide grant initiatives, and key leadership and oversight on Grants.gov management and implementation.

Grants Executive Board (GEB). The GEB was established in 2002 at HHS's request to help coordinate agency involvement in managing Grants.gov and consists of grant-making officials from the 26 partner agencies. The GEB's role is to provide strategic leadership and resources to Grants.gov, including reviewing implementation and operational policies, the Grants.gov budget, and the level of financial contribution of each partner agency. The GEB charter states that it "will serve as an authoritative voice for the grant-making agencies, providing a governance

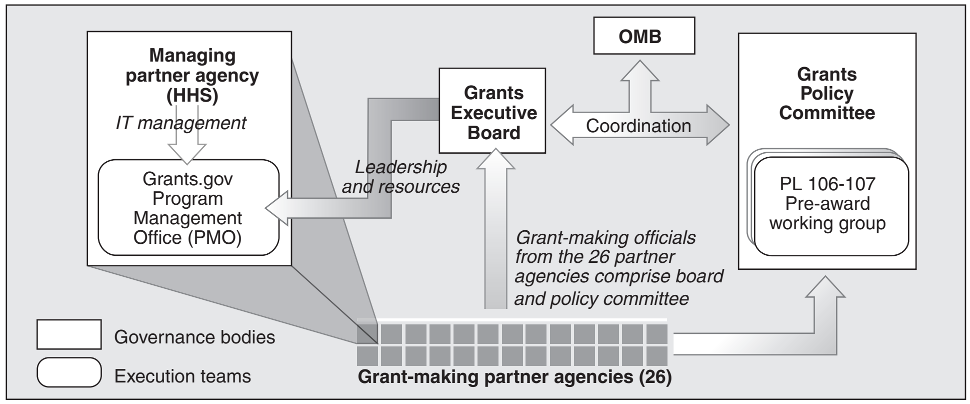
[7]Pub. L. No. 107-347 (Dec. 17, 2002).

body that can vote on proposals and deliverables as representatives of the grant-making agencies."

Grants.gov Program Management Office (PMO). Day-to-day management of the Grants.gov initiative and its budget is the responsibility of the Grants.gov PMO, which is located within HHS and is currently staffed by 10 employees plus supporting contractor personnel. The PMO is also responsible for managing the process to update the standard grant application forms (SF 424 series) approved by OMB for governmentwide use.

In addition, the Grants Policy Committee (GPC), established by the Chief Financial Officers (CFO) Council, has overall responsibility for implementing Public Law 106-107. One of its goals is to "simplify federal financial assistance processes to make them more uniform across agencies and eliminate unnecessary burdens on applicants, grantees, and federal agencies." Specifically, the Grants Policy Committee is to, among other things, coordinate all federal grants policy recommendations submitted to OMB, recommend uniform forms and formats for grant applications and post-award reports, recommend standard and streamlined federal-to-grantee business processes, facilitate greater community input and outreach in streamlining federal financial assistance, and collaborate with the GEB on Grants.gov and other streamlining issues. The committee's pre-award working group is responsible for developing policy proposals for streamlining and simplifying the pre-award stage of the grants life cycle. Figure 1 illustrates the various entities involved in the grant pre-award stages at the federal level.

Figure 1: Entities Involved in the Federal Grants Pre-Award Stage of Grants Life Cycle



Source: GAO analysis of OMB data.

Grants.gov Funding

The legacy E-Gov initiatives are funded using a variety of approaches, including partner agency contributions, fee-for-service, direct payments from the managing partner agency, or some combination of these. OMB defines contribution and fee-for-service models as follows:

- **Contribution model:** Commitments of funding and/or in-kind services provided by partner agencies to initiative managing partner agencies in support of developing, implementing, and/or migrating to E-Gov common solutions. Contribution amounts are determined annually through collaborative, interagency E-Gov initiative governance structures and subject to approval by OMB.

- **Fee-for-service model:** A transfer of funds by partner agencies to initiative service providers in exchange for services rendered by the initiative service providers. The amounts are typically based on a transaction/usage-based fee structure (e.g., for payroll processing, payroll service providers base their service fees on the number of employees at a customer agency). Initiative service providers use fees collected from partner agencies to cover ongoing operational costs, perform routine maintenance, and support their customer base.

In June 2004, OMB issued a memo detailing the Grants.gov funding model and partner agencies' Grants.gov contributions, as approved by the GEB.[8] Grants.gov is funded by payments from its 26 partner agencies. Memoranda of Understanding (MOUs) between the Grants.gov PMO and the partner agencies establish the amount and timing of the contributions to be made and the Grants.gov services to be provided. Annually, the GEB votes on both the Grants.gov budget and the calculation that will be used to determine each agency's payment.

Grants.gov Funding Model Raises Issues about How Costs Are Distributed among Users and the Lack of Effective Strategies to Manage Recurring Collection Delays

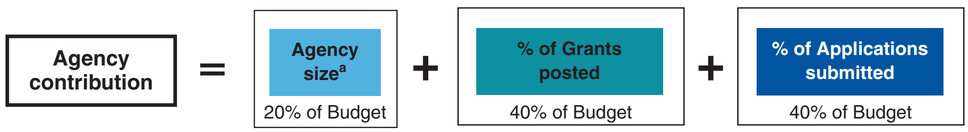
Grants.gov's Funding Model Attempts to Better Align Contributions with Agency Use

In keeping with OMB's expectation for legacy E-Gov initiatives to move toward a fee-for-service model, starting with the fiscal year 2010 budget, the Grants Executive Board (GEB) approved changes to the Grants.gov contribution calculation to better reflect agencies' use of Grants.gov's services. Grants.gov partner agency charges are based on three factors (see fig. 2):

- charges based on agency size comprise 20 percent of the Grants.gov budget,
- charges based on the number of grant opportunities posted by an agency comprise 40 percent of the Grants.gov budget, and
- charges based on the number of grant applications submitted comprise 40 percent of the Grants.gov budget.

[8] Office of Management and Budget, *FY 2004 Grants.gov Funding and Advance Planning Guidance for FY 2005-FY 2006*, M-04-14 (Washington, D.C.: June 18, 2004).

Figure 2: Grants.gov Contribution Calculation



Source: GAO analysis of HHS data.

[a]Agency size, as measured in the contribution calculation, is based on an agency's total dollar value of discretionary grants.

To determine agency size for the purposes of Grants.gov, partner agencies are divided into five groups based on an agency's total dollar value of discretionary grants: extra small, small, medium, large, and extra large. The component of an agency's contribution based on agency size is the same for all agencies within a size category. For example, for fiscal year 2011 the agency size component of an agency's contribution is $50,000 for all small agencies and $200,000 for all large agencies.[9]

Two measures of Web site usage comprise the other two components of the contribution calculation: (1) an agency's share of total grant opportunities posted on Grants.gov, and (2) an agency's share of total grant applications submitted through Grants.gov. According to fiscal year 2007 data—on which the GEB based its fiscal year 2011 calculations—agencies posted from 3 to 1,167 grant opportunities on Grants.gov. Grant applications submitted through Grants.gov ranged from 13 to 107,961.[10]

The Grants.gov Contribution Calculation Results in Different Contribution Amounts for Agencies with Similar System Use

The Grants.gov contribution calculation results in different contribution amounts for agencies with similar usage profiles. For example, under the fiscal year 2011 contribution calculation, the Department of Housing and Urban Development (categorized as a large agency for the purposes of Grants.gov) posted 40 grant opportunities, received 4,817 applications through the Grants.gov Web site, and paid $414,422. However, the National Endowment for the Humanities (categorized as a small agency for the

[9]Prior to fiscal year 2010, agency size was the sole basis for determining agency contributions.

[10]The fiscal year 2010 and fiscal year 2011 contribution calculations are the same and use fiscal year 2007 data to measure Web site usage. The GEB approved the use of fiscal year 2008 data to calculate the Web site usage measures in the fiscal year 2012 contribution calculation. In all other aspects the fiscal year 2012 contribution calculation is the same as the one used in fiscal year 2010 and fiscal year 2011.

purposes of Grants.gov) posted 42 grant opportunities, received 4,577 applications through the Web site, and paid $155,159. As shown in table 1, the majority of this difference is due to the agency size component of the funding calculation. NEH's agency size component is $50,000; HUD's is $200,000.

Table 1: NEH and HUD Fiscal Year 2011 Grants.gov Contribution Amounts by Calculation Component

Agency	Agency size (% of contribution prior to caps)	Number of grants posted (% of contribution prior to caps)	Number of applications submitted (% of contribution prior to caps)	Total fiscal year 2011 contribution prior to the application of caps	Final fiscal year 2011 contribution after the application of caps
NEH	$50,000 (20%)	$69,298 (28%)	$131,933 (53%)	$251,231	$155,159
HUD	$200,000 (49%)	$65,998 (16%)	$139,205 (34%)	$405,203	$414,422

Source: GAO analysis of HHS data.

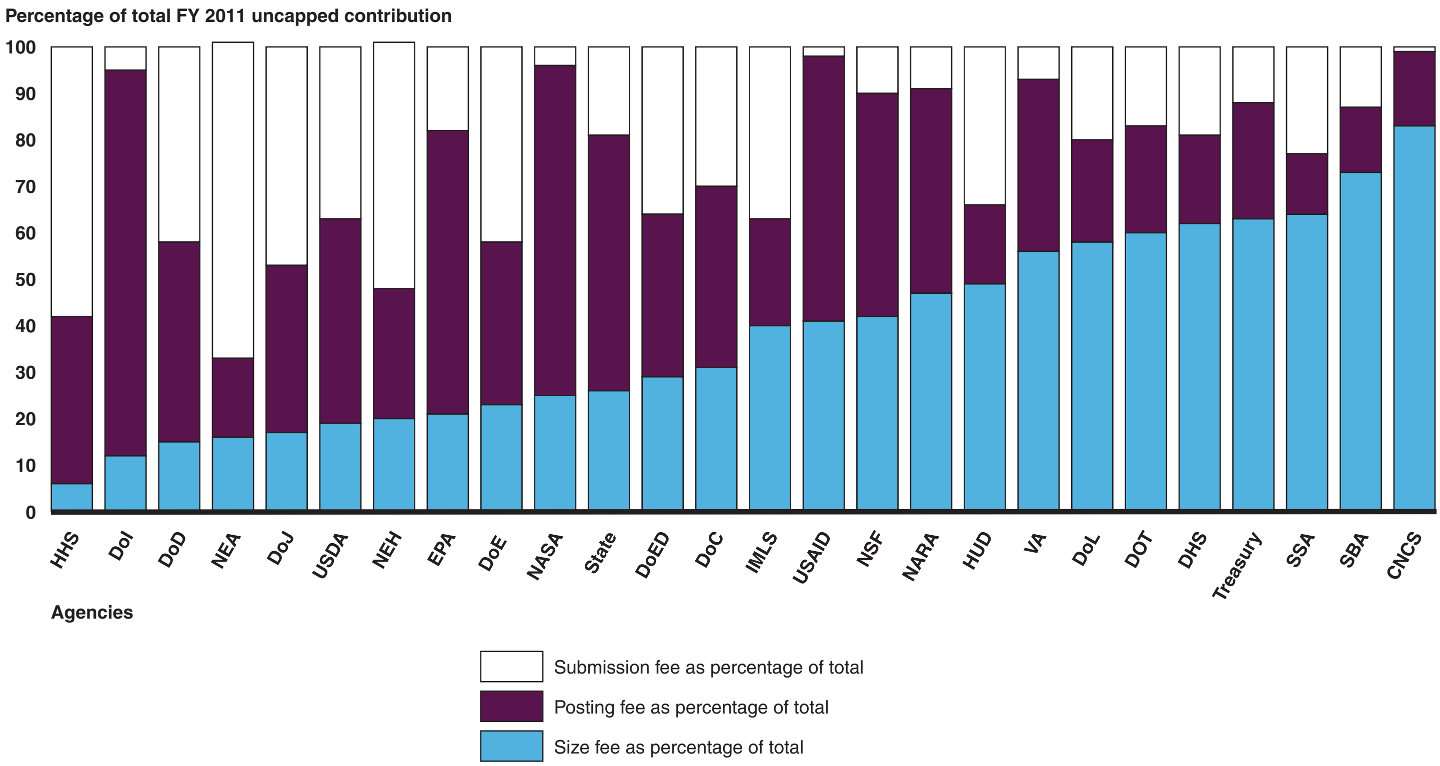
Note: The contribution calculation caps the year-over-year increase in contribution amounts for agencies classified as extra small and small to 20 percent. Component contribution amounts do not add up to the final contribution amounts due to the application of these caps on small and extra small agency contributions.

According to the GEB, the agency size factor is one of three factors used as a proxy for total agency Grants.gov system utilization. The GEB stated that gauging actual system use would require a longitudinal analysis of factors, including opportunities posted, applications submitted, and applications received. HHS and PMO officials told us that they consider agency size to correlate with an agency's use of the Grants.gov system; however, we found only a moderate correlation between partner agencies' use of the Grants.gov Web site (as defined by the Grants.gov contribution calculation) and agency size. When we analyzed fiscal year 2011 Grants.gov data for agency size, grants posted, and applications submitted, we found no clear pattern of increased system usage as agency size increased. While the average number of grants posted and applications accepted was the lowest for extra small agencies and highest for HHS (the only extra large agency), the relationship was inconsistent for small, medium, and large agencies. That is, some medium agencies have higher usage rates—under both measures—than some large agencies.

Further, for some agencies, agency size—the measure with the weakest link to system use—is the largest driver of an agency's contribution. As noted above, while charges based on the agency size component comprise only 20 percent of the total Grants.gov budget, they are often a larger or smaller percentage of a particular agency's contribution to Grants.gov. As shown in figure 3, 8 of the 26 partner agencies paid more due to their size than for Web site usage costs in fiscal year 2011.[11] Overall, partner agencies' payments based on size as a percentage of their total fiscal year 2011 contribution ranged from 6 percent for HHS to 83 percent for Corporation for National and Community Service (CNCS).

[11]These agencies are: (1) CNCS, (2) SBA, (3) SSA, (4) Treasury, (5) DHS, (6) DOT, (7) DoL, and (8) VA.

Figure 3: Components of Agency Contribution as a Percentage of Fiscal Year 2011 Total Budget



Source: GAO Analysis of HHS data.

Note: Analysis based on fiscal year 2011 agency contribution amounts prior to the application of the fiscal year 2011 caps. The 26 agencies in fig. 3 are the: Department of Health and Human Services (HHS), Department of the Interior (DoI), Department of Defense (DoD), National Endowment for the Arts (NEA), Department of Justice (DoJ), United States Department of Agriculture (USDA), National Endowment for the Humanities (NEH), Environmental Protection Agency (EPA), Department of Energy (DoE), National Aeronautics and Space Administration (NASA), Department of State (State), Department of Education (DoED), Department of Commerce (DoC), Institute of Museum and Library Services (IMLS), United States Agency for International Development (USAID), National Science Foundation (NSF), National Archives and Records Administration (NARA), Department of Housing and Urban Development (HUD), Department of Veterans Affairs (VA), Department of Labor (DoL), Department of Transportation (DOT), Department of Homeland Security (DHS), Department of the Treasury (Treasury), Social Security Administration (SSA), Small Business Administration (SBA), and Corporation for National and Community Service (CNCS).

According to federal cost accounting standards, agencies should assign costs as closely as possible based on the amount of services or goods provided.[12] These standards list an order of preference for three cost

[12]Statement of Federal Financial Accounting Standards (SFFAS) No.4, Managerial Cost Accounting, Concepts and Standards for the Federal Government (July 31, 1995).

assignment methods that should be used: (1) direct tracing of costs wherever economically feasible, (2) assigning costs on a cause-and-effect basis, or (3) allocating costs on a reasonable and consistent basis when not economically feasible to assign costs directly or on a cause-and-effect basis. Further, to the extent that agencies receive goods and services from HHS under the Economy Act, the amount paid must be based on the actual cost of goods or services provided.[13] The Economy Act is the authority cited by most agencies as the legal basis for transferring funds to HHS for Grants.gov services. In 2008, we reported that better allocation of system costs among users also promotes efficiency and perceived equity.[14] We said that requiring a beneficiary to pay for the services they receive promotes economic efficiency and that fees not based on use may result in under- or overcharging for services received and results in cross-subsidization between system users.

Grants.gov Does Not Track and Report on Certain Key Costs and Does Not Charge Agencies for All Known Costs

The Grants.gov PMO tracks costs for internal management purposes to ensure contract compliance and that program activities stay within GEB approved funding levels; however, it does not report costs by key program activities to its partner agencies, and it does not track or report on costs attributable to each partner agency. For example, the Grants.gov PMO updates GEB members at bimonthly board meetings with spending information on contracted activities and staff salaries but, according to HHS, detailed spending information by program activity or agency-specific requests are not provided. Absent this information, partner agencies' ability to link the services they received to their Grants.gov payments is limited, and the Grants.gov PMO cannot easily justify proposed increases to the Grants.gov budget or explain how changes in agency contributions—either stemming from changes in the contribution calculation or the total budget amount—align with services agencies will receive. One partner agency said that the inability to link services received to their Grants.gov payments causes delays in processing the Grants.gov MOU because the agency's MOU approval procedures require a documented link between costs incurred and payments made. The Grants.gov PMO told us that if asked to do so, they could track activity costs in greater detail, but that they are not set up to track costs by agency.

[13] 31 U.S.C § 1535(b).

[14] GAO, *Federal User Fees: A Design Guide*, GAO-08-386SP (Washington, D.C.: May 29, 2008).

The type of cost tracking in our case study initiatives varied. For example, the Benefits.gov PMO prepares a strategic plan for partner agencies that links activities to system goals and costs. According to the Benefits.gov PMO, this type of reporting gives partner agencies the information to decide what system activities they would have to curtail to achieve lower payments. Integrated Acquisition Environment (IAE) officials we spoke with said that in addition to tracking costs by each of the eight systems they manage, they also provide annual reports describing the services partner agencies receive as well as the cost savings they realize through their participation in the IAE systems. None of the initiatives we spoke with, however, track costs by agency.

Further, although Grants.gov tracks the costs of providing on-line grant application forms to partner agencies for internal management purposes, it does not charge partner agencies commensurate with their use of these forms. Grant application packages can include multiple custom or standard on-line grant application forms, which the PMO creates and maintains at the request of partner agencies. According to the Grants.gov PMO, the cost of developing and maintaining these forms is increasing. Development of each custom form creates additional cost for the PMO, and Grants.gov incurs maintenance costs (e.g., license fees) for all active forms. Currently, each partner agency is allowed two new forms each year. However, some partner agencies request and receive more than two forms per year; others request new forms but also request that the old forms remain active. Since partner agencies' payments do not change based on their form usage, partner agencies that request fewer than two new forms each year subsidize agencies that request more than two forms. The PMO reports that the increasing cost of forms puts pressure on its ability to deliver other required services. The PMO said that it would like to include a measure of form activity in the contribution calculation, so that partner agencies with more form activity pay a higher share of system costs. The PMO has discussed this informally with members of the GEB but has not made a proposal to capture forms activity in the contribution calculation.

Lastly, because the Grants.gov contribution calculation does not account for all of Grants.gov's activity costs, it is unclear whether the weights assigned to the three measures in the contribution calculation actually represent the relative cost of each activity. For example, as mentioned above, the measure for posting grant opportunities accounts for 40 percent of the Grants.gov budget in the contribution calculation; however, the cost data necessary to make this linkage is not tracked or reported. Consequently, we found little evidence that the PMO spends 40 percent of its resources related to posting activities.

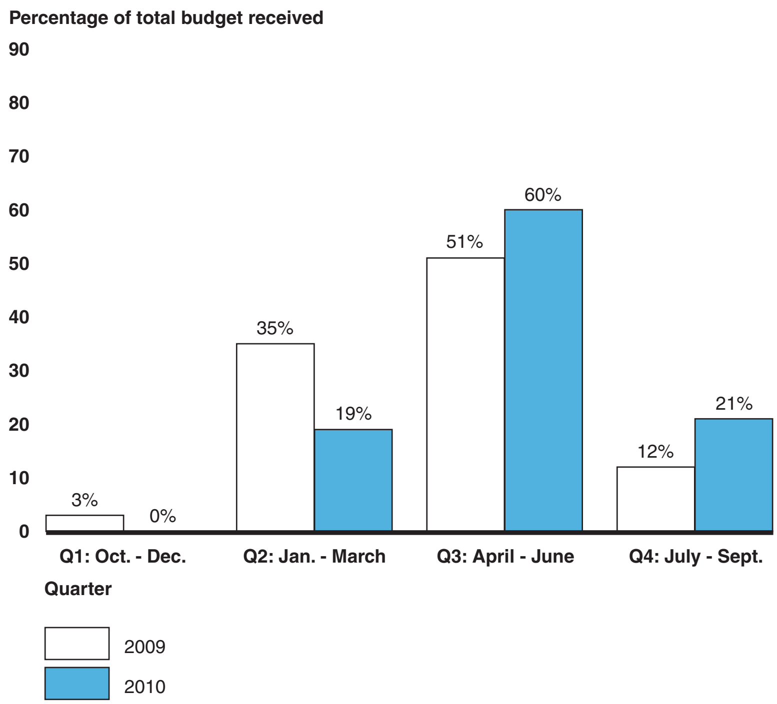
Grants.gov PMO Lacks Effective Strategies to Manage Known, Recurring Collection Delays

Grants.gov continues to receive the bulk of its funding late in the fiscal year. As we have previously reported, this has adversely affected Grants.gov operations. As shown in figure 4, Grants.gov received the majority of its fiscal year 2009 and fiscal year 2010 agency contributions 7 to 9 months into the fiscal year. In addition, HHS and OMB have cited delayed funding as a management risk to Grants.gov.[15] In 2009, according to the PMO, delayed funding nearly resulted in Grants.gov suspending operations. As we have previously reported, this funding pattern is not unusual for Grants.gov specifically or for legacy E-Gov initiatives in general.[16]

[15]Office of Management and Budget, *Improving Grants.gov*, M-09-17 (Washington, D.C.: Apr. 8, 2009).

[16]For example, in 2005, we reported that most of the 10 legacy E-Government initiatives that were funded by agency contributions experienced shortfalls from their funding plans for fiscal years 2003 and 2004; in most cases contributions from partner agencies were made in the third and fourth quarters of those fiscal years. In 2009, we reported that such delays persisted for Grants.gov, with 37 percent of their fiscal year 2009 partner contributions being paid by March 2009 and 88 percent paid by the end of June 2009.

Figure 4: Grants.gov Collection Timing, Fiscal Year 2009 and Fiscal Year 2010



Source: GAO Analysis of HHS data.

The Grants.gov PMO reported that collection delays complicate its ability to manage Grants.gov efficiently. Until it receives its contributions, Grants.gov is generally not permitted to expend funds for system maintenance, upgrades, or any other activities or purchases.[17] HHS and PMO officials said that to date, they have met all federal standards for executing contracts and eventually are able to obligate all partner agency contributions each fiscal year, but face difficulties, especially with small but crucial contracts, that are restricted by acquisition rules from crossing fiscal years. For example, the PMO said that for the first several months of fiscal year 2010, it was difficult and expensive to make changes to the Web site because the contract option period for the contractor who supported those changes had ended and there were no funds available to exercise the

[17]HHS, as the managing partner, provides the Grants.gov PMO funds to pay staff salaries and benefits as well as to maintain their physical offices from the beginning of the fiscal year until Grants.gov receives its partner agency contributions. The only exceptions are tasks performed by contractors under contracts funded with prior fiscal year funds with performance periods extending into the current fiscal year.

next option period. This resulted in many Web pages becoming outdated and required approximately 90 changes to Web pages when funds became available and support was restored.

Various factors contribute to funding delays. According to OMB, reasons for late or nonpayment of partner agency funds include internal agency issues and statutory requirements governing agencies' transfer of funds for E-Gov initiatives.[18] Additionally, the Grants.gov PMO and officials from other legacy E-Gov initiatives we interviewed reported that the process of managing the MOUs—which are the vehicles that lay out the amount and timing of contributions to be made in support of these E-Gov initiatives—is time consuming and contributes to funding delays. For example, both the Disaster Assistance Improvement Program (DAIP) and Benefits.gov PMOs noted that delays in collections from partner agencies posed a serious threat to their respective systems and all three case study managing partners stated that the enforcement of these agreements is costly to the PMOs. Managing recurring risks is a multistep process that includes evaluating and selecting risk management alternatives.[19] As we have previously reported, OMB staff recognize the risks the PMO faces in compelling agencies to pay on time, but said that with proper management such risks can be greatly mitigated. They added that other E-Gov initiatives face similar challenges but still run successful systems with higher levels of customer satisfaction, such as Business Gateway (www.business.gov) and Benefits.gov (www.benefits.gov).

[18]For example, since fiscal year 2006 agencies may not make funds available for transfers or reimbursements to OMB's E-Government initiatives until 15 days after OMB submits an E-Government report to the House and Senate appropriations committees and until the committees approve the transfer of these funds. *See e.g.*, Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, div. C, title VII, § 733 123 Stat. 3213. In fiscal year 2010, this report was issued on March 5, 2010—a time frame that OMB officials described as consistent with previous years. Given the timing of when the E-Government report is typically issued, funds are generally not available for transfer until near the beginning of the third quarter of each fiscal year. In fiscal year 2011, the report was issued on February 17, 2011. Further, some agencies also have specific limitations on their agency contributions to E-Government initiatives, such as reprogramming/notification requirements.

[19]The GAO Risk Management Framework divides risk management into five major phases: (1) setting strategic goals and objectives, and determining constraints; (2) assessing risks; (3) evaluating alternatives for addressing these risks; (4) selecting the appropriate alternatives; and (5) implementing the alternatives and monitoring the progress made and results achieved. See *Risk Management: Further Refinements Needed to Assess Risks and Prioritize Protective Measures at Ports and Other Critical Infrastructure*, GAO-06-91 (Washington, D.C.: Dec. 15, 2005).

The E-Gov initiatives in our review use various strategies to manage collection delays. For example, all of them—including Grants.gov—prepare and distribute agency MOUs early in the fiscal year to facilitate rapid collection, as well as time contracts to begin mid or late in the fiscal year rather than at the start of the fiscal year. However, the IAE and DAIP PMOs report that two additional strategies are also useful in managing delays. They are: (1) depositing partner fees/contributions into multiyear appropriation accounts and (2) receiving some form of funds from their managing partners until partner agency contributions become available.

- **Multiyear Appropriation Accounts.** Integrated Acquisition Environment (IAE) and DAIP deposit their multiyear or no-year partner agency contributions into multiyear accounts. This allows the agency to carry over unobligated funds from one year to the next, which can help with cash flow issues during the early part of the fiscal year before current year funds become available. The IAE PMO reports depositing partner agency contributions into a revolving fund, and said that in previous years it was able to use unobligated funds (i.e., carry-over) in the revolving fund to mitigate the adverse impact of receiving contributions later in the fiscal year. The DAIP PMO uses a different type of account—a multiyear, reimbursable account—to achieve the same outcome.[20]

- **Timing of Managing Partner Contributions.** Both IAE and DAIP have the benefit of receiving funds from their managing partner to tide them over between the beginning of a fiscal year and the point at which partner agency contributions are made available. The IAE PMO reports being able to borrow funds from GSA prior to receiving its partner agency contributions; it reimburses GSA once it receives its partner agency contributions. DAIP receives their managing partner's

[20] In all cases, the ability to legally carry forward unobligated balances is subject to the funds' period of availability. That is, the funds contributed must be legally available for obligation beyond the fiscal year. Unless otherwise specifically provided for, amounts contributed do not automatically assume the time character of the account or fund to which they are transferred. See 31 U.S.C. § 1532; B-319349, June 4, 2010.

contribution in advance of the OMB E-Gov Benefits report issuance[21]—in January of fiscal year 2010 for example—which eases cash flow issues caused by receiving partner agency contributions late in the fiscal year.[22]

Grants.gov's contributions are deposited into an annual appropriation account. The PMO treats all contributions, including contributions from agencies that pay with multi- or no-year funds as being available for obligation only in the fiscal year of the contribution. That is, because the contributions are deposited into an account that closes at the end of each fiscal year, the Grants.gov PMO either obligates all of these funds by the end of each fiscal year, or returns them. Our review of available agency agreements found that 7 partner agencies in fiscal year 2008 and 10 partner agencies in fiscal year 2009 reported contributing multiyear or no-year funds to Grants.gov. These funds accounted for at least 20 percent of the Grants.gov budget in both years.[23] To create a more reliable funding stream for Grants.gov, PMO and HHS officials said that they are exploring several alternatives to the current system, including the use of revolving funds, multiyear reimbursable accounts, and direct appropriations. They are also exploring the possibility of keeping the funds in an annual appropriation account but having partner agencies delay transferring their no- or multiyear funds until the first quarter of the following fiscal year; these funds would be available in the fiscal year following the year for which the contribution was made. To date, HHS has not implemented these or other alternatives.

[21]The DAIP PMO also reports that it is seeking full managing partner funding for disasterassistance.gov. DAIP PMO staff view this move as important to reducing the disruption of late agency payments and the staff time involved in MOU review and enforcement. In fiscal year 2011, DHS is expected to pay 86 percent of DAIP's budget. In 2010, the DHS OIG recommended full DHS/FEMA funding of DAIP to stabilize the funding model; however, this recommendation has not been implemented (see Department of Homeland Security Office of the Inspector General, *FEMA's Disaster Assistance Improvement Plan*, OIG-10-98, June 2010).

[22]Not every partner contribution constitutes a transfer of funds, which is defined as a shifting of all or part of the budget authority in one appropriation or fund account to another. See *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP (Washington, D.C.: September 2005), at 95.

[23]Our review of Grants.gov MOUs included all 26 partner agency MOUs for fiscal year 2008 and MOUs for 25 of the 26 partner agencies for fiscal year 2009. In each year, some of the MOUs did not specify the type of funds (one-year, multiyear or no-year). For that reason, we can state that at least 20 percent of funds were multi- or no-year funds.

Experiences and lessons learned from other similar legacy E-Gov initiatives could help inform Grants.gov's deliberations as it considers options for addressing its funding-related challenges. HHS acknowledges the value in sharing information and met with the National Science Foundation, which serves as managing partner for the Grants Management Line of Business initiative in December 2010. The purpose of the meeting was to discuss Grants.gov's funding challenges and to explore potential funding alternatives. HHS also reported attending an April 2010 Grants/Acquisition Community collaboration meeting which included GSA IAE managing partner officials. Part of the purpose of the meeting was to discuss governance and IT funding of E-Government projects. However, HHS does not regularly meet with its counterparts in other legacy E-Gov initiatives. We have previously reported on the benefits of knowledge-sharing in a variety of government programs.[24] OMB encourages legacy E-Gov initiatives to share good practices, such as strategies used to manage collection delays, and has referred HHS to other E-Gov initiatives to seek guidance on this issue. Other E-Gov managing partners have also noted the benefits of such collaboration. For example, the DAIP and Benefits.gov PMOs have a long-standing collaborative relationship that, according to DAIP officials, includes sharing best practice information and lessons learned. In addition, DAIP officials noted that members of one of its governance bodies, typically representatives of other E-Gov offices, often share best practices from other E-Gov initiatives with which they have experience.

Recent Proposal to Merge Integrated Acquisition Environment and Grants.gov Does Not Address Funding Issues

The President requested $38 million for GSA in fiscal year 2012 to modernize and upgrade IAE operations. Of this amount, $500,000 would support the inclusion of Grants.gov functionality in a consolidation of GSA's Federal Business Opportunities (an IAE system that publicizes contract opportunities) and Grants.gov into a single Web site for both grant and contract opportunities, tentatively called Federal Opportunities; however, the proposal does not include a funding mechanism for

[24]GAO, *Information Sharing: Federal Agencies Are Sharing Border and Terrorism Information with Local and Tribal Law Enforcement Agencies, but Additional Efforts Are Needed*, GAO-10-41 (Washington, D.C.: Dec. 18, 2009); GAO, *Older Driver Safety: Knowledge Sharing Should Help States Prepare for Increase in Older Driver Population*, GAO-07-413 (Washington, D.C.: Apr. 11, 2007).

operation and maintenance costs once the system is developed.[25] GSA currently expects the development of Federal Opportunities to be completed in fiscal year 2013.

Accountability and Responsibility for Grants.gov Performance among the Grants.gov Governance Entities Remains Unclear

Grants.gov continues to experience persistent governance challenges, including unclear roles and responsibilities among the governance entities, a lack of key performance metrics, and communication with stakeholders. Since we first reported on these issues in July 2009, some progress has been made in these areas. As previously discussed, although OMB and HHS have taken some steps to implement our recommendations to (1) develop and review performance metrics related to system availability, usability, and data integrity; and (2) develop guidance that defines roles and responsibilities of various governance bodies and ensures that the Grants.gov budget and funding model adequately supports the package of IT services approved by HHS's OCIO, these recommendations have not been fully implemented. Given the number of entities with management and oversight responsibilities for Grants.gov, clear roles and responsibilities for each and coordination among these entities is critical. In addition, information on system performance and costs is necessary to clearly link the benefits partner agencies receive with the costs they pay and may foster partner agency support for Grants.gov.

Unclear Roles and Responsibilities. As we previously reported, the GEB and HHS's OCIO share responsibility for reviewing and approving major changes to, and funding for, the Grants.gov system. In October 2009, the PMO indicated that it was working with the HHS Chief Information Office to ensure full adherence to the HHS Capital Planning and Investment Control Process (CPIC); in December 2010, the PMO told us that Grants.gov is subject to all HHS IT Investment Control and Security policies appropriate to major IT investments. The PMO also described a closer working relationship with the OCIO and said that since early 2009, HHS executives in the Grants, Budget, and CIO offices have been regularly briefed on Grants.gov status. In addition, HHS as the managing partner of Grants.gov attends OCIO and IT Review Board meetings and communicates information back to the Grants.gov PMO. According to a PMO official, the GEB continues to provide IT capital planning

[25] The consolidated system is based on a "proof of concept" pilot conducted in 2009-2010. OMB directed GSA to initiate the pilot so that lessons learned could inform OMB's efforts to modernize the broader federal grants structure, including how these systems interact with agencies' own grants and contracting systems.

governance. However, HHS officials also told us that there is a disconnect between system requirements and the funding to meet those requirements. As an example, HHS officials cited the GEB's historical inability to fund an adequate disaster recovery capability. In commenting on a draft of this report, HHS provided additional information on its CPIC process after we completed our work on this engagement, including a new IT acquisition approval process implemented as of February 24, 2011. The process applies to all IT acquisitions greater than $10,000—including Grants.gov—and includes an IT Acquisition Approval Checklist—which requires reporting the total cost of the acquisition. These new policies above make it more likely that Grants.gov will be reviewed through the CPIC process. However, until HHS's OCIO can demonstrate that it directly receives and reviews the GEB-approved budget for Grants.gov and approves Grants.gov activities based on the GEB-approved funding levels, HHS lacks assurance that Grants.gov's funding levels will support the functions approved through CPIC.

Key System Performance Measures. Since our July 2009 report, the Grants.gov PMO has made progress in developing improved system performance measures. In commenting on a draft of this report, an HHS official said that in December 2010 they launched an initiative to implement Foglight, a system performance monitoring tool. As part of this effort, HHS developed a draft set of performance metrics for service availability, system performance, and system usage, and is in the process of discussing the draft measures with its stakeholders to solicit input on potential performance metrics for the Grants.gov system. However, until HHS finalizes and deploys a set of well-designed performance measures it will continue to lack a clear picture of system performance and information about how well applicants are being served.[26] Further, as we previously reported, in response to the recurring difficulties with the Grants.gov system some agencies continue to accept applications through agency-specific electronic systems, by e-mail, or mail, under at least some circumstances.[27] Absent better information on the health of the Grants.gov system—and a means to use that information to improve system performance—partner agencies have little incentive to reduce their reliance on potentially duplicative agency-specific grant application systems.

[26]Grants.gov's only performance measures that address system performance are tied to customer satisfaction.

[27]GAO-09-589.

Grants.gov's current strategic plan contains high-level statements on strategic vision, mission, and goals, but does not include specific performance goals or information on current and planned initiatives. HHS officials acknowledged that they should update their strategic plan; the Grants.gov PMO told us that it initiated planning activities during the first quarter of fiscal year 2011, such as developing a documented annual work plan, that would include proposed PMO activities for each quarter and its progress in completing those activities.

Communication with Partner Agencies. HHS provides partner agencies with feedback opportunities but does not communicate some key performance and cost information. In an effort to better inform partner agencies about Grants.gov operations, a PMO official said that the Grants.gov Agency User group meets monthly, and helps provide an open line of communication between the PMO and partner agencies. The PMO official noted that, as part of an effort to increase transparency and provide more substantive opportunities for two-way feedback between Grants.gov and partner agencies, HHS sponsored forums held in January and February 2010, attended by 21 of the 26 partners. During these sessions, HHS solicited feedback and provided updates on the status of past partner agency recommendations. The PMO also surveyed partner agencies about their priorities for new system requirements.

In spite of these efforts, Grants.gov partner agencies have expressed interest in obtaining more information on system performance and costs. For example, an official from one agency said that he would like to see more information about performance metrics for the Grants.gov Web site and call-in center and more transparency about program activity costs, such as agency-specific costs. The PMO does not routinely provide partner agencies with detailed spending plans or reports linking costs to activity, program goal, or agency-requested services because, as previously discussed, it generally does not track information in this way. Absent this information, agencies lack a clear picture of the benefits they receive from Grants.gov compared to the costs they pay, hampering their support of and satisfaction with Grants.gov. The PMO said that it does report on the costs and trade-offs of significant changes to system operations when significant realignments of program resources are required by statute, regulation, best practice, or when proposed by the GEB.

We have previously reported that agreeing on roles and responsibilities and developing mechanisms to monitor, evaluate, and report on results can help increase the success of interagency collaborative efforts such as

Grants.gov.[28] By doing so, federal agencies can better address their partner agencies' expectations and gain their support in achieving joint objectives.

New Federal Grants Governance Model Is Under OMB Review

In December 2009, the Grants Task Force, a group composed of representatives from the GEB and the GPC, including a representative from HHS, submitted a proposal for a Federal Grants Governance Framework to OMB. In February 2010, the Task Force met with OMB to further discuss the issue. As of April 2011, the proposal remains under OMB review. The framework describes a new governance body that would replace the GEB and the GPC. The new body would report directly to OMB and would serve as the federal grants advisory body responsible for establishing the direction for and coordinating all governmentwide grants initiatives, including Grants.gov. The framework calls for a single point of contact in OMB. A GPC official said that a single point of contact ("a champion for the grants community") in OMB would encourage decisiveness and clear communication. In addition to consolidating the GEB and GPC, the proposed framework would integrate the policy, IT, operations, and oversight functions of both bodies and includes an OMB representative as a co-chair or sponsor. The Grants.gov PMO would be represented on an operations committee. Finally, the proposed framework will foster involvement by the external grantee community and encourage collaboration between federal grant-making agencies as well as between those agencies and the public. OMB has not provided a time frame for finishing its review. We note that significant changes to the Grants.gov governance model are unlikely until OMB completes its review and announces a new Grants.gov governance framework.

As a preliminary, high-level concept document, it is understandable that the proposal does not flesh out details as to how the framework would be implemented, but it lacks even a high-level overview of several critical elements. For example, while the proposal appears to clarify the roles of

[28] GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005). The eight key practices are as follows: define and articulate a common outcome; establish mutually reinforcing or joint strategies; identify and address needs by leveraging resources; agree on roles and responsibilities; establish compatible policies, procedures, and other means to operate across agency boundaries; develop mechanisms to monitor, evaluate, and report on results; reinforce agency accountability for collaborative efforts through agency plans and reports; and reinforce individual accountability for collaborative efforts through performance management systems. Two of the eight factors are identified in this report as lacking in Grants.gov's collaborative efforts with its partner agencies.

the GEB and PMO, and provide structure for their interaction it does not address the role of the managing partner CIO—a critical entity in managing the Grants.gov system as an IT system—nor the relationship between the CIO and the new governance bodies. Importantly, the proposed governance framework does not appear to address the challenges that emerge when different entities are responsible for approving system funding and system requirements, as is currently the case with Grants.gov.

Conclusions

The Grants.gov system has faced funding and governance challenges that have adversely affected Grants.gov operations. HHS and OMB have worked diligently to manage and mitigate these issues in the short run. However, concerns about Grants.gov's funding calculation and governance persist, and some partner agencies also maintain their own, potentially duplicative grants management systems—contrary to the streamlining and cost-saving intent behind Grants.gov and the federal grants streamlining legislation on which it is based. OMB and the Grants.gov governance entities continue to consider longer-term improvements to Grants.gov—such as potentially consolidating the separate grants and contracts application systems and implementing a new advisory body for governmentwide grants initiatives. While we recognize that the Grants.gov PMO's ability to address governance issues is somewhat limited until OMB completes its review of the proposed governance framework, we believe that the time is ripe to reconsider whether a number of factors—the package of activity costs charged to users, how those costs are distributed among users, and the PMO's strategies for managing persistent collection delays—will help or hinder Public Law 106-107's goals of simplifying and streamlining grant administration. It is also an opportune time for Grants.gov to consider whether there are lessons to be learned from similar legacy E-Gov systems that could inform improvements in these areas.

Grants.gov has taken steps to move closer to a fee-for-service funding model. However, three significant issues remain. First, the current method of distributing costs among partner agencies results in agencies that use Grants.gov to similar degrees paying vastly different amounts for service; second, the contribution calculation does not account for the development and maintenance of grant application forms—a reportedly growing cost for the PMO. Third, the Grants.gov PMO does not report costs by key program activities to its partner agencies, and it does not track or report on costs attributable to each partner agency. As such, agencies' payments for Grants.gov's services may be misaligned with the costs they impose on the system. The importance of analyzing and understanding system costs is not limited to Grants.gov; it will also be a critical issue for GSA's Federal Opportunities system so that GSA, partner agencies, and Congress have the best possible information available to them when considering how—and at what level—to fund the new system. Absent a well-designed funding mechanism, Federal Opportunities runs the risk of the same kind of funding challenges currently facing Grants.gov.

Grants.gov continues to suffer from untimely agency contributions and the PMO continues to report this issue as a serious threat to its continuing operations. This issue is not unique to Grants.gov. However, while Grants.gov and other E-Gov managing partners employ some of the same risk management strategies to mitigate the effects of delayed funding, some take mitigating steps by: (1) depositing partner fees/contributions into multiyear appropriation accounts and (2) receiving funds from their managing partners before partner agency contributions are made available for use. We believe that, to the extent that they are available to Grants.gov, these strategies could significantly improve Grants.gov's cash flow and allow for more efficient operations in the earlier part of each fiscal year.

Although a proposal to restructure federal grants management systems remains under OMB review we believe that HHS can take interim steps to address immediate Grants.gov governance and performance issues. Although HHS has taken important steps to gather information on potential performance measures, more needs to be done. Grants.gov's performance measures remain in draft form; the Grants.gov strategic plan does not include specific performance goals and information on current or planned initiatives, and the Grants.gov PMO does not communicate key system performance information to partner agencies. Absent full implementation of these initiatives information gaps about the health of the Grants.gov system will persist. However, collecting performance information is not enough; unless this information is made available to stakeholders and used to inform decision making, the Grants.gov governance entities will lack a valuable management tool for developing strategies to better achieve results.

Lastly, we continue to believe in the value of knowledge-sharing between Grants.gov and similar legacy E-Gov initiatives. Discussing and modifying for its own use the experiences and lessons learned from similar legacy E-Gov initiatives—such as DAIP, Benefits.gov, and IAE—could help inform Grants.gov's deliberations as it considers how to best address its funding- and management-related challenges.

Recommendations for Executive Action

We are making the following four recommendations to the Secretary of Health and Human Services to improve economic efficiency and support effective management of the Grants.gov system:

- HHS should work with the Grants Executive Board—or similar organization should the governance structure change—to improve the allocation of costs among users by developing and implementing a calculation that more clearly links agency contributions to their system use.
- HHS should build on and use its existing cost-tracking capabilities to expand its cost information and communicate that information to partner agencies in greater detail. This includes capturing, charging for, and reporting on all Grants.gov services provided to partner agencies.
- HHS should link its strategic plan to an annual operating plan that links costs and spending to performance goals and milestones, and includes progress against goals and system initiatives.
- HHS should build on its recent outreach efforts and engage in knowledge sharing with the managing partners of other E-Gov initiatives.

Agency Comments & Our Evaluation

We provided a draft of this report to the Secretary of Health and Human Services and the Director of the Office of Management and Budget. OMB staff provided us oral technical comments that were incorporated as appropriate.

In written comments, the HHS Assistant Secretary for Legislation concurred with our overall findings and recommendations. HHS's written comments are reprinted in appendix V. Key comments include that HHS "is proud of the significant progress made since the government-wide "Boost" to enhance system capacity, performance, and ensure the public has reliable access to a central portal to find and apply for federal assistance opportunities." HHS also stated that "long term strategic planning as well as short term operations including acquisition activities … are hampered by the uncertainties associated with the level of funding and schedule of funding availability" and "if a "Fee for Service" model is not adopted and Grants.gov remains tied to the E-Gov Benefit Report, HHS recommends federal grant policy be changed to require OMB transmit the E-Gov Benefits report to Congress by December 1st." In regards to governance issues, HHS "appreciates the work of the Grants Governance

Taskforce in supporting the Grants.gov PMO and recommending governance changes, and hopes that OMB will soon make its final determination on the federal grants governance framework." We agree that delayed funding poses a serious risk to Grants.gov's operations. As stated earlier in this report, HHS and OMB have both cited delayed funding as a management risk to Grants.gov. We said that, given the timing of when the E-Government report is typically issued, funds are generally not available for transfer until near the beginning of the third quarter of each fiscal year. We believe that adopting a fee-for-service model would go a long way toward addressing Grants.gov's funding issues. We also agree, as stated in this report, that significant changes to the Grants.gov governance model are unlikely until OMB completes its review. In addition, HHS provided updated information, technical comments, and suggested edits that were incorporated where appropriate.

We are sending copies of this report to the Secretaries of Health and Human Services, Homeland Security, and Labor; the FEMA and GSA Administrators; the Director of the Office of Management and Budget and to appropriate congressional committees. The report also is available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff members have any questions or wish to discuss the material in this report further, please contact me at (202) 512-6806 or czerwinskis@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.

Stanley J. Czerwinski
Director
Strategic Issues

Appendix I: Objectives, Scope, and Methodology

To examine the Grants.gov system and make recommendations to improve system management, we evaluated (1) key factors the Department of Health and Human Services (HHS) should consider when proposing a funding model for Grants.gov and (2) how the Grants.gov governance bodies could address Grants.gov's previously identified governance challenges. To address both objectives, we gathered and reviewed reports and documentary evidence from the Office of Management and Budget (OMB), the Grants.gov Program Management Office (PMO), and the Grants Executive Board (GEB). We also conducted interviews with relevant officials from OMB, HHS, and the GEB. We also reviewed relevant legal authorities and guidance as well as previous GAO work on Grants.gov, E-Government (E-Gov) initiatives, federal user fees, and interagency collaboration. In addition, we analyzed Grants.gov funding data to determine the relationship between agency use of the system and payments. Specifically, we analyzed the relationship between the agency size designation and other measures of system use.

To obtain additional information for both objectives, we conducted case study reviews of three agencies that are managing partners of other E-Gov initiatives: the Department of Labor (DOL), managing partner of Benefits.gov; the Department of Homeland Security (DHS), managing partner of Disaster Assistance Improvement Program (DAIP); and the General Services Administration (GSA), managing partner of Integrated Acquisition Environment (IAE). To make the case study selections, we collected data from HHS on the partner agencies of Grants.gov and from OMB on the governance and funding models used by all legacy E-Gov initiatives. We selected a nongeneralizable sample including DHS, DOL, and the Department of the Interior (DOI) as case study agencies because they fulfilled our criteria of being (1) managing partners to legacy E-Gov initiatives with funding and governance models similar to Grants.gov and (2) partner agencies of the Grants.gov system. As the engagement progressed, we substituted GSA for DOI as a third case study E-Gov initiative because Grants.gov officials identified GSA as managing a complex, similar E-Gov system (IAE) and because GSA recently piloted an electronic grants system at OMB's request. These case studies are not representative of all E-Gov initiatives or partner agencies of Grants.gov. To draw on the experiences of other managing partners of E-Gov initiatives, we reviewed available reports and documentary evidence and conducted interviews at all case study agencies. In order to obtain more information from the perspective of partner agencies of Grants.gov, we reviewed documentation and interviewed relevant officials at DHS, DOL, and DOI.

We assessed the reliability of the data we used for this review by interviewing knowledgeable agency officials, reviewing related documentation, and reviewing the data for outliers and missing data. Based on our review, we determined the data were sufficiently reliable for our purposes. We conducted this performance audit from April 2010 to May 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Benefits.gov

Purpose: To provide citizens with a single point of entry to government benefit and assistance programs.

Managing partner agency: Department of Labor (DOL)

Number of partner agencies (including managing partner): 17

Fiscal year (FY) 2011 expected agency contribution total: $3,557,033

Table 2: Benefits.gov Expected Agency Contributions for Fiscal Year 2011

Agency	FY 2011 contribution
Department of Commerce	$69,201
Department of Education	$259,753
Department of Energy	$205,596
Department of Health and Human Services	$326,948
Department of Homeland Security	$164,477
Department of Housing and Urban Development	$293,852
Department of the Interior	$122,355
Department of Justice	$51,148
Department of Labor	$725,824
Department of State	$83,241
Department of Transportation	$110,320
Department of the Treasury	$175,509
Department of Veterans Affairs	$200,582
Small Business Administration	$225,654
Social Security Administration	$256,744
U.S. Department of Agriculture	$285,829
Total	**$3,557,033**

Source: GAO presentation of DOL data.

Note: Partner agencies that do not make financial contributions are not included in this table.

Funding: According to the Program Management Office (PMO), Benefits.gov uses a fee-for-service funding model.

Each agency's contribution is calculated using four measures of system usage. The four measures and their weights are as follows:

- the number of partner agency programs posted (weight= 1.0),

- page views by public (weight= 4.5),
- Benefits.gov traffic outbound to the agency (weight= 3.5), and
- agency traffic inbound from agency to Benefits.gov (weight= .50).

Partner agencies are ranked based on their usage of each of the four measures. This ranking is multiplied by the weight for that metric. The result is the number of shares an agency has in the program. The inbound traffic measure—when internet users click on links at an agency's Web site to connect to Benefits.gov—is designed to be an incentive. More inbound traffic from a particular agency reduces that agency's contributions. The total approved budget for a fiscal year is divided by the total number of partner shares. The resulting share price is then multiplied by each partner agency's number of shares, thus resulting in an agency funding level for that fiscal year. DOL, the managing partner, pays more than the contribution calculation would call for to reflect its responsibility for the system.

Governance: The Benefits.gov governance model is as follows:

- Benefits.gov Program Management Office (PMO): Day-to-day operations are performed by the PMO. The PMO is responsible for activities such as keeping the site running and updated, paying the program's vendors, and updating the Benefits.gov governance bodies.

- Benefits.gov Change Control Board (CCB): The CCB is comprised of representatives from each of the 17 partner agencies. Representatives vet all proposals that are developed by the CCB or the PMO before they go to the Governance Board. The CCB also oversees development of the annual strategic and performance plans. The CCB meets four times per year.

- Working Groups: Working Groups are formed by members of the CCB and other federal partner agency subject matter experts to deal with a specific issue as it arises. Working Groups meet as needed.

- Governance Board: The Governance Board is comprised of Chief Information Officers (CIOs), or their designees, from each partner agency and provides ongoing strategic guidance to the program manager. These individuals represent their agency and vote on all funding and governance decisions. The Governance Board meets four times per year.

Appendix III: Disaster Assistance Improvement Program (DAIP)

Purpose: To provide a single portal where citizens can identify forms of federal disaster assistance that may be relevant through a prescreening questionnaire, apply for disaster assistance using a single application, and check the status of their application requests.

Managing partner agency: Department of Homeland Security (DHS)/Federal Emergency Management Agency (FEMA)

Number of partner agencies (including managing partner): 17

Fiscal year (FY) 2011 expected agency contribution total: $18,400,000

Table 3: Disaster Assistance Improvement Program Expected Agency Contributions for Fiscal Years 2011 and 2012

Agency	FY 2011 contributions	FY 2012 contributions
Department of Commerce	$30,000	$12,337
Department of Defense	-	-
Department of Education	$84,333	$49,349
Department of the Interior	$41,241	$41,124
Department of Justice	$95,949	$50,378
Department of Labor	$410,708	$115,149
Department of Health and Human Services	$194,124	$133,655
Department of Homeland Security	$15,846,838	$17,388,337
Department of Housing and Urban Development	$129,999	$111,036
Department of State	-	$12,337
Department of Transportation	-	-
Department of the Treasury	$129,299	$116,177
Department of Veterans Affairs	$193,749	$47,293
Small Business Administration	$464,667	$94,586
Social Security Administration	$182,508	$64,771
U.S. Department of Agriculture	$555,344	$133,655
U.S. Office of Personnel Management	$41,241	$29,815
Total	**$18,400,000**	**$18,400,000**

Source: GAO presentation of DHS data.

Funding: According to the DAIP Program Management Office (PMO), DAIP has adopted a new funding model for fiscal year 2012 that contains elements of an agency contribution and a transaction-based (fee-for-service) model. Under the fiscal year 2012 model, DHS/FEMA will contribute 94 percent of the total DAIP budget. The remaining 6 percent will be divided among the contributory partner agencies based on five measures of system usage. The five measures and their relative weights in the calculation are:

- the number of times data are exchanged between an agency interface and disasterassistance.gov (weight = -30),
- the number of times each agency's forms of assistance are identified as applicable to their situation by a registered disaster survivor (weight = -20),
- the number of times each agency's forms of assistance are viewed (weight = 50),
- the number of transfers from disasterassistance.gov to an agency Web site (weight = 40), and
- the number of transfers from an agency Web site to diasasterassistance.gov (weight = 30).

The weights for two measures are negative, reducing partner agencies' contributions. Negative weights act as incentives to partner agencies to perform these activities. Partner agencies receive a ranking based on their usage under each metric. This ranking is multiplied by the weight for that metric. The result is the number of shares an agency has in the program. The total approved budget for a fiscal year is divided by the total number of partner shares. The resulting share price is then multiplied by each partner agency's number of shares, thus resulting in an agency funding level for that fiscal year.

Governance: The DAIP governance model is as follows:

- DAIP Program Management Office (PMO): The PMO handles day-to-day operations such as keeping the site running and updated, and paying the program's vendors.

- Working Group: The Working Group is chaired by the DAIP program manager and consists of representatives assigned by their agencies. This group includes two types of partners, voting partners (those who provide monetary support of the program) and advisory partners (those who attend meetings to advise the group on topics within the agency area of expertise). The Working Group provides direction to the DAIP PMO regarding the execution of the program strategic plan and scope and provides recommendations to the Executive Steering Committee for ratification decisions on all major program initiatives. The Working Group meets biweekly.

- Working Group Subcommittees: Subcommittees are made up of volunteers from the Working Group. Subcommittees have been used for developing the program strategic plan, scope, funding model, performance measurement, and lessons learned procedures.

- Executive Steering Committee: This committee consists of appointees from each federal partner agency. This group includes voting and advisory partners. Voting partners ratify all decisions related to funding and strategy. The committee meets quarterly.

Appendix IV: Integrated Acquisition Environment (IAE) Initiative

Purpose: To integrate and streamline the federal procurement process through electronic means. IAE consists of eight systems under one organizational umbrella.

Managing partner agency: General Services Administration (GSA)

Number of partner agencies (including managing partner): 24

Fiscal year (FY) 2011 expected agency contribution total: $40,574,591

Table 4: Integrated Acquisition Environment Initiative Expected Agency Contributions for Fiscal Year 2011

Agency	FY 2011 contributions
Department of Commerce	$194,889
Department of Defense	$26,373,484
Department of Education	$54,656
Department of Energy	$1,957,912
Department of Health and Human Services	$1,635,490
Department of Homeland Security	$1,668,346
Department of Housing and Urban Development	$39,180
Department of the Interior	$299,160
Department of Justice	$712,563
Department of Labor	$145,153
Department of State	$719,638
Department of Transportation	$359,001
Department of the Treasury	$358,606
Department of Veterans Affairs	$1,747,180
Environmental Protection Agency	$108,139
General Services Administration	$1,483,007
National Aeronautics and Space Administration	$1,783,828
National Science Foundation	$15,067
Nuclear Regulatory Commission	$6,964
Small Business Administration	$2,872
Social Security Administration	$39,124
U.S. Agency for International Development	$131,734

Agency	FY 2011 contributions
U.S. Department of Agriculture	$615,145
U.S. Office of Personnel Management	$123,453
Total	**$40,574,591**

Source: GAO presentation of GSA data.

In addition to the IAE Initiative, the IAE program also receives funding through the IAE-Loans and Grants initiative. The IAE-Loans and Grants initiative funds the expanded use of the Data Universal Numbering System that assigns a unique identifier to all recipients of federal awards as required by the Federal Funding Accountability and Transparency Act and the American Recovery and Reinvestment Act. In fiscal year 2008, OMB directed the IAE Program Management Office (PMO), which is responsible for overseeing the Data Universal Numbering System, to issue Memoranda of Agreement to 22 partner agencies to cover the cost of this expanded service. Fees for the IAE-Loans and Grants initiative are calculated using a different funding calculation than the IAE initiative described in this report and annually add $6.5 million to the total IAE program budget.

Funding: According to the PMO, IAE uses a fee-for-service funding model. IAE uses a funding calculation to determine the fees of the 24 partner agencies. Initially, two partner agency measures are used: (1) the annual obligated dollar volume of contracts and (2) the annual number of transactions. A "transaction" is defined as any modification, new contract, or other action which would require the use of an IAE system. Both of these measures are provided by the Federal Procurement Data System (FPDS). Partner agencies are divided into three tiers based on the two measures. The FPDS data on dollar volume of contracts and number of transactions used to determine an agency's tier are from the most current completed fiscal year (i.e., data from fiscal year 2008 will be used in the fiscal year 2011 calculation). The funding calculation is updated each year. A weight is assigned to each tier (.01, .02, or .03). This weight is multiplied by each agency's FPDS total dollar volume and the result is divided by 100 to determine each agency's weighted share of the budget. Each agency's weighted share is divided by the sum of all agencies' weighted shares (not including the Department of Defense's shares) to determine the agency percent of 35 percent of the total IAE initiative budget. The agency percent is multiplied by the total IAE initiative budget to get the agency's contribution. The Department of Defense—the largest agency user of the IAE system both in terms of dollar volume and number of transactions—pays 65 percent of the total IAE budget. This cap was agreed to in 2004 and is reviewed annually to determine if a cap is required.

Governance: The IAE governance model is as follows:

- The Program Management Office (PMO) is responsible for day-to-day program support. The PMO holds monthly meetings with the program managers of each of IAE's eight systems.

- The IAE Transition Planning Team Review Board is responsible for reviewing and approving changes to IAE operations and programs. The board is organized within the PMO and is composed of the individual system program managers. The board meets twice monthly.

- The Acquisition Committee for E-Gov is the executive steering committee that makes broad and long-term decisions regarding IAE. The committee's responsibilities include reviewing and voting on the IAE budget and funding models. The committee includes representatives of IAE partner agencies and OMB and meets monthly.

- In addition, the eight IAE systems have a consolidated Change Control Board that includes partner agency voting members. The consolidated CCB recommends and approves internal system changes. Individual system Project Managers are part of both the consolidated CCB and the IAE Transition Planning Team Review Board.

Appendix V: Comments from the Department of Health and Human Services

DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation
Washington, DC 20201

APR 26 2011

Stanley J. Czerwinski
Director, Strategic Issues
U.S. Government Accountability Office
441 G Street N.W.
Washington, DC 20548

Dear Mr. Czerwinski:

Attached are comments on the U.S. Government Accountability Office's (GAO) draft report entitled: "GRANTS.GOV: Additional Action Needed to Address Persistent Governance and Funding Challenges" (GAO 11-478).

The Department appreciates the opportunity to review this draft report prior to publication.

Sincerely,

Jim R. Esquea
Assistant Secretary for Legislation

Attachment

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "GRANTS.GOV: ADDITIONAL ACTION NEEDED TO ADDRESS PERSISTENT GOVERNANCE AND FUNDING CHALLENGES" (GAO-11-478)

The Department appreciates the opportunity to review and comment on this draft report. We concur with the report's overall findings and recommendations and offer the following comments:

Managing Partner Role & System Performance

HHS, as the largest grant making entity in the federal government, takes seriously its managing partner role of Grants.gov and is proud of the significant progress made since the government-wide "Boost" to enhance system capacity, performance and ensure the public has reliable access to a central portal to find and apply for federal assistance opportunities.

- Since the completed "Boost" activities in April 2010, the Grants.gov system has experienced only 2 unplanned outage as compared to *routine* user interruptions experienced in early 2009 and prior years.
- The Grants.gov website logged more than 11 million site visits in Fiscal Year (FY) 2010; and processes an average of over 250,000 applications per year.
- The system's processing speed is exceptional - validating prospective grantee applications in less than three minute compared to previous processing times which averaged five to ten minutes in length.
- Since 2009, Grants.gov has completed six technical builds to further enhance system functionality and improve users' experience including: the ability to export data into Excel, streamline workflow and access 24 hour user support. With the Grants.gov system fully stable, the Grants.gov Program Management Office (PMO) is working to complete implementation of additional performance monitoring metrics that will be meaningful to a wide array of stakeholders and will help to identify system issues.

As the managing partner, HHS ensures strong executive and managerial support for the Grants.gov system across the Department. HHS CIO is fully engaged in the Grants.gov PMO's capital planning efforts, IT investment considerations (including analytic support of the system's Exhibit 300), and security monitoring through the Department's Certification and Accreditation process.

Funding Model

The current Grants.gov funding model hampers the Grants.gov PMO's ability to meet its financial obligations and ensure continued system availability. Long term strategic planning as well as short term operations including routine acquisition activities (such as the timely procurement of updated software licenses) are hampered by the uncertainties associated with the level of funding and schedule of funding availability.

The current contribution-based funding model requires approval by the Grants Executive Board (GEB) and OMB concurrence (which is the driving factor) of the Grants.gov annual budget, and does not allow for the collection of funds until after OMB issues the *Report to Congress on the Benefits of the President's E-Government Initiatives* (E-Gov Benefit Report) in February or March.

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GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "GRANTS.GOV: ADDITIONAL ACTION NEEDED TO ADDRESS PERSISTENT GOVERNANCE AND FUNDING CHALLENGES" (GAO-11-478)

In FYs 2009, 2010 and 2011, HHS, as managing partner, requested budgetary increases for Grants.gov to accommodate user requests for additional system functionality. All budget increase requests were denied by the GEB and OMB; the latter makes the formal decisions.

In both FYs 2010 and FY2011, delayed production & delivery of the E-Gov Benefits Report led to a lack of funds until almost the 3rd quarter of the fiscal year. Collection of funds is further delayed from some agencies due to their congressional requirement to reprogram funds from their respective appropriations committees; in FY2010, Grants.gov was still missing more than $370k in owed agency contributions as of September 16, 2010. This situation placed the Grants.gov program at risk for lapsing funds because standard acquisition processing timelines had passed.

Grants.gov is a fully operational system and is no longer considered a "new" systems development project. The E-Gov Benefits Report provision was constructed for new programs that had not yet made it to an operational status.

The outdated funding model, constraints associated with the program's ties to the E-Gov Benefits report, and delayed agency partner contributions place the program and the system at risk by forcing us to "pass the hat" in order to pay for our routine operations, maintenance and customer support activities

HHS requested in 2009 and 2010, that Grants.gov receive formal designation as a "mature" program and that mature programs be allowed to receive funding starting October 1st of the fiscal year. OMB has not approved these requests to change the system's designation.

A "Fee for Service" model that incorporates collection of funds for required operations and maintenance, legislative and policy modifications, and enhancements that keep the product in line with technology advances is also suggested. If a "Fee for Service" model is not adopted and Grants.gov remains tied to the E-Gov Benefit Report, HHS recommends federal grant policy be changed to require OMB transmit the E-Gov Benefits report to Congress by December 1st.

Governance

By design, the current governance structure overseeing Grants.gov places all members of the GEB with responsibility to:

> "provide oversight, executive sponsorship, Agency participation, and Agency resource contributions for the Grants.gov as well as Agency review and sponsorship for GMLOB. The Board will define accountability and reporting requirements to be met by the Program Management Offices. The Grants Executive Board will focus on the following areas of strategic interest:
>
> - Grants.gov implementation, operation, budgets and funding algorithms, funding, and foundations for long-term service." (GEB Charter, January 2007)

Even though HHS has the most thorough understanding of the Grants.gov program and system needs, in its role as Managing Partner (and as evidenced by HHS' funding requests in FYs 2009, 2010 and 2011)

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GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "GRANTS.GOV: ADDITIONAL ACTION NEEDED TO ADDRESS PERSISTENT GOVERNANCE AND FUNDING CHALLENGES" (GAO-11-478)

it does not have the authority to adjust Grants.gov's programmatic budget without the agreement of 26 different constituents.

HHS appreciates the work of the Grants Governance Taskforce in supporting the Grants.gov PMO and recommending governance changes, and hopes that OMB will soon make its final determination on the federal grants governance structure.

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Appendix VI: GAO Contacts and Staff Acknowledgments

GAO Contacts

Stanley J. Czerwinski, (202) 512-6806

Staff Acknowledgments

In addition to the individual above, Jackie Nowicki, Assistant Director; and Elizabeth Hosler, Analyst-in-Charge, managed all aspects of this engagement. Sarah Arnett, Richard Burkard, Hayley Landes, Andrew Litten, Julia Matta, Amanda Miller, Patricia Norris, Melissa Swearingen, James R. Sweetman, Jr., and Elizabeth Wood made key contributions to this report. Donna Miller provided the report's graphics.

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