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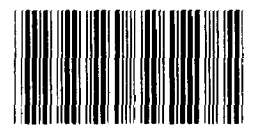
BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

## Limited Progress Made In Consolidating Grants To Insular Areas

Title V of Public Law 95-134 allows Federal agencies to consolidate grants to U.S. Insular Areas--Virgin Islands, Guam, American Samoa, Trust Territory of the Pacific Islands, and the Government of the Northern Mariana Islands. Grant consolidation provides a means to minimize the administrative and financial burdens associated with the Federal assistance system.



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Because title V is discretionary, not all Federal agencies have chosen to consolidate grants, and those that have are approaching consolidation differently and conservatively. Further, Federal agencies are restricting the Insular Areas' flexibility to redirect funds to meet local needs and are applying varying interpretations to the provisions of title V.

To deal with these issues, the Congress should amend title V.



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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

B-201112

To the President of the Senate and the  
Speaker of the House of Representatives

This report describes the limited progress made by Federal agencies in consolidating grants to the Insular Areas. It contains the views of Federal agency and Insular Area officials on grant consolidation issues which the Congress needs to clarify. Grant consolidation to the Insular Areas was authorized by Title V of Public Law 95-134.

We are sending copies of this report to appropriate House and Senate committees; the Director, Office of Management and Budget; the Insular Area governments; and appropriate Federal department and agency heads.

*Milton J. Rowland*  
Acting Comptroller General  
of the United States



D I G E S T

Title V of Public Law 95-134 was passed to ease the Insular Areas' burden of applying for and reporting on Federal grant and assistance programs. Under the law, Federal agencies are allowed to consolidate any or all grants to the U.S. Insular Areas--Virgin Islands, Guam, American Samoa, Trust Territory of the Pacific Islands, and the Government of the Northern Mariana Islands.

The Congress saw grant consolidation as a way of easing the Insular Areas' burden of participating in Federal assistance programs by providing for

--simplified application and reporting procedures,

--waiver of local matching fund requirements, and

--flexibility to redirect Federal funds to address locally perceived needs.

Many Federal agencies are not consolidating grants; those that are, are limiting the number of programs available for grant consolidation. In fiscal year 1979, one or more Insular Area governments participated in 203 financial assistance programs for a total of \$209 million. As of January 1981, 51 programs, or 25 percent, were being offered for consolidation.

Furthermore, most Federal agencies have not (1) simplified or modified the application, reporting, matching, and related program requirements, and (2) allowed the Insular Areas to redirect Federal funds to address locally perceived needs. As a result, the Insular Areas are not realizing the benefits that the Congress intended.

THE GRANTS BURDEN  
IS NOT BEING EASED

Of the 17 agencies which provided financial assistance in fiscal year 1979, 12 agencies and 2 of the 4 major components of another had not participated, as of January 1981, in assisting Insular Area governments to realize the benefits of title V. These agencies administered 96, or 47 percent, of the 203 programs in which one or more Insular Area governments participated. (See pp. 7 and 8.)

The four Federal agencies and two components of another that are participating are limiting the number of programs available for grant consolidation. These agencies administered 107 of the 203 assistance programs. Fifty-six programs, representing 52 percent of those available, are not being offered for consolidation by participating agencies. By law, grants under the Aging and Vocational Rehabilitation programs cannot be consolidated. But a large number of grants, mainly project grants, are being excluded because of their competitive nature and the perceived administrative complexity of including them in consolidated awards. (See p. 10.)

Federal agencies have interpreted differently which application, reporting, matching, and related program requirements should be retained or modified for consolidated grants. Some agencies have modified or waived these requirements. But most have retained existing program requirements, believing that individual program regulations are unaffected by title V provisions and are needed to accomplish the purposes of the individual programs included in the consolidated grants. However, it is these program requirements that Insular Area governments contend are causing the administrative burden. (See p. 17.)

Finally, the fund allocation flexibility attendant to participation in consolidated grants is being affected by Federal agencies, although the act seems clear that fund allocation determinations rest totally with the Insular Areas. Some agencies have placed

outright restrictions on Insular Areas' authority to shift funds among the programs. Other agencies have retained existing program regulations which require minimum expenditures for certain purposes. The application of these restrictions and regulations may be undermining the explicit fund allocation flexibility granted to the Insular Areas by title V. (See p. 23.)

#### VIEWS OF INSULAR AREA OFFICIALS

Insular Area officials were generally supportive of Federal agencies' consolidation efforts. However, they wanted Federal agencies to do more. Specifically, they expressed the need for

- several nonparticipating agencies to consolidate grants; (see p.9)
- participating agencies to include additional grants among those eligible for consolidation; (see pp. 13 to 16)
- minimal application, reporting, and program requirements; (see pp. 17 and 20) and
- waiver of non-Federal matching requirements and unrestricted ability to reallocate funds (see pp. 21 and 25).

#### CONCLUSIONS

Clearly, Federal agencies have not responded enthusiastically to title V's objective of minimizing the Insular Areas' burden associated with Federal financial assistance programs. One problem is the lack of clarity in the act as to how much authority is vested in Federal agencies to change existing program rules and regulations. Another problem seems to be that many Federal officials believe a major drawback of consolidation is that individual program objectives would not be fulfilled. These Federal officials could not or would not look beyond the specific purposes of categorical grants and individual program requirements, or they felt that the Congress did not want them to.

In one way or another, this attitude is reflected in the Federal agencies' approaches to accomplishing title V's objective. Some agencies, such as the Department of Agriculture, decided not to consolidate grants. The Departments of Education and Health and Human Services left out project grants. The Department of Housing and Urban Development and the Environmental Protection Agency required that some money be spent in each program included in the consolidated grant.

#### RECOMMENDATION

GAO recommends that the Congress amend title V where necessary to address such questions as:

- Should Federal agencies be required to consolidate grants, and which financial assistance grants should be required to be included in the consolidations?
- May Federal agencies properly modify existing rules and regulations of programs included in consolidated grants and what is the scope of their authority to do so?
- Should all Federal agencies be required to waive all matching requirements?
- May restrictions properly be placed on the Insular Areas' flexibility to allocate funds under a consolidated grant?

#### AGENCY COMMENTS

Copies of this report were provided for comment to the 5 Insular Areas, the Office of Management and Budget (OMB), and the 11 Federal agencies included in our review. Comments were received from Guam, American Samoa, Northern Mariana Islands, Virgin Islands, the Trust Territory of the Pacific Islands, OMB, the Departments of Health and Human Services, Education, Interior, Agriculture, and Transportation, the Environmental Protection Agency, and the Federal Emergency Management Agency. (See p. 30 and app. III to XVII.)



General agreement was expressed for the need to clarify several sections of title V. The Governors of Guam and American Samoa stated that they were not realizing the benefits intended by title V and that unless the concerns discussed in this report were properly addressed, their attempts to consolidate grants would not be cost effective. Several Federal agencies, however, did not believe that matching requirements should be waived or that all types of grants should be consolidated.

OMB and some agencies commented that enactment of the administration's block grant proposals would alleviate many of the problems in that matching would be waived, fund flexibility would be enhanced, and burdensome application and reporting requirements would be relieved. OMB suggested that congressional review of title V include the effect of these proposals as well as other grant reform initiatives. Health and Human Services added that with the enactment of its four proposed block grants, the provisions of title V and amendments thereto would be less important.

To the extent that the block grants are enacted as proposed, and to the extent a large number of programs are included, GAO agrees. But GAO notes that many programs are not included in block grant proposals and, therefore, the title V consolidation approach will continue to be useful. Further, the approach could be beneficial to Insular Areas seeking to consolidate several block grants or a block grant with categorical programs.



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## ABBREVIATIONS

CETA	Comprehensive Employment and Training Act
DOT	Department of Transportation
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
HCFA	Health Care Financing Administration
HDS	Human Development Services
HEW	Department of Health, Education, and Welfare
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
OMB	Office of Management and Budget
PHS	Public Health Service
SSA	Social Security Administration



## CHAPTER 1

### INTRODUCTION

In October 1977, the Congress enacted Title V of P.L. 95-134, 91 Stat. 1159, 1164 (48 U.S.C. §1469a), authorizing Federal agencies to consolidate grants and modify grant regulations for Federal grant programs available to Insular Area governments: Virgin Islands, Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Government of the Northern Mariana Islands. Title V sought to minimize the burden faced by Insular Areas in applying for and reporting on Federal grant assistance.

Under title V, Federal departments and agencies may consolidate grants made to the Insular Areas and may waive any required matching funds. If an agency permits consolidation, the agency may waive requirements for applications and reports. Otherwise, Insular Areas can submit single applications and reports for consolidated grants. Insular Areas may also allocate the funds among the programs included in a consolidated grant irrespective of the original amounts awarded under the individual programs.

In March 1980, the Congress amended title V's provisions dealing with matching, application, and reporting requirements. The Department of the Interior was required to waive matching requirements for all grants made to the Insular Areas and to waive application and reporting requirements for any consolidated grants made. Other Federal departments and agencies were required to waive matching requirements of less than \$100,000 for grants made to American Samoa and the Northern Mariana Islands.

Over 3 years have elapsed since title V was enacted. This report addresses the progress made and approaches taken by Federal agencies to consolidate grants to the Insular Areas. In addition, it presents the viewpoints of Insular Area officials on the proposed Federal agency grant consolidation efforts. The report also discusses problems encountered in interpreting and applying various sections of title V.

Appendix I describes the geographic location and governmental structure of the Insular Areas.

#### THE FEDERAL ASSISTANCE SYSTEM: ITS SUITABILITY FOR THE INSULAR AREAS

Federal assistance to State and local governments has increased dramatically during the last 15 years, rising from

\$11 billion in fiscal year 1965 to an estimated \$89 billion for fiscal year 1980. This financial assistance is provided through a growing number of Federal programs--545 as of fiscal year 1979, according to the Catalog of Federal Domestic Assistance.

One or more of the Insular Area governments is eligible to participate in 515 of these financial aid programs. The Insular Areas depend heavily on Federal financial assistance to support their programs and development needs. Education, health, public service employment, and highway and airport construction are among the functional categories which receive considerable Federal assistance.

Information provided to the Department of the Interior in 1980 by 37 Federal agencies showed that 17 of the agencies provided \$209 million to the Insular Area governments through 203 financial assistance programs in fiscal year 1979. Appendix II lists these 17 Federal agencies, the amount of funds each provided in fiscal year 1979, and the status of each agency's participation in title V as of January 1981.

The number of financial assistance programs for which each Insular Area government was eligible, the number in which each participated, and the amount of funds awarded for fiscal year 1979 are shown below.

	<u>Eligible</u>	<u>Partic- ipating</u>	<u>Percent of participation</u>	<u>Amount</u> (000 omitted)
Virgin Islands	514	172	33	\$86,080
Guam	506	144	28	63,093
American Samoa	481	95	20	15,137
Government of the Northern Mariana Is- lands	481	89	19	11,565
Trust Territory of the Pacific Islands	458	85	19	32,698

In addition to the financial assistance provided to the Insular Area governments, \$53 million was provided to individuals and nongovernmental entities through 40 other financial assistance programs.



Federal financial assistance programs are usually extended to the Insular Areas by defining them as States. The eligibility of the Insular Areas is difficult to generalize, as they may participate in either all or just parts of a particular program. Additionally, the bases for allocating funds to the Insular Areas frequently differ from those applied to the States. Usually, appropriation language states that the Insular Areas will share in a specified percentage of the amount appropriated for the program, or it simply specifies an amount for each territory.

The well-documented problems of coordination, duplication, and red tape experienced by States participating in Federal assistance programs are also experienced by the Insular Areas. Program regulations generally are the same for all Federal aid recipients.

Critics argue that the current system of Federal assistance as applied to the Insular Areas is costly, disrupts their society and culture, is often ill-suited to the needs of the Insular Areas, and fosters dependence on the U. S. Government. They also argue that the Insular Areas are overwhelmed by a myriad of Federal grants and related administrative requirements. Participation in the assistance system requires human, economic, and other resources which are fairly limited in most of the Insular Areas. Additionally, the geographical distances between the Insular Areas and Federal agency headquarters and field offices cause tremendous communication and travel problems.

The Insular Areas population base is too small to supply program expertise and general management know-how of the quality and quantity demanded by the Federal assistance system. Moreover, the talents and skills necessary for effective grantsmanship are undeveloped in some of the Insular Areas. To bridge this gap, some Insular Areas have been forced to employ a variety of program experts who are usually recruited from the States under special contracts. This approach is expensive and, because of the high turnover rate of these employees, results in little continuity of purpose and direction fundamental to sound management.

Effective grantsmanship is made more difficult by the ocean barrier between the Insular Areas and the U.S. mainland. Federal regional offices in San Francisco are approximately 5,000 miles away from the Pacific Insular Areas, while the distance between the Virgin Islands and Federal regional offices in New York is about 1,400 miles. Voice communications are a problem, particularly in the Pacific Insular Areas

where the working day "window" to Washington, D.C., and Federal regional offices in San Francisco is constrained by time differences.

Transportation of people and things to and from the mainland and most of the Insular Areas can be accomplished only by expensive air or slow ship movement. Travel by Pacific Insular Area grant personnel to conferences or for program guidance usually takes days instead of hours as is the stateside experience. For American Samoa, a 3-day conference generally means many more days away from home base duties. Mail service suffers similar problems. Less-than-first-class mail to the Insular Areas is often delayed several months. Periodicals such as the Federal Register are allowed to accumulate and are then delivered by ship in batches. First class mail is generally reliable, subject to air schedules. Commercial courier service is employed by some Insular Areas for sending irreplaceable design and construction drawings and specifications.

The Congress enacted title V to ease the administrative and management burdens of Insular Areas. By allowing Federal agencies to consolidate grant programs, the Congress hoped to give the Insular Areas increased flexibility to address their unique needs and priorities, often significantly different from those of mainland State and local governments. The Congress recognized that grant consolidation would be a difficult task and that Federal agencies would need flexibility to implement consolidation efforts. Although intending that Federal agencies take the initiative on consolidation, the Congress made consolidation discretionary with agencies administering grant programs.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

Our review was undertaken primarily to review Federal agencies' efforts to implement title V. A secondary objective of the review was to advance our knowledge of the feasibility of program consolidation as an approach to improving the management and effectiveness of Federal assistance programs. The implications of the Insular Areas' experiences with grant consolidation could be extended to the greater problem of consolidating Federal aid programs that provide more than \$89 billion of Federal domestic assistance to State and local governments. Because the consolidations undertaken by Federal agencies were few in number, different in approach, and in operation less than a year, we were unable to attain our secondary objective.

We reviewed the legislative history of Title V of P.L. 95-134, as amended by P.L. 95-348, 92 Stat. 495, and P.L. 96-205, 94 Stat. 90, to ascertain the Congress' rationale for enacting title V. As part of the review, we interviewed the staff of the House Subcommittee on National Parks and Insular Affairs to obtain their views on the purposes of the legislation.

Our study included all 17 Federal agencies which provided financial assistance to the Insular Areas in fiscal year 1979. We concentrated on 11 of these--the Departments of Agriculture, Commerce, Energy, Health and Human Services, Education, Housing and Urban Development, the Interior, Labor, and Transportation, and the Environmental Protection Agency and the Federal Emergency Management Agency. These agencies provided nearly 98 percent of the Federal financial assistance to the Insular Areas governments in fiscal year 1979. We interviewed Federal agency program managers, grants officials, general counsel staff, and Insular Areas liaison personnel at headquarters in Washington, D.C., and program managers in Federal Region IX (San Francisco) to obtain (1) their understanding of title V objectives and (2) information on how their agencies were implementing title V. We also reviewed available Federal agency files, program regulations, and proposed and final grant consolidation regulations dealing with title V. The results of the interviews and reviews of the records were combined in what we judged to be an accurate description of the situation. Our work was conducted during fiscal year 1980.

During our study, we visited the five U.S. Insular Areas--Virgin Islands, Guam, American Samoa, Trust Territory of the Pacific Islands, and the Government of the Northern Mariana Islands. We interviewed department heads and/or program officials responsible for Federal grant programs in the areas of health, education, social welfare, energy, housing, transportation, labor, law enforcement, commerce, civil defense, energy, agriculture, and conservation and environment to obtain their views on title V and the manner in which it has been implemented. In addition, we interviewed budget and finance officials and the Federal programs coordinator from each Insular Area. We made presentations of our findings to and obtained the viewpoints of the Governors of the Virgin Islands and the Northern Mariana Islands, the acting Governor of Guam, the Lieutenant Governor of American Samoa, and the High Commissioner of the Trust Territory of the Pacific Islands.

## CHAPTER 2

### EFFORTS TO MINIMIZE THE

### GRANTS BURDEN WERE LIMITED

The Congress saw grant consolidation as a way of easing the Insular Areas' administrative burden associated with applying for and reporting on individual programs. The Congress also envisioned that consolidation would enable Insular Areas to use Federal funds to meet their unique needs, which often do not conform to the State needs addressed by Federal programs. For these reasons, the Congress passed Title V of P.L. 95-134, which authorized Federal agencies, "\* \* \* notwithstanding any provision of law to the contrary \* \* \*," to

- consolidate any and all grants made to the Insular Areas, and
- waive requirements for grantee matching of Federal assistance.

Title V also authorized (1) a single application and a single report for a consolidated grant, (2) waiver of consolidated grant application and reporting requirements, and (3) the Insular Areas to determine what proportion of the funds granted shall be allocated to the programs and purposes included in a consolidated grant.

The decision to consolidate grants and exercise the other authorizations contained in title V is discretionary with each Federal agency, but no consensus exists among the agencies about the manner in which title V should be implemented or the extent to which the Congress anticipated that grants would be consolidated. As a result,

- many agencies are not participating,
- participating agencies are limiting the number of Federal programs that can be consolidated,
- application and reporting requirements and related program requirements are often not being simplified or modified, and
- the ability of the Insular Areas to allocate program funds is often constrained.

The ultimate effect is that the Insular Areas' burden is not being minimized to the extent the Insular Areas expected.

In fiscal year 1979, one or more Insular Area governments participated in 203 financial assistance programs. As of January 1981, 51 programs, or 25 percent, were being offered for consolidation. Although Insular Area officials were generally supportive of Federal agencies' efforts to consolidate, they wanted Federal agencies to do more.

MANY FEDERAL AGENCIES ARE  
NOT OFFERING CONSOLIDATION OR  
OTHER BENEFITS UNDER TITLE V

Of the 17 agencies which provided financial assistance in fiscal year 1979, 12 agencies and 2 of the 4 major components of another <sup>1</sup>/ <sub>had not participated, as of January 1981, in assisting Insular Area governments to realize the benefits of title V. These agencies administered 96, or 47 percent, of the 203 programs in which one or more Insular Area governments participated.</sub>

Fourteen of the 17 Federal agencies providing financial assistance did so through two or more grants. Nine of these agencies and two of the four major components of another had not published final regulations in the Federal Register as of January 1981 for consolidated grants to the Insular Areas. Several of these agencies were considering grant consolidations, but their plans had not been finalized. The other agencies were not considering or had decided against the consolidation of their grants. (See app. II.) In fiscal year 1979, the nonparticipating Federal agencies provided funds to the Insular Areas under 93 separate programs.

Although Federal agency participation in title V consolidation and related initiatives is discretionary, sponsors of the legislation seemed to expect that Federal agencies would use title V to ease the Insular Areas' burden associated with grant administration. In discussing the bill prior to House passage, a cosponsor anticipated that the Federal agencies

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<sup>1</sup>/The Department of Health and Human Services is allowing its four component agencies to participate individually. Two agencies have published final regulations.

would " \* \* \* seize the ball and carry on the initiative which we in Congress have afforded them in assisting America's overseas territories." Also, shortly after title V became law, another cosponsor, in a meeting with Federal agency representatives, repeatedly stressed that the Federal agencies should at least try to implement some or all parts of title V.

Some Federal agencies, however, in exercising their discretionary authority, have not favored consolidations. For example, the Department of Agriculture, in a letter to the Chairman, House Subcommittee on National Parks and Insular Affairs, stated that it would not consolidate any programs because (1) the allocation of funds at the grantee's discretion and the waiving of matching requirements would be inconsistent with and contrary to the intent of the authorization laws establishing the original programs, and (2) although grant consolidation would make the Insular Area's administration of Federal grants easier, it would not necessarily improve the Insular Areas' administration of grants. The Department of Energy said it has few grants and, because of the diversity of its grant programs, it would be unlikely that consolidations are practical or feasible but it would continue to study the issue. The Departments of Labor and Transportation plan to consolidate but, because of differing internal interpretations of title V, final regulations have not been issued. (See p. 20.)

In addition to the 14 Federal agencies providing financial assistance to the Insular Areas through two or more programs, 3 Federal agencies provide financial assistance through only one program. Although these agencies obviously cannot consolidate their one grant, they could nevertheless participate in other parts of title V. In the House discussion prior to passage, a cosponsor stated that title V authorizes participation by agencies which administer one or more grants. In the meeting with Federal agency representatives mentioned above, the cosponsor repeated that single grant agencies are covered by title V. He suggested that these agencies could participate by simplifying their application forms and waiving the matching requirements. 1/ Two of the three agencies did waive matching requirements, but none of the three changed their application and reporting procedures because they felt their procedures were already simplified.

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1/The title V waiver of match authority is not explicitly conditioned on the existence of an approved consolidated grant, thus accounting for the view that nonconsolidating agencies, including agencies with only one grant, may waive matching requirements.

Insular Areas advocate increased  
Federal agency participation

Insular Area officials we interviewed wanted certain nonparticipating Federal agencies to participate and either consolidate or simplify their grants. The officials felt that if these agencies would allow consolidation or simplification, the Insular Areas could reap some of the same benefits they realize from agencies allowing consolidation, i.e., administrative simplification, allocation flexibility, and waiver of matching requirements. Some of the Federal agencies that Insular Area officials would like to see participate and the benefits they anticipated were as follows:

<u>Agency</u>	<u>Grants suggested for consolidation</u>	<u>Anticipated benefits</u>
Department of Agriculture	School Lunch, Breakfast, and Milk Programs	Administrative simplification
Department of Energy	All grants	Administrative simplification, fund flexibilit- ity, and waiver of matching re- quirements
Department of Labor	Comprehensive Employment and Training Act (CETA) grants	Administrative simplification and fund flex- ibility

Insular Area officials also provided some insights on why the above agency programs should be consolidated or simplified. CETA funding is provided through a number of different titles and subtitles, each with its own funding, set of objectives, rules, and reporting requirements. Trust Territory and American Samoa officials pointed out that many of the title and subtitle differentiations, with their separate funding, do not make sense in the Insular Areas, and the CETA grants should be consolidated to ease the administrative burden and to better suit local needs and priorities. For example, with regard to addressing local needs and priorities, these officials said they would prefer to spend less for public service employment and more for on-the-job training, which is viewed as the more important need locally. A Virgin Islands official stated that with a consolidated CETA grant and attendant fund allocation

flexibility, local needs and priorities could be better addressed. He stated the Virgin Islands receive too much funding from some titles and not enough from others, which is not beneficial to their overall program. Labor is considering allowing consolidation of the CETA program titles, but final regulations have not been issued because of differing internal interpretations of title V.

Northern Mariana and American Samoa officials favored consolidation of Department of Energy grants if it would allow them greater flexibility in using the funds. Both reported receiving too much money for surveys and audits and not enough for alternate energy and conservation projects. As of January 1981, Energy had taken no position on grant consolidation, but a task force was studying the issue.

#### PARTICIPATING AGENCIES ARE LIMITING GRANTS ELIGIBLE FOR CONSOLIDATION

The participating Federal agencies are not allowing all financial assistance grants to the Insular Area governments to be included in grant consolidations. Agencies are precluded from consolidating aging and vocational rehabilitation grants by separate legislation. But a large number of grants, mainly project grants, are being excluded by the agencies because these types of grants are generally competitive, and the agencies are of the view that including them in consolidation awards would be administratively complex. In only a few cases are project grants being included. Insular Area officials, on the other hand, wanted the Federal agencies to include more grants in consolidation packages to enable them to take further advantage of the benefits offered by title V.

Four Federal agencies and two major components of another that are offering consolidated grants to the Insular Area governments provided financial assistance through 107 programs, 51 of which are offered for consolidation as shown on the following page.



<u>Agency</u>	<u>Number of programs</u>	
	<u>Providing assistance</u>	<u>Offered for consolidation</u>
Department of Education	53	32
Department of Health and Human Services		
Public Health Service	24	7
Office of Human Development Services	12	2
Department of Housing and Urban Development	3	2
Environmental Protection Agency	8	6
Federal Emergency Management Agency	<u>7</u>	<u>2</u>
Total	<u>107</u>	<u>51</u>

The agencies that expect to participate in title V provide assistance through 38 programs, of which 7 programs have been identified so far for consolidation. Thus, 58 programs, or 40 percent of these agencies' programs, either are or may be made available as a part of a consolidated grant.

Title V states that any Federal agency which administers any act of Congress which specifically provides for making grants to any Insular Area (other than those grants which provide for direct payments to classes of individuals) may consolidate any or all grants made to such Area for any fiscal year or years.

Most programs offered for consolidation are formula grant programs. The Department of Health and Human Services' (HHS) Public Health Service (PHS) and Office of Human Development Services (HDS) and the Department of Education are consolidating only formula grant programs. The Federal Emergency Management Agency (FEMA), Environmental Protection Agency (EPA), and Department of Housing and Urban Development (HUD), on the other hand, are consolidating both formula and project grant programs.

In the decision paper submitted to the Secretary of Health, Education, and Welfare (HEW) 1/ regarding various aspects of

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1/The predecessor department of the Departments of Health and Human Services and Education.

grant consolidation for health and education programs, it was recommended that consolidated grants to the Insular Areas contain only formula grants, rather than both formula and project grants. The rationale given was that project grants are awarded on a competitive basis for specific purposes. To automatically include such grants in a consolidated award and allow the funds to be used for other purposes would contradict the joint purposes of competition and specified program use.

The discussion among HEW's component agencies on the kinds of programs that should be consolidated sheds some light on other alternatives considered but not adopted in HEW's final position. One Assistant Secretary responded that a reason given for not consolidating project grants--administrative complexity for the agency--was "\* \* \* not a compelling justification for excluding project grants especially since the purpose of the legislation is to simplify administration for the territories and they would prefer inclusion." The Assistant Secretary said that there may be some project grants which are essentially noncompetitive and support ongoing programs which may be suitable for consolidation. He recommended that the operating agencies be given the option of including these types of project grants. The principal regional officials for Regions II and IX also suggested that grants in addition to formula grants should be considered for inclusion in the grant consolidations. These officials' viewpoints, however, did not prevail, and HEW's component agencies decided to offer only formula grants for consolidation.

Three agencies, however, included both project and formula grants in their consolidations. Their project grants, while of a discretionary type similar to some HHS project grants excluded from consolidation, are essentially noncompetitive and support ongoing programs. HUD included its 701 planning assistance project grants for consolidation because they are awarded each year to generally the same grantees for their continuous planning activities. FEMA's State and local maintenance and services project grants also provide funds to generally the same grantees for their annual recurring and maintenance costs associated with established Emergency Operation Centers and warning systems. But these agencies have other project grants going to the Insular Areas that were not made available for consolidation. FEMA and HUD officials said the other grants were not included because they are highly competitive.

Two Federal agencies are precluded by legislation from consolidating certain grant programs. The 1978 amendments

to both the Older Americans Act of 1965, P.L. 95-478, and the Vocational Rehabilitation Act of 1973, P.L. 95-602, prohibit the Departments of Health and Human Services and Education from consolidating grants dealing with aging programs and vocational rehabilitation programs. An HDS official suggested that the rationale for excluding aging programs may be similar to the legislative rationale for prohibiting the joint funding of aging programs; that is, the programs' objectives would not be accomplished if aging program funds were commingled with funds under other Federal programs.

While generally favoring the efforts of those agencies which are consolidating grants, Insular Area officials offered suggestions on additional grants that should be consolidated. Primarily, their suggestions were for more health, human development, and education grants to be included among those eligible for consolidation.

#### Department of Education limitations

Education is offering for consolidation 32 formula grant programs of the 53 formula and discretionary education programs in which the Insular Area governments are participating. Insular Area officials generally wanted the opportunity to consolidate all education grants available to them, although they indicated that if given the choice, they may eventually elect not to consolidate all of them. The following formula and discretionary grants are among the education grants they specifically would like to consolidate.

Federal Catalog number (note a)	<u>Program title</u>	<u>Type</u>
84.003	Bilingual Education	Formula and Discretionary
84.006	Teacher Centers	Discretionary
84.042	Special Services for Disadvantaged Students	Discretionary
84.043	Strengthening State Educa- tional Agency Management	Formula
84.045	Teacher Corps--Operations and Training	Discretionary
84.047	Upward Bound	Discretionary
84.059	Emergency School Aid Act--Special Programs	Discretionary
84.066	Education Opportunity Centers	Discretionary
84.126	Rehabilitation Services and Facilities--Basic Support	Formula
84.129	Rehabilitation Training	Discretionary

a/Catalog of Federal Domestic Assistance

The Virgin Islands' Commissioner of Education pointed out in a letter to the then Office of Education that certain discretionary grants could be candidates for consolidation. One category he mentioned included those discretionary programs which set aside funds for Insular Areas. The Emergency School Aid Act program was cited as an example. Another category included those where first-year funding has been on a competitive basis but funding in subsequent years has generally been continued without competition. The Upward Bound program which provides for multiyear projects and continuation awards falls into this category. He recommended that these types of discretionary programs be included in grant consolidations.

Public Health Service limitations

PHS is offering for consolidation 7 formula grant programs of the 24 formula and discretionary programs available to the Insular Area governments. Insular officials expressed the desire for more grant programs to be included in the consolidation, including:

<u>Federal Catalog number</u>	<u>Program title</u>	<u>Type</u>
13.217	Family Planning Projects	Discretionary
13.259	Mental Health--Children's Services	Discretionary
13.284	Emergency Medical Services	Discretionary
13.293	State Health Planning and Development Agencies	Discretionary
13.358	Professional Nurse Traineeships	Discretionary
13.359	Nurse Training Improvement--Special Projects	Discretionary
13.882	Hypertension Program	Discretionary

A major reason cited for wanting some of these grants consolidated was that they are closely related to each other and to grants which are being consolidated. Several of these programs fall in the discretionary category, which involves competition for the first grant award and generally continued funding thereafter. Insular officials said that additional consolidations would provide them the benefits of administrative simplification, allocation flexibility, and waiver of matching funds.

Office of Human Development Services limitations

HDS is offering for consolidation 2 formula programs of the 12 formula and discretionary programs available to the Insular Area governments. The Insular Area officials, however, wanted HDS to include additional grants in its consolidation efforts, including:

<u>Federal Catalog number</u>	<u>Program title</u>	<u>Type</u>
13.600	Administration for Children, Youth and Families--Head Start	Discretionary
13.628	Child Abuse and Neglect Prevention and Treatment	Discretionary
13.633	Special Programs for the Aging--Title III Parts A and B--Grants for States • and Community Programs on Aging	Formula
13.634	Special Programs for the Aging--Title IV Part C--Discretionary Projects and Programs	Discretionary
13.635	Special Programs for the Aging--Title III Part C--Nutrition Services	Formula
13.636	Special Programs for the Aging--Title IV Part B--Research and Development	Discretionary
13.637	Special Programs for the Aging--Title IV Part A--Training	Discretionary

As previously noted, HDS' aging grant programs are specifically excluded from consolidation by law. Insular Area officials believed they could benefit significantly by being able to reallocate funding among the aging grants. American Samoa, Trust Territory, and Northern Marianas officials, for example, expressed a desire to use part or all of the aging money earmarked for nutrition for higher priority programs, such as housing rehabilitation, employment, and other social services for the aged. These officials said that only a limited need exists for the aging nutrition programs in their areas and that the programs are contrary to and potentially damaging to their cultures. 1/ Yet, half of the aging money

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1/Northern Marianas and American Samoa officials told us that in their cultures, children are responsible for feeding the elderly. Trust Territory officials said there is a cultural bias against accepting the nutrition program.

provided by HDS is earmarked for nutrition. Consequently, the Trust Territory told us they did not use approximately \$218,000 of their \$630,000 nutrition allocation during fiscal year 1979.

LIMITED EFFORTS TO SIMPLIFY AND  
MODIFY APPLICATION, REPORTING,  
AND RELATED PROGRAM REQUIREMENTS

The major objective of title V is to minimize the burden caused by existing application and reporting procedures for grant-in-aid programs available to the Insular Area governments. The Federal agencies which are consolidating or planning to consolidate grants are responding to the act's objective in divergent ways. Some agencies are changing procedures to minimize the administrative burden to the maximum extent possible, while others are doing little. The varying agency approaches on how to implement the act stem primarily from (1) differing agency philosophies on the benefits to be derived under consolidation, (2) confusion about what constitutes an application and reporting procedure, and (3) divergent views on the extent to which Federal agencies can deviate from existing program requirements to facilitate the objectives of consolidation. Federal agency officials also have differing views on the issue of waiving matching requirements.

Under title V, Federal agencies are allowed to consolidate grants. Inherent in consolidation is a general requirement for a single, rather than multiple, application and report. Federal agencies were further allowed to waive written applications and reports for consolidated grants and to waive matching requirements.

Insular Area officials believe title V can ease considerably the administrative burden associated with Federal grants. They added, however, that the degree to which program requirements are modified and application and reporting requirements are simplified and standardized will dictate how much the administrative burden is actually minimized. Some Insular Area officials stated that requiring only a single application and a single report for a consolidated grant may not significantly ease the administrative burden if the Insular Areas are required to comply with all the requirements of the component programs of the consolidated grant--program justifications, advisory bodies, State plans, fund uses and restrictions, and other existing individual program rules and regulations.

When title V was passed, Insular Area officials were generally hopeful that its implementation would result in administrative savings. Their hopes were fulfilled by the responses of some Federal agencies but dashed by the actions taken or planned by other Federal agencies.

Agencies differ on how to simplify application and reporting requirements

Federal agencies responded differently with respect to changing applications and reporting requirements. At one end of the spectrum, FEMA waived and the Department of Transportation (DOT) plans to waive written applications for consolidated grants. At the other end, PHS made no changes in existing application procedures, stating that the application process was simplified for all grantees several years before title V was enacted. In commenting on PHS proposed regulations, a Guam official stated that the regulations would continue to require submission of separate project narratives and reports. PHS' final regulations published in November 1979 discussed this comment, stating that "This commenter is essentially correct in stating that the Insular Areas would 'still be faced with existing application requirements.'"

We discussed PHS' pre- and post-consolidation requirements with a PHS Region IX official. She told us that application procedures have not changed under the grant consolidation concept. The single application form, budget sheet, and certification form were used before grant consolidation. Individual State program plans were required before consolidation and are still required, and, as in the past, they are not required to be submitted. She noted that actually more information is required under grant consolidation--the consolidated grant application requires a proposed program objectives section. This section was not separately required in the past but rather included in the State plans. In commenting on this report, HHS headquarters officials disagreed, stating that the need to submit a description of proposed program objectives is not a new policy, but rather has been applicable to PHS grants for many years.

The other participating agencies, for the most part, were simplifying the application process by requiring only one application in lieu of separate program applications, and these actions were welcomed by the Insular Areas. For example, the Virgin Islands' Assistant Education Commissioner,



commenting on the Department of Education's proposed consolidation effort, stated they now file 20 applications and prepare 20 State plans, and the administrative burden would decrease significantly when this is reduced to 1. Similarly, Guam officials noted the number of applications they will have to file would go from six to one. Also, most officials said that with one consolidated application, they could apply for small dollar grants not applied for previously because of the disproportionately high administrative costs and program requirements.

With respect to reporting requirements, DOT generally plans to waive reports except for those technical reports dealing with individual projects. FEMA and PHS are not changing their existing reporting requirements. The remaining agencies are simplifying their reporting requirements.

#### Approaches differ on the waiver of related program requirements

The question of whether existing program rules and regulations, such as those dealing with State plans and advisory groups, can be waived is being answered differently by Federal agencies. In addition to differing agency philosophies on the desirability of waiving program requirements, several agency officials expressed uncertainty whether title V authorized waiver of the requirements. One reason for this confusion is that title V authorizes waiver of "application and reporting requirements" notwithstanding other provisions of law to the contrary. Title V does not, however, define whether items like State plans constitute an "application or reporting" requirement, nor does it provide clear guidance whether requirements for advisory or planning councils can be waived if determined to be administratively burdensome.

FEMA and the Departments of Education and Labor have modified or plan to modify individual program requirements for State plans. Education's final regulations state that the submission of an application takes the place of separate State plans or other similar documents required by the authorizing statutes for programs in a consolidated grant. FEMA is requiring a one-time State plan submission to be maintained in current status. Labor is planning to substantially modify CETA's annual plan requirements by replacing the existing requirements with new requirements specifically tailored for accomplishing title V's objective. PHS, HDS, HUD, and DOT are not changing their State plan requirements.

Another program requirement associated with several Federal assistance programs and being modified differently is that of advisory councils. Insular Area officials viewed this program requirement as an administrative burden and were particularly hopeful of being allowed to reduce the number of advisory boards, councils, and commissions separately required under the individual programs. Northern Marianas' education officials, for example, cited the existence of 22 boards and commissions required under their education grants and wanted many of them merged through grant consolidation. American Samoa officials hoped to reduce from six to one the number of their educational advisory boards created as a result of grant requirements. The Department of Education's final regulations for implementing title V responded to this concern by allowing Insular Areas to use a single advisory council for any or all programs included in a consolidated grant.

The regulations of other agencies, however, do not address whether existing advisory council requirements could or would be modified. HHS officials told us that only application and reporting requirements could be changed and that other requirements such as advisory councils remained in effect because they are unaffected by title V.

A Department of Labor program official examined all program requirements applicable to the CETA program and proposed to modify or waive requirements which were either not applicable, not germane, or somewhat cumbersome given the administrative abilities of the Insular Areas. One such requirement proposed for elimination was CETA's requirement for a planning council. The Labor official cited the "notwithstanding" phrase as the basis for proposing to modify program rules applicable to consolidated grants to the Insular Areas.

Labor's final regulations have not yet been issued because of ongoing discussions within Labor on whether title V gives the agency authority to modify existing program rules and regulations, such as the planning council requirement, to the extent proposed. For similar reasons, the issuance of DOT's final grant consolidation regulations have been delayed (see p. 27.)

#### Philosophies differ on waiving matching requirements

As an accompanying circumstance to easing administrative burdens, title V authorized Federal agencies to waive requirements which direct that Insular Areas contribute resources

to Federal programs. Additionally, in March 1980, the Congress passed P.L. 96-205, 94 Stat. 84, 90, requiring the Department of the Interior to waive matching requirements for all of its grants, consolidated or not, to the Insular Areas. The other Federal departments and agencies were required to waive matching requirements of less than \$100,000 for grants made to American Samoa and the Northern Mariana Islands. The Congress required such waivers primarily because of the scarcity of local resources available for matching purposes.

Most participating agencies have waived or plan to waive program matching requirements. A few agencies, however, such as HHS' PHS and HDS, have decided not to allow waivers, except as specifically required by P.L. 96-205.

Some other Federal agencies planning to consolidate grants have decided not to waive matching requirements because the Office of Management and Budget (OMB) stated in January 1979 that no waivers should be granted until a Government-wide policy was adopted. OMB's position was relayed to the Federal agencies by the Interior Department in April 1979. OMB allowed to stand those matching waivers that agencies had committed to in writing. However, it stated that no further waivers should be granted until an interagency committee studying territorial issues developed guidelines for all Federal agencies to follow in deciding whether or not to allow waivers.

The interagency committee completed its territorial study, and, in February 1980, the President announced the framework for a comprehensive Federal Government territorial policy. The framework called for implementing a policy for waiving matching requirements for programs and projects which the Federal Government wanted to encourage in the territories. An OMB official told us in December 1980 that the administration was still working to implement the policy. In the meantime, Federal agencies were encouraged not to grant any further waivers of matching requirements, except as required by P.L. 96-205.

Generally, Insular Area officials favored waiver of matching requirements. These officials said that the principal problems with matching requirements were that (1) cash match requirements strain limited local resources and disrupt the budgeting process, and (2) "in-kind" matching can evolve into a useless paperwork exercise.

Some Insular Area officials contended that the strain on available resources caused by matching requirements can be

significant because of their financial condition. The problem is particularly acute on federally assisted capital improvement projects requiring large amounts of local funding. With only limited revenues and, in some cases, no borrowing power, Insular Areas find it difficult to satisfy such funding requirements and often have to postpone projects. Occasionally, the Insular Areas lose opportunities to use available funding.

Capital improvement grants are not the only type which place a strain on local resources. Insular officials also told us of difficulties in raising matching funds for operational grants and cited instances where they were unable to take advantage of available funding. For example, in American Samoa and the Northern Marianas, portions of Interior's historic preservation grants were declined because local funds were not available to satisfy the 50 percent matching requirement. For the same reason, Guam officials reported being unable to participate in a forestry research grant for 4 years in a row.

The Trust Territory was concerned with the Department of Education's original position of not waiving matching requirements for its programs. In a July 6, 1979, letter to the Department, the Trust Territory Director of the Education Bureau pointed out that waivers were already granted under some education programs and they would be in jeopardy under the proposed consolidation regulations. The Director recommended that the proposed waiver prohibition be deleted or modified to allow the Secretary of Education the discretion to allow waivers. Education's final regulations were modified, allowing for waivers at the Secretary's discretion for all Insular Areas.

Insular Area officials wanted PHS to waive its matching requirements to reduce the current administrative burden. Officials explained that documenting in-kind contributions on PHS grants resulted in unnecessary additional paperwork. HEW officials told us that matching requirements were retained because, in their view, the requirements enhance the fiscal and management commitments of the Insular Areas. 1/

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1/In our report to the Congress, "Proposed Changes in Federal Matching and Maintenance of Effort Requirements for State and Local Governments" (GGD-81-7, Dec. 23, 1980), we concluded that the requirements do not often enhance grantees' commitments to Federal programs.

FUND ALLOCATION FLEXIBILITY  
IS BEING RESTRICTED

Perhaps the single most important and novel feature of title V is the explicit authorization for Insular Areas to determine how the combined funding of a consolidated grant shall be allocated. Uncertainty about the scope of this authorization and its relationship to other provisions of title V have resulted in most Federal agencies applying direct or indirect constraints on the Insular Areas' flexibility to allocate funds.

Title V allows the Insular Areas to determine, within specified constraints, how the combined funding of a consolidated grant shall be allocated. Title V states in relevant part:

"(c) The funds received under a consolidated grant shall be expended in furtherance of the programs and purposes authorized for any of the grants which are being consolidated, which are authorized under any of the acts administered by the department or agency making the grant, and which would be applicable to grants for such programs and purposes in the absence of the consolidation, but the Insular Areas shall determine the proportion of the funds granted which shall be allocated to such programs and purposes." (underscoring supplied)

Agriculture and HEW general counsels interpreted this provision as giving the Insular Areas total latitude to allocate and reallocate program funds as they see fit, provided the funds are expended for at least one of the programs or purposes contained in the consolidated grant. Under this interpretation, an Insular Area would be permitted to allocate anything from 0 to 100 percent of the consolidated funding to any authorized purpose of one of the component grants of the consolidated grant. Many Federal agency program officials, however, read the scope of authorization more narrowly and have placed direct or indirect limitations on the Insular Areas' fund allocation flexibility.

Two agencies have specified in their regulations that Insular Areas can allocate or reallocate funds up to a certain percentage of the component grant amounts included in a consolidated grant. Several agencies require Insular Areas to adhere to individual program requirements, which specify certain minimum amounts or percentages (set-asides) for specific target groups or purposes. Also, Insular Areas are prohibited by

some agencies from allocating or reallocating funds to certain activities over specified dollar or percentage limits embodied in program regulations. In one way or another, the ability of the Insular Areas to spend consolidated funds on programs or activities of highest local priority is constrained by these forms of restrictions.

Several agencies have exercised their discretion to consolidate in such a manner as to condition the consolidation on an understanding that a minimum percentage of funds will be allocated to specified programs. For example, HUD is allowing Insular Areas to consolidate Section 701 Comprehensive Planning grants and Community Development block grants but is restricting the allocation of funds between the two. Insular Areas cannot allocate or spend less than 50 percent nor more than 150 percent of the amount of funds provided under Section 701 for planning activities. Also, Insular Areas may not allocate or spend more than 20 percent of the Community Development block grant funds for planning and program administration.

A HUD official told us that his agency wanted to assure that the Insular Areas provide an adequate balance between Section 701 planning activities and community development activities. He pointed out that these restrictions were included in the published proposed rules and no comments were received on this issue.

EPA is allowing consolidation of six programs with the condition that up to 20 percent of funding provided under each program may be reallocated to other programs included in a consolidated grant. In addition, EPA is requiring the Insular Areas to undertake mutually agreed-upon activities for each of the programs included in a consolidated grant. EPA advised the Insular Areas that if these activities are not undertaken, the grant award will be proportionately reduced. We asked EPA officials to review this restriction in light of title V's provision that "(b) Any consolidated grant for any Insular Area shall not be less than the sum of all grants which such area would otherwise be entitled to receive for such year."

A different form of fund allocation restriction is being applied by PHS. PHS regulations allow Insular Areas to reallocate funds provided 60 days advance notice of the reallocation is given by the Insular Areas to PHS. PHS says the 60-day notification is for information purposes only and not for PHS approval/disapproval purposes. But the Insular Areas, in their applications for consolidated grants, are not permitted to

initially reallocate the consolidated program funds to the programs and purposes the Insular Areas deem necessary at the time they apply. Rather, Insular Areas must apply for the specific amount of funds allocated by formula for each component program included in a consolidated grant. They must justify their needs and establish their program objectives in relation to each specified amount of program funds, even though their priority needs and ultimate expenditure plans may not coincide. Insular Area officials, once they notified PHS of their intent to reallocate, would have to wait 60 days before they could implement the reallocations.

The ability of the Insular Areas to reallocate funds may be further affected by a PHS regulation which allows Insular Areas to reallocate funds from one program to another but "only when funds authorized for the receiving program are insufficient to meet current financial requirements." A PHS regional official told us the meaning of this phrase is that Insular Areas will not be allowed to reprogram funds if PHS finds that the individual objectives of the programs included in the consolidated grant are not met. According to this official, if the Insular Areas can achieve the program objectives with less than their full entitlement or with local funds, and PHS concurs, only then will the Insular Areas be permitted to reallocate funding, and only to programs which need additional funding.

Prior to PHS's implementation of consolidated grants, Insular Area officials cited a need for fund allocation flexibility, but were generally unsure how much flexibility was needed or precisely how it would be used. The following possibilities were suggested by Insular officials:

- Trust Territory officials told us that in fiscal year 1978, they had inadequate funding under their comprehensive public health grant to properly administer their infant disease and mortality program. On the other hand, they returned about \$160,000 which was excess to their needs under their maternal and child health grant. If they had a consolidated grant and fund allocation flexibility, they believe they could have used the \$160,000 in the inadequately funded program.
- Northern Marianas' officials reported a greater need for nurses' training than for mental health and alcohol abuse and would like to be able to reprogram accordingly.
- Both the Northern Marianas and American Samoa would like to have the flexibility to use more PHS money for off-island referrals, one of their major health expenses.

Until PHS' consolidation is in full operation, it is unclear how much, if any, of this needed flexibility will be available through the consolidated grant. It is clear, however, that PHS does not want the Insular Areas to totally eliminate any program through fund reallocations, and this could preclude any significant shifts of funding.

In a cable dated April 29, 1979, Guam objected to PHS' proposed consolidation regulations and stated it did not intend to participate because:

"It is our understanding of Title V that an Insular Area shall use the funds it receives under a consolidated grant to carry out one or more of the programs included in the grant and it is the Insular Area which determines, in accordance with its own needs, how the funds shall be allocated to achieve any of the program purposes. The [PHS] proposed requirements of reprogramming will not allow the Insular Area this kind of flexibility."

Guam officials told us that, in their opinion, PHS' restrictions on fund allocation were not consistent with the intent of title V.

In contrast to PHS' procedures, the Department of Education and other agencies allow Insular Areas to allocate or re-allocate funds in their applications. Under these procedures, Insular Areas are required to justify their needs and establish program objectives for only those programs and purposes the Insular Areas have decided to fund.

Regulations of other agencies take a somewhat different approach on restricting fund allocation flexibility of Insular Areas. Under these regulations, Insular Areas may determine the proportion of funds to be allocated to any one or all of the programs within a consolidated grant, but once the Insular Area allocates funds to a program, the normal rules and regulations applicable to the program govern. Some of the existing individual program regulations affect the fund allocation flexibility of Insular Areas. Several of these regulations deal with minimum set-asides of certain amounts or percentages that must be spent on target groups or for specific purposes. Others limit the amounts or percent of funds that may be spent for such items as administrative costs. Several Insular Areas expressed concerns with these restrictions, implying that these regulations could affect their ability to spend funds as they see fit within a given program area.



The Department of Education has several programs which require that funds be set aside for target groups or special purposes and which also limit expenditures for administrative costs. For example, the Improvement In Local Educational Practice program requires that 15 percent of program funds be spent on special programs or projects for the education of children with specific learning disabilities or handicaps. Also, Education officials said the Adult Basic Education program has a dollar limit on the amount of funds that can be spent on administrative costs by the Insular Areas.

These funding requirements, embodied in Education's individual program rules and regulations, have not been altered or removed for the purpose of consolidated grants. Education's final grant consolidation regulations state that set-aside requirements must be calculated on the basis of the amount of funds the Insular Area actually allocates to and uses in the program requiring the set-aside. Insular Area officials, on the other hand, did not want the set-asides applied beyond the amounts required without consolidation. Also, any dollar limits on administrative costs embodied in individual programs cannot be exceeded when the programs are consolidated, even though the programs may increase dramatically in dollar size through reallocation and thereby possibly warrant more administrative cost. The only way Insular Areas can avoid these requirements is by not allocating or spending any funds in the program with the requirements.

The Department of Transportation's highway programs have several statutory mandates; one mandate, for example, sets aside a minimum dollar amount to be spent for schoolbus driver training. DOT's draft grant consolidation regulations stated that existing program requirements would remain in effect. The Government of American Samoa, in commenting on the draft regulations, suggested that the mandates be eliminated or subject to waiver. In making this suggestion, American Samoa was striving for flexibility to use the funds to meet local needs.

DOT has delayed issuing final grant consolidation regulations, caused in part by the uncertainty of whether or not these mandates can be eliminated or subject to waiver in consolidated grants. DOT officials agree that P.L. 95-134 allows Insular Areas to reallocate funding, but they are unsure whether the authority extends to such mandates as the schoolbus driver training set-aside.

## CONCLUSIONS

Many Federal agencies have not offered consolidated grants to the Insular Area governments. Of the 17 agencies which provided financial assistance in fiscal year 1979, 12 agencies and two of the four major components of another agency as of January 1981 had not participated in the initiatives permitted by title V. During fiscal year 1979, these nonparticipating agencies administered 96, or 47 percent, of the 203 programs in which one or more Insular Area governments participated.

Federal agencies that are participating are limiting the number of programs available for grant consolidation. These agencies administered 107 financial assistance programs in fiscal year 1979. However, 56, or roughly one-half of these programs, are not being offered for consolidation. In total, 152, or 75 percent, of the 203 programs have not been made available to the Insular Area governments to accomplish title V's objective of easing the administrative burden.

For the most part, those Federal agencies participating or planning to participate are not minimizing the administrative burden to the extent anticipated by the Insular Areas. Federal agencies have taken different approaches on which application, reporting, and matching requirements should be retained or modified for consolidated grants. Although some agencies have eliminated or modified these requirements, most have not. However, it is these program requirements that the Insular Area governments contend are causing the greatest administrative burden.

Finally, the fund allocation flexibility of the Insular Area governments participating in consolidated grants is being affected by Federal agencies, although the act seems clear that fund allocation determinations rest with the Insular Areas. Some agencies have placed specific restrictions on Insular Areas' authority to shift funds among the programs. Other agencies have retained existing program regulations which require compliance with financial set-aside provisions. The application of these restrictions and regulations may be undermining the fund allocation flexibility granted to the Insular Areas by title V.

Clearly, Federal agencies have not responded enthusiastically to title V's objective of minimizing the Insular Areas' burden associated with Federal financial assistance programs.

The fundamental problems seem to be that (1) the act is not clear as to how much authority to change existing program rules and regulations is vested in Federal agencies, and (2) many Federal officials believe a major drawback of consolidation is that individual program objectives would not be fulfilled. These Federal officials could not or would not look beyond specific purposes of categorical grants and individual program requirements or felt that the Congress did not want them to.

In one way or another, this attitude is reflected in Federal agencies' approaches to accomplishing title V's objective. Some agencies, like Agriculture, decided not to consolidate grants. Other agencies, like Education and PHS, will consolidate formula but not project grants. Still other agencies, like HUD and EPA, required that some money be spent on each program within the consolidated grant.

The statutory exemption of aging and vocational rehabilitation grants from consolidation has prevented these programs from being considered for consolidation. By exempting these grants from consolidation initiatives, the Congress specifically prohibited funds earmarked for these programs from being redirected to other target groups. Insular Area officials would like to see these legislative restrictions removed.

#### RECOMMENDATION

We recommend that the Congress amend title V where necessary to address such questions as:

- Should Federal agencies be required to consolidate grants, and which financial assistance grants should be required to be included in the consolidations?
- May Federal agencies properly modify existing rules and regulations of programs included in consolidated grants and what is the scope of their authority to do so?
- Should all Federal agencies be required to waive all matching requirements?
- May restrictions properly be placed on the Insular Areas' flexibility to allocate funds under a consolidated grant?

### CHAPTER 3

#### AGENCY COMMENTS AND

#### OUR EVALUATION

Copies of this report were provided for comment to the 5 Insular Areas, OMB, and the 11 Federal agencies included in our review. Comments were received from Guam, American Samoa, Northern Mariana Islands, Virgin Islands, three offices of the Trust Territory, OMB, HHS, Education, Interior, Agriculture, Transportation, EPA, and FEMA. (See app. III to XVII.)

General agreement was expressed for the need to clarify several sections of title V. The Governors of Guam and American Samoa stated that they were not realizing the benefits intended by title V and that unless the concerns discussed in this report were properly addressed, grant consolidation would not be cost effective. Several Federal agencies, however, did not believe that matching requirements should be waived or that all types of grants should be consolidated.

OMB and some agencies commented that enactment of the administration's block grant proposals would alleviate many of the problems in that matching would be waived, fund flexibility would be enhanced, and burdensome application and reporting requirements would be relieved. OMB suggested that congressional review of title V include the effect of these proposals as well as other grant reform initiatives. HHS added that with the enactment of its four proposed block grants, the provisions of title V and amendments thereto would be less important. To the extent that the block grants are enacted as proposed, and to the extent a large number of programs are included, we agree. Many programs, however, are not being included in block grant proposals and, therefore, the title V consolidation approach will continue to be useful. Further, the approach could be beneficial to Insular Areas seeking to consolidate block grants or a block grant with categorical programs.

FEMA's comments on grant consolidation summed up well the arguments against consolidation expressed by several agencies.

"FEMA would support consolidation as long as the individual objectives of each funded program would be agreed upon as part of the single-grant instrument and would be carried out, even with the program funds combined. To provide funds under a particular program authority without any return on that investment for the intended purpose would raise serious questions about an

agency's accountability for that program. Also, this could be a means of obtaining funds in excess of the statutory limit for a program. Grant consolidation must be carefully considered in this light."

This argument tends to view the enabling legislation of each individual program in isolation. Although we recognize that the administering agencies have absolute discretion on the decision to consolidate, once an agency decides to consolidate under title V, a broader perspective is essential, if not legally required. Title V explicitly vests with grantees the authority to reprogram funds awarded under a consolidated grant, regardless of other provisions of law to the contrary.

AGENCY COMMENTS ON THE QUESTIONS  
RAISED IN OUR RECOMMENDATION

Should agencies' participation in grant  
consolidation initiatives be required  
and should all grants be consolidated?

Although Federal agencies did not take a position on whether grant consolidation should be made mandatory, some agencies did comment on the question. The Department of the Interior considered the voluntary nature of agencies' implementation of title V as one of the basic reasons for the less-than-enthusiastic response to grant consolidation initiatives. HHS commented that if mandatory consolidation is considered, it would recommend strongly against inclusion of discretionary grants awarded on a competitive basis.

Regarding the types of programs that should be consolidated, many Federal agencies commented that they should retain discretion in deciding which programs are appropriate for consolidation. Generally, Federal agencies did not think that discretionary programs should be included because they are competitive in nature and are awarded for specific purposes. But the agencies did not comment on the validity of the distinctions offered by Insular Area officials between the different types of discretionary grants discussed on page 14. Interior thought that the "bureaucratic squabbling" at the Federal level on discretionary grants would carry over to the local level as well.

Insular Areas wanted more agencies and programs included. Their suggestions ranged from "all" programs to all but the "purely" competitive.

May Federal agencies properly  
modify existing program  
regulations for consolidated grants?

Most Federal agencies which commented on this question agreed that specific congressional guidance was needed. The Department of Transportation said it interprets title V as not authorizing the waiver of existing grant conditions but thought that clarifying title V's intent on this point would be helpful. EPA was unsure as to whether existing program regulations dealing with maintenance of effort requirements could be waived. HHS agreed that clarification was needed. It suggested that the Congress consider providing a general authority to vary program rules and regulations as they apply to all programs operating in the territories and pointed out that such a provision was included in P.L. 96-597 with respect to programs of the Department of Agriculture.

The intent of title V on this question does not now appear to pose a problem to the Department of Education. It commented that its program legislation provides authority to waive program requirements. Education said that:

"The statutory provisions of Section 1003 of the Elementary and Secondary Education Act, and Section 1204(a) of the Higher Education Act gives the Secretary of Education adequate authority to make appropriate and necessary modifications in program requirements that apply to Insular Areas."

OMB stated that the recommendation to the Congress to clarify title V would seem to be warranted if Federal agencies' responses indicated uncertainty as to whether title V gives authority to modify existing program rules.

Should Federal agencies be required  
to waive matching requirements?

Varying views were expressed on this question. All Insular Area governments, Education, and HHS agreed that Federal agencies should be required to waive all matching requirements. FEMA has waived non-Federal matching shares, but was concerned that granting waivers would result in a diminished program size. To cope with this dilemma, it has encouraged the Insular Areas to budget for and contribute their 50 percent matching share to the extent possible. OMB maintained that no further matching waivers should be granted, except as provided by P.L. 96-205, until the policy discussed on page 21 is implemented. OMB

added, however, that under the Administration's block grant proposals, matching funds would not be required.

May restrictions properly be placed on the Insular Area's fund allocation flexibility?

General agreement was expressed by the Insular Areas and the Federal agencies on the need for flexibility in using Federal funds. HHS stated that the policy purposes of title V are not served when restrictions are placed on fund use and added that the block grant proposals contain no restrictions on fund allocation. Education commented that Insular Areas should have full discretion to allocate funds as needed and that the "set-aside" requirements that apply to certain of its programs may--under appropriate circumstances--be candidates for waiver.

The Department of Transportation would like the Congress to (1) clarify whether title V provides authority to modify several fund use restrictions embodied in its program legislation and (2) provide guidance on how to handle situations in which no funds are spent on a program in the previous year because of reallocation but second year funding is conditioned on prior year spending.

OTHER COMMENTS

Several Federal agencies offered comments beyond the specific questions raised in our recommendation. FEMA suggested that the Committee on Interagency Territorial Assistance consider developing a uniform Federal approach to consolidation and asked us to address its desirability in this report. During our study of the implementation of title V, we noted that such an approach was discussed by the Committee several years ago, but the effort was abandoned because no one agency was given the authority and responsibility to lead the effort and resolve disagreements among the agencies on how to structure the uniform approach. Had the Committee organized and developed a uniform approach, the issues identified in this report likely would have been identified earlier and perhaps resolved. From the perspective of the Insular Areas, we believe they would like to see uniformity among Federal agencies in consolidating grants. For such an effort to succeed, however, the issues in this report must first be clarified.

The Department of Agriculture commented that two bills presently before the Congress--S.45 and S.807--would accomplish the objective of program consolidation without the need to amend title V. While we strongly support the concept of program consolidation, passage of the pending legislation would not negate

the need to amend title V. Although consolidation proposals that might be initiated by the President, pursuant to the process provided in the proposed legislation, would likely seek to accomplish the same type of administrative simplification goals contemplated by title V, they might or might not provide for such things as waiver of matching requirements. Further, it seems to us that the proposed legislation would provide a mechanism for a more long term and continuing reform of the Federal assistance system as opposed to the more targeted and immediate initiatives contemplated by title V.

The Environmental Protection Agency asked that we clarify whether an Insular Area may, under a title V grant consolidation, eliminate all activities under one program and spend the funds on another program. In our opinion, such a reallocation is authorized if the programs involved are within the same consolidated grant.

Finally, HHS raised three issues. HHS said that neither its Health Care Financing Administration (HCFA) nor its Social Security Administration (SSA) have programs that are subject to consolidation under title V. We disagree. On the basis of information HHS submitted to the Interior, one or more Insular Area governments are eligible for five HCFA programs and are currently participating in three. One or more Insular Area governments are eligible for and participating in three SSA programs. In our opinion, these programs meet the criteria for grant consolidation under title V.

HHS also said that the report did not adequately address the logical inconsistency, administrative difficulty, or inequity of allowing consolidation of competitive awards. Admittedly a more detailed discussion of these problems may be useful. However, it was not our purpose to fully analyze the applicability of title V to competitive grants. Our point was simply that competitive grants take various forms, some are being consolidated, and the Insular Areas would like to see more done. It is our view that further opportunities may exist to consolidate competitive grants.

Lastly, HHS said that the report did not adequately discuss or explain the indifference of Insular Area officials to the consolidation opportunities under title V. We disagree. Our discussions with Insular Area officials and their comments



on this report did not reveal any indifference. Where opportunities existed, Insular Areas were participating in grant consolidation. Moreover, they would like further opportunities.

To the extent there is any indifference, however, it is perhaps more a function of HHS' less-than-enthusiastic approach to title V implementation. According to Guam and American Samoa officials, the opportunities offered by HHS are limited and little change has been made from the way grants were previously awarded and administered. Reprogramming of funds is the only new feature PHS is offering and this is constrained. In final regulations published in January 1981, HHS offered only two programs for consolidation and has yet to develop specific procedures on how to apply for and report on the use of consolidated funds.

DESCRIPTION OF INSULAR AREAS

The Department of the Interior has responsibility for all major territorial areas under U.S. administration. Interior's responsibilities are administered by the Assistant Secretary for Territorial and International Affairs in Washington, D.C.

The Insular Areas conduct much of their own governmental administration, with Interior participating in a concerted effort to improve the economy, health, educational opportunities, and general living conditions of the people. Although each Insular Area has its own sources of revenue, the Assistant Secretary for Territorial and International Affairs assists in obtaining appropriations from the Congress to augment these revenues. This Office also reviews economic, social, and political situations affecting the Insular Areas in order to keep the Secretary of the Interior informed. It also proposes policies, programs, and other actions to be taken by the Congress or the executive branch to strengthen the Insular Areas.

U.S. VIRGIN ISLANDS

The U.S. Virgin Islands are part of the curving chain of the Greater and Lesser Antilles separating the Caribbean Sea and the Atlantic Ocean. They are located 1,400 miles southeast of New York and approximately 1,000 miles southeast of Miami. More than 50 islands comprise the group under the sovereignty of the United States, but only 3--St. Thomas, St. Croix, and St. John--have a size or population of any significance. Most of the other islands are uninhabited.

The total land area of the U.S. Virgin Islands is approximately 130 square miles, with St. Croix being about twice as large as the other two islands combined. The population of the islands is approximately 100,000, and the residents have been citizens of the United States since 1927.

The U.S. Virgin Islands is an organized, unincorporated territory administered by a Governor and Lieutenant Governor elected since 1970 by popular vote. A unicameral legislature composed of 15 Senators, elected every 2 years, serves as the legislative authority of the territory. Since 1973, the islands have been represented in the U.S. House of Representatives by a nonvoting delegate elected by popular vote.

GUAM

The island of Guam is an organized, unincorporated territory of the United States. It is the southernmost point in the chain of volcanic islands in the western Pacific Ocean known as the Mariana Islands. Guam lies about 6,000 miles southwest of San Francisco and 1,500 miles east of Manila.

Guam is the largest and most populous island in the Marianas chain. Its lima bean shape has an area of 209 square miles and a population of approximately 100,000, of which 20 percent are military personnel. Guamanians are U.S. citizens.

The Government of Guam was established by an organic act approved by the President on August 1, 1950. Guam is administered by a Governor and Lieutenant Governor elected by popular vote. Legislative authority on Guam is vested in a 21-member unicameral legislature which is elected biennially. Since 1972, the residents of Guam have elected a nonvoting delegate to the U.S. House of Representatives.

AMERICAN SAMOA

American Samoa is an unincorporated and unorganized territory. A group of islands, American Samoa is the most southerly of all lands under United States sovereignty. It comprises the eastern islands of the Samoan group (Western Samoa is independent), located approximately 2,300 miles southwest of Hawaii and 1,600 miles northeast of the northern tip of New Zealand.

The seven islands of American Samoa have a land area of 76 square miles. Over 96 percent of the land is owned communally and is regulated as to occupancy and use by Samoan custom. American Samoa's population is about 30,000.

The residents of American Samoa elect their own Governor and Lieutenant Governor. Legislative power in the territory is vested in the legislature of American Samoa, composed of a Senate and House of Representatives. The members of the Senate are elected in accordance with the Samoan custom by the county councils, while members of the House are elected by popular vote in each district.

TRUST TERRITORY OF THE PACIFIC ISLANDS

The Trust Territory of the Pacific Islands comprises more than 2,100 islands and encompasses the island groups of the Marshalls, Carolines, and Marianas (except for Guam). These groups comprise most of what is known as Micronesia, or the "land of small islands." The far western boundary of the area is only 500 miles from the Philippines; Hawaii is some 1,800 nautical miles from the eastern border of the territory.

The Trust Territory lies in an expanse of the Western Pacific Ocean equal in size to the continental United States, or 3 million square miles. The land area, however, is approximately 700 square miles, or about one-half the size of the State of Rhode Island. Only about 100 of the islands are inhabited, with a total population of approximately 120,000.

The Trust Territory is governed by a High Commissioner appointed by the President. Legislative authority resides in a bicameral body consisting of a Senate and a House of Representatives. Its 12 Senators are elected for staggered terms of 4 years, and the 21 members of the House serve 2-year terms.

The United States administers the Trust Territory under a 1947 trusteeship agreement with the United Nations. Since 1947, there has been a gradual assumption of self-government in various parts of the Territory depending on the freely expressed wishes of the inhabitants. It is anticipated that in the near future the Trusteeship will be terminated, and the following new governments will be fully established.

The Government of the Marshall Islands

Following the rejection of union with the rest of Micronesia as a permanent status, the Marshall Islands established its own constitutional government, modeled after the British parliamentary system, on May 1, 1979, in Majuro, Marshall Islands. It has a President in place of a Prime Minister and a unicameral parliament (Nitijela). This easternmost part of the Trust Territory has negotiated a political status of Free Association with the United States, retaining political sovereignty but granting certain defense rights to the United States Government in return for some services and annual budgetary support.

The Federated States of Micronesia

The States of Yap, Truk, Ponape, and Kosrae, forming the central area of the Territory, adopted the Constitution of the

Federated States of Micronesia (FSM) on July 12, 1978. The Marshalls and Palau rejected the Constitution. The seat of government is in Kolonia, Ponape, and is headed by a President elected by a unicameral Congress.

The FSM, like the Marshall Islands, has been negotiating a political status of Free Association which will retain sovereignty in the local government. In return for certain benefits accrued from the United States, the defense of the islands will be the responsibility of the United States.

#### Republic of Palau

Palau adopted its constitution on July 8, 1980, following considerable political activity including two prior referendums. Constitutional government was installed in Palau on January 1, 1981, with an elected President and a bicameral legislature. Palau is also negotiating for Free Association although it is approaching the concept of Free Association in a slightly different way than the Marshall Islands and Federated States.

#### NORTHERN MARIANA ISLANDS

The Northern Mariana Islands comprise 14 islands, with a land area of 182 square miles. The population is estimated at over 16,000 with the majority on the island of Saipan (14,000), 700 on Tinian, and 1,200 on Rota. The remaining islands north of Saipan, for the most part, are uninhabited.

On January 8, 1978, the Constitution of the Northern Mariana Islands became effective in accordance with the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America. The Covenant, which was approved by joint resolution of the Congress on March 24, 1976, will allow the Northern Mariana Islands to become a Commonwealth of the U.S. upon the termination of the United Nations trusteeship agreement. Under the Constitution, in accordance with the Covenant, the residents of the Northern Mariana Islands elect their own Governor and Lieutenant Governor and send a representative to the United States. The covenant also allows the Government of the Northern Mariana Islands to be eligible for Federal grant-in-aid programs available to other U.S. Insular Areas.

STATUS OF FEDERAL AGENCYPARTICIPATION IN TITLE V AS OF JANUARY 1981

<u>Agency</u>	<u>Final regulations published</u>	<u>Participation under study</u>	<u>No participation planned</u>	<u>Financial assistance provided in FY 1979 (000 omitted)</u>
Department of Agriculture			X	\$ 50,361
Department of Commerce		X		4,384
Department of Education	X			36,530
Department of Energy		X		1,094
Department of Health and Human Services				
Health Care Financing Administration			X	2,086
Public Health Service	X			10,473
Social Security Admini- stration			X	4,352
Office of Human Development Services	X			9,041
Department of Housing and Urban Development	X			21,705
Department of the Interior		X		1,390
Department of Justice			X	589
Department of Labor		X		6,421
Department of Transportation		X		31,022
Community Services Admini- stration			X	2,290
Environmental Protection Agency	X			17,035
Federal Emergency Management Agency	X			8,098
National Endowment for the Arts			X	1,215
National Endowment for the Humanities			X	108
Office of Personnel Management			X	225
Water Resources Council			X	154
Total				<u>\$208,573</u>



PAUL M. CALVO  
GOVERNOR

*Territory of Guam*

OFFICE OF THE GOVERNOR  
AGANA, GUAM 96910  
U.S.A.

3367

01 APR 1981

Mr. William J. Anderson  
Director, U.S. General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Anderson:

We have reviewed the draft report on Consolidation of Grants by the Government Accounting Office (GAO). The findings in the report are representative of the concerns that we raised on Consolidation of Grants as called for in Title V, U.S. Public Law 95-134. These were: (1) not all grants are being considered in the Consolidation of Grants; (2) the need for Federal Agencies to simplify the grant applications and reporting procedures; (3) reluctance of participating agencies to waive local matching requirements; and (4) the need to provide greater flexibility to local government to redirect federal funds to locally perceived needs.

The Government of Guam is supportive of the proposed plan to consolidate categorical grants. However, unless the concerns are properly dealt with, it would not be cost effective for Government of Guam to pursue the consolidation of grants for some of the Federal programs at this time.

The flexibility in the use of funds, minimal application of regulations and waiver of local matching are all critical issues that the Government of Guam is seeking resolution. We sincerely believe that the proposed recommendations by GAO, if implemented, would resolve these issues affecting Guam and other Insular Areas.

Sincerely,

  
PAUL M. CALVO



OFFICE OF THE GOVERNOR  
PAGO PAGO, AMERICAN SAMOA 96799

PETER TALI COLEMAN  
Governor

TUFELE LI'A  
Lt. Governor

April 7, 1981

Serial: 411

Mr. William J. Anderson, Director  
General Government Division  
United States General Accounting Office  
Washington, D. C. 20548

Dear Mr. Anderson:

This is in response to your letter of March 13, 1981, which transmitted a draft copy of your report on the limited progress made by Federal agencies in consolidating grants to the Insular areas and which sought my review of the draft report.

I find that the draft quite succinctly represents the views we offered during the visit of your staff. We are not realizing the benefits intended by the Congress when it enacted Title V of Public Law 95-134. I support the recommendations offered by the draft.

Thank you for the opportunity to review the draft report and please be assured of my every cooperation in this important work.

Sincerely,

A handwritten signature in cursive script, reading "Peter Tali Coleman".

PETER TALI COLEMAN  
Governor

cc: Director, Administrative Services





TRUST TERRITORY OF THE PACIFIC ISLANDS

OFFICE OF THE HIGH COMMISSIONER  
SAIPAN, CM 96950

CABLE ADDRESS  
HICOTT SAIPAN

APR. 7 1981

Mr. William J. Anderson  
Director  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Anderson:

Enclosed are comments by the TTPI Office of Education relative to the General Accounting Office's draft report on Federal grant consolidation to the Insular Areas.

Comments from the Office of Planning and Statistics and the Program and Budget Office are forthcoming and will be mailed to your office as soon as possible. However, due to the time constraints, a request to the General Government Division for a 30-day extension on the receipt of comments has been sent by message today.

Sincerely yours,


A handwritten signature in cursive script, appearing to read "Adrian P. Winkel".

Adrian P. Winkel  
High Commissioner

Enclosure

MEMORANDUM FORM TT 5706

**TRUST TERRITORY OF THE PACIFIC ISLANDS**      *Office of the High Commissioner, Saipan*

**TO** : High Commissioner  
**THRU** : Deputy High Commissioner   
**FROM** : Acting Chief, Office of Education

DATE: 04/02/81

**SUBJECT:** Comments Relative to the U.S. General Accounting Office's Draft of a Proposed Report on Consolidation of Federal Grants

Attached are the original copy of the Draft of a Proposed Report by the staff of U.S. General Accounting Office and a set of comments, in draft form, relative to the report. The Administrator, Department of Grant Management, asked that we coordinate comments from Health Services and the Office of Education. We have done so, and we will be pleased to revise and modify the comments as you may direct.

While the findings presented in the report do support the conclusion that limited progress has been made on consolidation of grants, there is a positive side to the issue of consolidation from the perspective of education. We have, therefore, tried in our comments to point out the positive consolidation accomplishments of the U. S. Department of Education. Although the Department did limit the programs offered for consolidation to formula grants, recent discussions with Department representatives indicate that other grants may be considered for inclusion. Specifically discussed were two of the programs listed on page 13 of the report: CFDA Nos. 84.043 and 84.059.

The Trust Territory does not at present participate in all the programs listed on page 13, but inclusion of Bilingual Education, Special Services for Disadvantaged Students, Rehabilitation Services and Facilities--Basic Support, and the two just mentioned (Strengthening State Educational Agency Management and Emergency School Aid Act--Special Projects), all programs in operation now, is desirable.

2.

Further, for the first year of consolidation, we have learned that of the five Insular Areas, American Samoa and the Government of the Northern Mariana Islands placed almost all of their eligible education programs under consolidation, and that Guam and the Virgin Islands did not consolidate any programs. We included twelve programs under a single activity in Vocational Education.

Finally, though the report does not--and perhaps cannot--address Federal agency efforts to prepare the Insular Area agencies to utilize consolidation, our experience with the Department (then Office) of Education in this area was most satisfactory and worthwhile. We believe that the Department approached the whole matter with extreme care and concern for building awareness amongst the Insular Areas. We were involved almost from the beginning and were provided with advance information as well as draft regulations for comment.

It is our understanding that there may be comments from offices other than those in the Department of Grant Management. We did send a copy of the report to the Director, Bureau of Personnel, at his request.

  
Harold W. Crouch

Attachments

Comments by the Trust Territory of the Pacific Islands on the draft of a proposed report entitled "Limited Progress Has Been Made in Consolidating Grants to the Insular Areas," prepared by the staff of the U. S. General Accounting Office.

The second chapter of the proposed report has four major discussion areas, a set of conclusions, and an overall recommendation concerned with four issues. The discussion areas and the conclusions support the title-statement, "Limited Progress Has Been Made in Consolidating Grants to the Insular Areas"; the recommendation proposes that the need for a legislative initiative to amend Title V, P.L. 95-134 be considered.

The following general comments refer to the discussion areas, the conclusions, and the recommendation.

1. "Many Federal agencies are not offering consolidation or other benefits under Title V"

The Department of Education, one of the major Federal agencies providing support to the Trust Territory, has offered consolidation of 32 of its 53 programs. The discussion turns on the point of number of agencies involved in consolidation rather than on the amount of program support provided by agencies or the number of individual programs offered for consolidation. The term "other benefits" refers to simplification of application

process, reduction in reporting requirements, increased flexibility in local determination of use of funds, etc. All of these are available under the Department of Education's Consolidated Grant. So there is a positive side to the issue: some major Federal agencies are offering consolidation and its related benefits under Title V. (Appendix II reveals that the four agencies and two components participating represent 49.3% of the funding available in FY 1979).

2. "Participating agencies are limiting grants eligible for consolidation"

The Department of Education provided for the inclusion of 32 formula grant programs; excluded were one formula grant program, ESEA Title V (Strengthening State Educational Agency Management), the quasi-formula grants such as Bilingual Education, EHA Title VI, Part D, the Emergency School Aid Act programs, and the purely discretionary grants. The comments by the Commissioner of Education from the Virgin Islands are appropriate: those programs that are quasi-formula, either through set-aside funds or through first-year competition and subsequent-year continuation funding, should be offered for consolidation. The Department of Education might be faulted for not having recognized the middle type grant as a separate category and a probable candidate for consolidation. The categorical classification of grants as either formula or discretionary does

indicate some lack of flexibility on the part of the Department.

3. "Limited efforts to simplify application, reporting, and related program requirements"

It can be stated positively that the Department of Education made much more than limited efforts to simplify application and reporting requirements. The final regulations for the Department's Consolidated Grant program were issued April 3, 1980, and an application in remarkably simplified form was ready at that time. Subsequently, the Department developed a simplified reporting form (March 1, 1981). Related program requirements, such as advisory councils, state plans, and fund uses, have not been simplified, although it is noted that the Insular Areas do have the opportunity of requesting waivers where program requirements tend to work hardships (P.L. 96-561, Section 1003 (A) (1)).

The problem with "related program requirements", insofar as the Department of Education's consolidated grant regulations are concerned, may be that of blanket application of regulations from the original programs. The statement from 100b.126 of the Office of Education's final rules for consolidation (April 3, 1980), is "The regulations for each program included in a consolidated grant for which funds are used and administered [apply]." From the Department's perspective, an Insular Area has the option of seeking

out the program with the least restrictive requirements and consolidating thereunder; but such a program might not provide the scope and range essential to an Insular Area to meet its unique and differing needs. Title V itself, however, restricts expenditure of funds to furtherance of the programs and purposes authorized under the original Acts, and so the Department of Education's inaction in simplifying "related program requirements" can be understood in light of this legislative restriction.

4. "Fund allocation flexibility is being restricted"

In the sense that funds must by law (Title V) be used for the purposes of the program under which they are consolidated flexibility is being restricted. The Department of Education placed no restriction on allocation of funds other than that set-aside requirements had to be adhered to, requirements established through regulations applicable to the original programs.

5. Conclusions

The Department of Education's record in offering programs for consolidation would seem to deserve positive recognition. The GAO's very comprehensive report does reflect recognition of the Department's accomplishments while indicating the need for further involvement. For example, of the 56

programs offered, 32, or 57% are from the Department of Education; of the 53 programs sponsored by the Department of Education, 60% are included in the consolidated grant program.

#### 6. Recommendations

The overall recommendation that the need for a legislative initiative to amend Title V be considered is well taken. If the intent of the law to allow full flexibility and simplification of application, reporting, and attendant requirements is not clear to some Federal agencies, then an amendment to make the intent clear would be in order.

Given the findings of the report, the four issues suggested for congressional consideration are appropriate.



The following comments are in reference to specific items in the Proposed Report.

Page 4 (Paragraph 3) The intent of Congress to ease application and reporting burdens is clearly evident in the final sentence of Title V where the head of an administering agency may waive the requirement for applications and reports to be in writing, i.e., the Secretary of Education could, at his/her discretion, require merely an oral application or report.

Page 8 (Paragraph 3) The statement by a co-sponsor that single grant agencies are covered by Title V and that such agencies could participate by simplifying their applications and waiving matching requirements would seem to bear out the description of the intent of Congress.

Page 11 The final regulations for the Department of Education's consolidated grant program, issued April 3, 1980, carry the comments on the proposed regulations. In response to a comment questioning why discretionary grants were not included, the following is found: ". . . because of the administrative problems involved in consolidating discretionary grants, it was decided to include only State formula grants." The Assistant Secretary quoted at the bottom of page 11 is correct: administrative

complexity is not a compelling justification for excluding discretionary grants from consolidation.

Page 13 The Trust Territory of the Pacific Islands concurs with the general statement that the programs listed are ones that should be included for consolidation.

Page 24 The allegation that TTPI had to return \$160,000 from the Maternal and Child Health Program should be clarified. The time was FY 78, two years before consolidation. Because State Plan and Grant Application were late in being completed and submitted, the funds were late in being granted, and the amount of \$160,000 lapsed. The point, however, is that had there been a consolidated grant program at that time, it would have allowed the funds to be used for other much needed programs whose funds were depleted before the end of the year.

Page 31 The description of the government of the Trust Territory is inaccurate in that the Congress of Micronesia is no longer in existence.



UNITED STATES DEPARTMENT OF EDUCATION

WASHINGTON, D.C. 20202

ASSISTANT SECRETARY  
FOR ELEMENTARY AND SECONDARY EDUCATION

APR 10 1981

Mr. Gregory J. Ahart  
Director, Human Resources Division  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "Limited Progress Has Been Made in Consolidating Grants to Insular Areas."

The following comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

Participation by Insular Areas

Three of the five Insular Areas chose to consolidate grants under one or more Federal education programs in fiscal year 1980. We anticipate that four Insular Areas will take advantage of grant consolidation in fiscal year 1981.

Programs which may not be included in a consolidated grant

While all but two formula grant programs were included in the list of Federal education programs that may be consolidated, the Department has not permitted consolidation of the following programs:

- o Competitive discretionary grant programs - Like all other Federal agencies, the Department of Education feels that it is not feasible to include truly competitive discretionary grants in the consolidated grants for Insular Areas.
- o Impact Aid (Pub. L. No. 81-874) - Because of the unique annual data collection requirements relating to federally connected students, and the time of year these data are collected the Commissioner of Education determined that it was not feasible to include Impact Aid in the consolidated grants.
- o The ESEA, Title V-B Program (Strengthening State Educational Agency Management) - This program was not identified as a candidate for consolidation. The U.S. Commissioner of Education determined that it would be imprudent to permit an Insular Area to consolidate all of its grant funds for the sole purpose of strengthening State educational agency management.

Page 2 - Mr. Gregory J. Ahart

- o The Rehabilitation Services and Facilities Basic Support Program - This program was transferred to the Department of Education after the consolidated grant application regulations were published. We are, however, considering the possibility of amending the final regulations to include those formula grant programs that could be consolidated.
- o Bilingual Education Program - The only portion of this program that is based on a formula is the 5% amount that the State educational agency receives for technical assistance to local educational agencies. The 5% is based on the amount a local educational agency received during the previous fiscal year. It is, therefore, illogical to include these funds in a consolidated grant.

#### Application requirements

The Department is committed to simplification of application procedures for the Insular Areas. Under the Department's final regulations for consolidated grants, an Insular Area is required to submit only one application for the purpose of consolidating up to 32 separate Federal education programs. The annual application calls for:

- o A statement of needs;
- o A statement setting forth goals and objectives to meet needs;
- o A budget;
- o A description of the federal program or programs under which funds are to be used and administered;
- o A set of standard assurances.

#### Reporting requirements

The Department's regulations for consolidated grants to the Insular Areas require only one annual report. This report must include essential program, fiscal, and statistical information for the program or programs under which the consolidated grant funds are used and administered.

#### Matching requirements

When the consolidated grant regulations were being prepared the Secretary of HEW decided that HEW automatically would not waive matching requirements for the Insular Areas. However, Section 100b.135 of the Consolidated Grant Application regulations indicates that:

A waiver may be granted if the statutory authority for the specific program in the consolidated grant expressly provides for a waiver of the matching requirement and statutory conditions for granting a waiver are met.

The Department is in the process of implementing the waiver of matching requirements for American Samoa and the Northern Mariana Islands that is mandated by Section 601 of the U.S. Insular Area Appropriation Authorization (Pub. L. No. 96-205), as enacted on March 12, 1980. As you are aware, Section 601 requires all Federal agencies to waive any requirement for local matching under \$100,000 for those jurisdictions.

Page 3 - Mr. Gregory J. Ahart

In addition, the Department now has considerable flexibility to waive or modify program requirements that apply to the Insular Areas. For example, Section 1003(a)(1) of the Elementary and Secondary Education Act of 1965, as amended by the Education Amendments of 1978 (Pub. L. No. 95-561) provides that:

If the [Secretary] determines that compliance with any of the requirements of this Act by Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, or the Trust Territory of the Pacific Islands is impractical or inappropriate because of conditions or circumstances particular to any such jurisdictions, he may waive any of those requirements upon the request of the State educational agency for such jurisdiction. At least thirty days prior to approving any such request for a waiver, the [Secretary] shall publish in the Federal Register a notice of his intent to grant such a waiver and the terms and conditions upon which such a waiver will be granted.

Similarly, Section 1204(a) of the Higher Education Act of 1965, as amended by the Education Amendments of 1980 (Pub. L. No. 96-374) provides that:

The Secretary is authorized to provide such modification of any programs under this Act as the Secretary deems necessary in order to adapt such programs to the needs of Guam, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and the Northern Mariana Islands. Such program modifications may include the consolidation of grants for any single program on a regional or inter-territorial basis. Such program modification shall be established in cooperation with the governments of such territories and shall be governed by a memorandum of understanding between such governments and the Department of Education.

The Department will seriously consider using this waiver authority in appropriate circumstances.

#### Set-Aside requirements

The set-aside requirements that apply to certain programs may--under appropriate circumstances--be candidates for inclusion in a waiver under the authority discussed above.

#### Response to specific recommendations

Page 28 of the draft report sets forth four specific recommendations. The Department's views with regard to these recommendations are:

- o Federal agencies should retain discretion in deciding which Federal programs are appropriate for consolidation.
- o The statutory provisions of Section 1003 of the Elementary and Secondary Education Act, and Section 1204(a) of the Higher Education Act gives the Secretary of Education adequate authority to make appropriate and necessary modifications in program requirements that apply to Insular Areas.

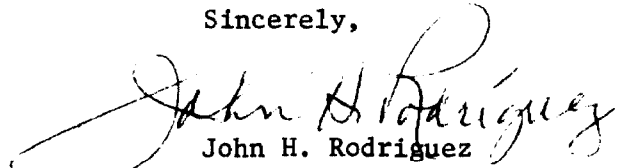
Page 4 - Mr. Gregory J. Ahart

- o Federal agencies should be required to waive all matching requirements for the Insular Areas.
- o The Insular Areas should be given full discretion, as they now have under our regulations, to allocate funds among the Federal programs that are consolidated.

I can assure you that the Department is fully committed to carrying out the congressional intent to permit the Insular Areas to consolidate programs in a way that reduces administrative burdens and affords greater flexibility in the use of Federal funds.

Thank you for giving me this opportunity to comment.

Sincerely,



John H. Rodriguez  
Acting Assistant Secretary



TRUST TERRITORY OF THE PACIFIC ISLANDS  
OFFICE OF THE HIGH COMMISSIONER  
SAIPAN, CM 96950

CABLE ADDRESS  
HICOTT SAIPAN

APR. 1 0 1981

Mr. William J. Anderson  
Director  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Anderson:

Enclosed are comments by the TTPI Office of Planning and Statistics relative to the General Accounting Office's draft report on Federal grant consolidation to the Insular Areas. The third and final comments will be sent to your office as soon as they are available.

Sincerely yours,

Adrian P. Winkel  
High Commissioner

MEMORANDUM FORM TT-5706

**TRUST TERRITORY OF THE PACIFIC ISLANDS**      *Office of the High Commissioner, Saipan*

**TO :** High Commissioner

APR. 9 1981

**DATE:** 4/8/81

**FROM :** Director, OPS

**SUBJECT:** Draft Progress Report on Implementation of Grant Consolidation, as Provided for by Title V of PL 95-134

My review of the subject draft report generally found it to be consistent and I concurred with its findings and recommendations. Specific recommendations which I would want to amplify would be to eliminate the local matching requirement and to allow for the flexibility to address local priorities, still remaining within the scope of the enabling legislation. I would take the report's recommendations one step further and recommend that there be a blanket consolidation of all grants received by insular areas. This could be accomplished by identifying total funding potential for each fiscal year by all federal agencies. Once accomplished, the insular areas would then develop a "state" plan and budget detailing how the funds are to be expended, the targeted areas of expenditures, anticipated achievements and quantitative data by which to evaluate performance.

Targeted amounts could still be identified for functional areas, such as Health, Education, Training, etc., but the insular areas would have the flexibility to utilize the funds within a functional area to address locally identified needs.

Once the funds are allocated the insular areas would "draw down" quarterly based upon expenditures and performance (i.e. routine objectives). As noted, the diversity of this consolidation, particularly of this magnitude, would be difficult, but I don't agree that it is impractical nor infeasible.

Rather than continuing the competitive grants, it should be possible to earmark a minimal effective funding level from those grants for use by the insular areas, in other words an entitlement reservation based upon past expenditure levels.

Throughout, however, advisory and citizen input should be continued and provided for. But the number of boards and public meetings could be consolidated and simplified, perhaps utilizing the traditional processes as models.



One constraint that has merit is to have a limit on the administrative use of these consolidated funds. Twenty percent is not unreasonable, and it would still allow for maximum functional realization of the funds expended.

The recommendations contained on page 28 should be strengthened and specifics provided as to what actions are desirable. A program by program review and assessment, by qualified staff, would be desirable to formulate specifics for a position as to how Title V can be implemented.

Page 31, Appendix I should be modified to more accurately reflect the present political situation in the TTPI. The following would be more appropriate:

#### BACKGROUND

The Trust Territory of the Pacific Islands, known collectively as Micronesia, was established as a Strategic Trust Territory by the United Nations in 1947 with the United States as the administering authority.

Since 1947, there has been a gradual assumption of self government in various parts of the Territory depending on the freely expressed wishes of the inhabitants. It is anticipated that in the near future, the Trusteeship will be terminated and the following new governments will be fully established:

#### THE GOVERNMENT OF THE MARSHALL ISLANDS

Following the rejection of union with the rest of Micronesia as a permanent status, the Marshall Islands established its own constitutional government, modeled after the British parliamentary system, on 1 May 1979 in Majuro, Marshall Is. It has a President in place of a Prime Minister and a unicameral parliament (Nitijela). This easternmost part of the Trust Territory has negotiated a political status of Free Association with United States, retaining political sovereignty but granting certain defense rights to the United States Government in return for some services and annual budgetary supports.

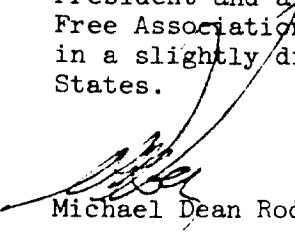
#### THE FEDERATED STATES OF MICRONESIA

The States of Yap, Truk, Ponape, and Kosrae, forming the central area of the Territory, adopted the Constitution of the Federated States of Micronesia on 12 July 1978. The Marshalls and Palau rejected the Constitution. The seat of government is in Kolonia, Ponape and is headed by a President elected by a unicameral Congress.

The PSM, like the Marshall Islands, has been negotiating a political status of Free Association which will retain sovereignty in the local government. In return for certain benefits accrued from the U.S., the defense of the islands will be the responsibility of the U.S.

## REPUBLIC OF PALAU

Palau adopted its constitution on 9 July 1980 following considerable political activity including two prior referendums. Constitutional government was installed in Palau on 1 January 1981 with an elected President and a bicameral legislature. Palau is also negotiating for Free Association although it is approaching the concept of Free Association in a slightly different tone than the Marshall Islands and Federated States.



Michael Dean Rody



## United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

**APR 13 1981**

Mr. Henry Eschwege  
Director  
Community and Economic  
Development Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Eschwege:

We appreciate this opportunity to comment on the draft General Accounting Office report entitled "Limited Progress has been made in Consolidating Grants to the Insular Areas," which was forwarded with your letter of March 13, 1981, to Secretary James G. Watt.

The Report provides a very helpful summary of Title V, P.L. 95-134, grant consolidation efforts for the territories and the Trust Territory of the Pacific Islands, including a discussion on problems that have developed in exercising that authority. We believe the Report will be most useful to the Congress in the event it considers further amendments to the statute.

As noted in the Report, one of the fundamental problems with the implementation of the statute has been that it does not require the Executive Branch agencies to consolidate programs. The result has been that many agencies have been reluctant, for a variety of reasons cited in the Report, to consolidate grant programs to the Insular Areas. We believe that the authority of Federal agencies to consolidate grants and modify application and reporting requirements should be made more explicit, either through Congressional or Executive Branch action.

The Report, however, fails to mention explicitly that discretionary consolidation authority is often as difficult for the Insular Areas to administer as it is for Federal agencies to implement. Grant consolidation, and the possibility of shifting funds from one project area to another, can cause as much bureaucratic squabbling on a local level as the idea of discretionary consolidation does on a Federal level.

We are pleased to point out that this Administration is developing block grant proposals in the areas of education, health and social services that go beyond the consolidation efforts effected to date under Title V. As proposed, approximately 100 different grant programs will be consolidated into a few block grants, two in the area of education and two or

more in the area of health and social services. Local governments would be allowed substantial flexibility in the use of these funds and would be relieved of many burdensome reporting requirements. We believe these changes would be beneficial to the Insular Areas and would improve administrative efficiency at a local level.

With respect to the waiving of matching fund requirements otherwise required by Federal law, Federal agencies are still encouraged not to grant waivers, except as required by the Title V amendments in P.L. 96-205, or as proposed in the various block grant proposals. This Department is currently working to identify instances in which the Federal government should, as a matter of policy, grant discretionary waivers.

Enclosed are additional comments on the Report. Again, we appreciate this opportunity to comment. 1/

A handwritten signature in black ink that reads "Heather Ross". The signature is written in a cursive, flowing style with a large initial 'H'.

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1/We did not reproduce the enclosure.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

13 APR 1981

OFFICE OF  
PLANNING AND MANAGEMENT

Mr. Henry Eschwege, Director  
Community & Economic Development Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Eschwege:

The Environmental Protection Agency (EPA) has reviewed the General Accounting Office (GAO) draft report entitled "Limited Progress Has Been Made In Consolidating Grants To The Insular Areas."

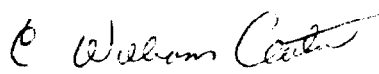
EPA has responded positively and enthusiastically to the passage of Title V of Public Law 95-134 (the Omnibus Territories Act). The Agency has implemented consolidation of assistance programs to U.S. Insular Areas and has approved the waiver of matching requirements even when programs are not consolidated. In addition, EPA has permitted Insular Area governments to reprogram funds from one assistance program to another.

The Agency's policy has also been consistent with the intent of Congress to apply the authority granted by Title V with discretion and judgment. We believe this is clearly indicated by the terms of the legislation which makes the use of Title V authorities (excepting waivers of matching requirements less than \$100,000 for American Samoa and the Northern Marianas) discretionary rather than mandatory.

Attached are specific comments relating to the draft report which we feel should be considered.

We appreciate the opportunity to comment on the draft report prior to its issuance to Congress.

Sincerely yours,

  
Roy N. Gamse  
Acting Assistant Administrator  
for Planning and Management

Attachment

### Specific Comments

#### 1. Consolidation

The draft report (page 10) states that the Insular Areas are participating in eight EPA programs, six of which are available for consolidation. We have reviewed our files and find only seven programs providing assistance to the Territories. We believe the discrepancy involves the counting of EPA's program for consolidation, itself (CFDA #66.600). This program is merely an aggregation of funds from other EPA programs; it provides no independent funding.

Only one of the seven EPA programs in which the Territories participate is not available as a part of the consolidation mechanism. This is the program for the construction of wastewater treatment works (known as construction grants).

EPA has excluded the construction grant program from consolidation for several reasons. The first is the magnitude of the program. EPA awards more funds under the construction grant program than under the other six programs combined. It is possible that distribution of construction grant program funds to other programs could lead to an imbalance in the overall plan of activities contemplated by both EPA and the Territories. A second reason for its exclusion is that carrying out the intent of the program requires large-scale and long-term commitments and plans, which frequent and irregular changes in anticipated resources would seriously disrupt. Despite the exclusion of construction grants from consolidation, EPA did waive the program's 25 percent matching requirement - a major reduction in resource requirements for the Insular Areas.

#### 2. Matching Requirements

We have taken the same approach, as described above, to the question of waiving matching requirements. EPA does waive matching requirements under \$100,000 for its programs in American Samoa and the Northern Marianas, as required by Public Law 96-205. As indicated above, the Agency also has approved waiving matching requirements for the U.S. Territories even when consolidation has not occurred. However, we have given much consideration to the related question of whether matching requirements and "maintenance of effort" (MOE) requirements, which a number of EPA assistance programs contain, are one and the same. We determined that matching requirements differed from MOE requirements, as did the recent Comptroller General report CGD-81-7 (December 23, 1980) and we would have liked to see the draft report address this issue and its implications.

### 3. Reprogramming

Another area of Agency discretion involves the ability of the Insular Areas to reprogram funds from one program to another. As a matter of policy, EPA has generally limited to 20 percent the amount of funds which may be shifted from any one program to another. We believe that this provides the flexibility to use funds where they are needed on a timely basis without risking an imbalance in overall activities and consequent disruption of plans. Moreover, this requirement has been implemented in a flexible manner since it is strictly administrative in nature and is not mandated by statute or regulation.

### 4. Requirements for Specified Activities

One additional aspect of EPA's relationship with the Insular Areas could be clarified. This involves the question of whether EPA requires "...the Insular Areas to undertake specified activities..[and advises them] that if these activities are not undertaken, the grant award will be proportionately reduced." (p.23). This interpretation reflects a misunderstanding of the process by which EPA and each Territory sets an agenda for each year's work program. This agenda is created through discussions and meetings between EPA and each Territory; the State/EPA agreement which formalizes the agenda is the result of this process.

Thus, the agreement sets out a mutually determined set of goals or areas of need which are based on each Territory's evaluation of its own problems. The goals identified in the agreement are not rigidly fixed. They may be and have been changed to meet changing conditions. The existence of such an agreement, on the other hand, provides an excellent vehicle for the overview required for consolidation.

The only reduction in funding which might result from this process would be one due to a Territory's failure to address previously identified needs. In fact, the ability to shift funds as authorized by P.L. 95-134 actually may increase funds received by a Territory in a particular year. This is because a Territory may shift funds from a program whose allotment would not be completely used (because of limited Territorial need) to one in need of additional support.

## 5. Other Comments

We would encourage GAO to provide clarification of the following issues:

- A. Status of Individual Program Requirements  
Under consolidation, may a Territory eliminate all activities contemplated under a particular program and expend funds thereby obtained on activities of another consolidated program? If not, what are the limitations?
- B. Maintenance of Effort Requirements  
Does Congress want Federal agencies to waive MOE requirements? If so, is waiver optional or mandatory?
- C. Applicability of Conclusions to Other Programs  
The draft report (on page 4) suggests that "The implications from [sic] the Insular Areas' experiences with grant consolidation could be extended to the greater problem of consolidating Federal aid programs that provide more than \$89 billion of Federal domestic assistance to State and local governments." We would have liked to see the report discuss GAO's findings, if any, concerning applicability to the broader field of assistance programs in general. EPA consistently has supported the consolidation of environmental assistance and continues to do so. However, we believe the matter of consolidation to be complex and to require clear analysis and precise distinctions. We are not certain that the limited experience gained in the Insular Areas would have significant applicability to the consolidation of programs in other States. If GAO has drawn such conclusions, the report should so state.



**FEDERAL EMERGENCY MANAGEMENT AGENCY**

Washington D.C. 20472

APR 13 1981

Mr. Henry Eschwege  
Director, Community and Economic  
Development Division  
U.S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Eschwege:

We are pleased to offer the following comments of the Federal Emergency Management Agency (FEMA) on the draft report "Limited Progress Has Been Made in Consolidating Grants To The Insular Areas."

The report makes a good case for its recommendation that the House Interior and Insular Affairs' Subcommittee on National Parks and Insular Affairs consider amending Title V of Public Law 95-134.

It might be helpful to the Subcommittee, however, to know this Agency's position with regard to Title V.

FEMA supports Title V's objectives of easing the administrative and financial burdens on insular areas and has to some degree adjusted its assistance programs accordingly. The nonfederal shares of matching grants have been waived for insular areas even where not mandated, except as instructed by the Office of Management and Budget (as discussed on page 20 of the draft report). Grant consolidation is a matter being pursued by FEMA in FY 1981 on an experimental basis and might be extended to more grantees and for more programs in FY 1982 if present results support expansion; consolidating grants to the insular areas, even on this pilot basis, might be particularly appropriate in light of Title V. Also, FEMA is a participant on the Committee on Interagency Territorial Assistance, chaired by the Department of the Interior, in addressing issues such as grant coordination.

We do have some concerns, however, both with waivers and with consolidation.

As to waivers, their use can adversely affect the purposes of the grants, particularly those with a ceiling. For example, a \$25,000-maximum Disaster Preparedness Improvement Grant is supposed to match a like contribution by the grantees (in cash or in kind); a waiver of that share would result in only half as much total effort. FEMA, when granting waivers to insular areas under that program, has done so only when requested and has encouraged the insular areas to budget for and contribute their 50-percent share to the extent possible even when no longer mandatory. We

would favor this approach as better serving the purposes of the funded programs, if waivers were to be made mandatory for all insular areas. Use of optional waivers would be similarly based on the ability of the insular areas to participate. We are especially concerned that waivers not be sought in order to circumvent the intent of Congress regarding disaster relief--that Federal assistance be supplemental to that provided by the "States" (including insular areas) themselves.

Our concern with grant consolidation also stems from the objectives of the particular assistance programs. In FEMA's case, these programs, even though all related to "emergency management," are authorized by a variety of discrete statutes and, even though under a single appropriation bill, include separately administered funds.

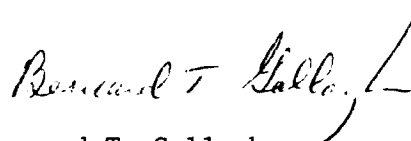
FEMA would support consolidation as long as the individual objectives of each funded program would be agreed upon as part of the single-grant instrument and would be carried out, even with the program funds combined. To provide funds under a particular program authority without any return on that investment for the intended purpose would raise serious questions about an agency's accountability for that program. Also, this could be a means of obtaining funds in excess of the statutory limit for a program. Grant consolidation must be carefully considered in this light.

Furthermore, FEMA disaster relief assistance, under presidentially declared major disasters or emergencies, would not be suitable for consolidation with ongoing assistance under other programs.

For these reasons, we regard the aforementioned Committee on Interagency Territorial Assistance as the appropriate vehicle for arriving at a uniform approach to the coordination of grants within the executive branch. The final version of this report might do well to address this.

We hope these comments can be of use to your study and to the Congress in reviewing Title V.

Sincerely yours,



Bernard T. Gallagher  
Acting Director



**TRUST TERRITORY OF THE PACIFIC ISLANDS**  
**OFFICE OF THE HIGH COMMISSIONER**  
**SAIPAN, CM 96960**

**CABLE ADDRESS**  
**HICOTT SAIPAN**

APR. 15 1981

Mr. William J. Anderson  
Director  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Anderson:

Enclosed are comments by the TTPI Office of Program and Budget relative to the General Accounting Office's draft report on Federal grant consolidation to the Insular Areas. This report completes the submission of comments by the TTPI in response to GAO's letter of March 13, 1981.

Sincerely yours,

  
Adrian P. Winkel  
High Commissioner

Enclosure

MEMORANDUM FORM TT-570C

## TRUST TERRITORY OF THE PACIFIC ISLANDS

*Office of the High Commissioner, Saipan*

TO : High Commissioner

APR. 14 1981

DATE: 4/14/81

FROM : Program and Budget Officer

SUBJECT: Comments on GAO Draft of a Proposed Report on Title V,  
Public Law 95-134.

In reviewing the draft report on the implementation of Title V of Public Law 95-134, it appears that GAO is correct in saying that some clarification should be made by the U.S. Congress as to what was intended to be the objective of the law so that all grantor agencies could be made to act accordingly.

This office recommends consolidation of grants to the entities in order to allow more flexibility to the new governments to apply the resources in the areas where most needed. This is consistent with the broad policy of turning over the financial responsibility to the newly created constitutional governments. For example, the constitution of the Republic of Palau calls for a unified budget which must take into consideration all source of funds made available to that government from all sources.

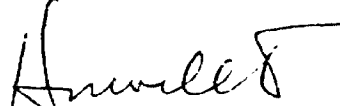
The problems cited in the report as to grant administration are real. A greater consolidation effort would help to alleviate this burden to the Territories. A greater effort to consolidate all formula grants should be made. An effort should be made to consolidate certain discretionary grants, except those imposing administrative problems to the grantor Agency in the consolidation process, such as first-year highly competitive discretionary grants. The effort to simplify application and reporting requirements should be enhanced, as this would help to alleviate the current administrative burden facing the Territories in grant application and reporting, particularly applicable to small grants. The Territories do not have sufficient funding or manpower resources to maintain personnel expert in grantsmanship, particularly for dealing with small one-time grants, to maintain various Advisory Councils prescribed by certain program regulations, to meet certain matching fund requirements, more applicable to the States. The OMB directive discouraging the waiving of matching requirements should be modified, particularly where the absence of available resources for matching delays a project, or where in-kind matching becomes a paperwork exercise. In addition, fund allocation flexibility is a key component of any attempt to decentralize the administration of program grants to the three new Micronesian governments. While limits on administrative expenses may be necessary, other allocation restrictions hinder the use of the consolidated grant funds for the most pressing local needs, which

Memo to High Commissioner  
GAO Draft/P.L. 95-134

Page Two

may be different than those facing the 50 States, and in many cases the restrictions may be counter-productive in attempting to meet the program objectives in the Territories.

Overall, the ability to consolidate grants, simplify and modify application and reporting requirements, waive matching funds and certain other program, and to provide fund allocation flexibility for grants to Territories (including the Trust Territory) would help to minimize the grants management burden, enhance the effort to decentralize certain grant functions to the three new Micronesian governments, and assist the new governments' efforts to meet local needs. While the current grants consolidation efforts are not entirely successful, the implementation of the draft report's recommendations would help to clear up the confusion as to the intent of Title V of P.L. 95-134, and could serve as a catalyst in making the grants consolidation effort successful.



Haruo N. Willter



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

Honorable William J. Anderson  
Director  
U.S. General Accounting Office  
Washington, D.C. 20548

APR 20 1981

Dear Mr. Anderson:

This letter is in response to your March 13, 1981 request for the Office of Management and Budget's comments on the draft General Accounting Office report, "Limited Progress Has Been Made in Consolidating Grants to the Insular Areas."

Our overall reaction to the report is that it is a useful and informative discussion of Title V of Public Law 95-134. Under this statute, federal agencies are given the discretionary authority to consolidate any or all grants to the U.S. Insular Areas (Virgin Islands, Guam, American Samoa, Trust Territory of the Pacific Islands, and the Government of the Northern Mariana Islands), and to reduce financial and administrative burdens associated with federal grant programs. The report indicates there is a lack of clarity, under the statute, concerning an agency's authority to change existing program rules and regulations and to modify or preclude the attainment of individual program objectives. We would be interested in the responses of the individual agencies to this problem. If this finding is supported by the agencies, the recommendation of the report to request the Congress to review the legislation would seem to be warranted. With respect to the waiving of matching requirements, however, it is still OMB's position, that no further waivers be granted under Title V until a government-wide policy is established. The Department of the Interior is now developing such a policy, in its lead role for U.S. Insular Areas.

The Administration's block grant proposals will significantly affect and support the consolidation efforts under Title V. In health and social services, approximately 40 categorical programs, and in education, approximately 45 categorical programs, will be brought under block grants. Under these proposals, there will be no requirements for matching funds or that federal funds supplement local funds. Also, the administrative requirements will be greatly reduced, not only due to a significant reduction in the number of programs, but in a lessening of the administrative requirements attendant to each block grant. The Insular Areas will be participants in these block grant proposals. Other block grant proposals are also being considered. A legislative review of Title V might include the effect of these major block grant proposals as well as other Administration grant reform initiatives.

We hope these comments will be helpful to you in preparing the final report.

Sincerely,

A handwritten signature in cursive script that reads "James F. Kelly".

James F. Kelly  
Acting Deputy Associate Director for  
Intergovernmental Affairs Division



**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation

Assistant Secretary  
for Administration

400 Seventh Street, S.W.  
Washington, D.C. 20590

April 24, 1981

Mr. Henry Eschwege  
Director, Community and  
Economic Development Division  
General Accounting Office  
Washington, D.C. 20548

Dear Mr. Eschwege:

Enclosed are the comments of the Department of Transportation on the General Accounting Office draft report on the limited progress made by Federal agencies in consolidating grants to Insular Areas under Title V of Public Law 95-134, as amended.

If you or your staff has any questions, please contact my assistant for GAO liaison, John Dawkins, at 426-0580.

Sincerely,

  
Robert L. Fairman  
Acting

Enclosure

The Department of Transportation (DOT) supports the draft recommendation that the Congress consider legislation addressing four issues:

- 0 Whether Federal agencies should be required to consolidate grants and which financial assistance grants should be required to be included in the consolidations,
- 0 Whether Federal agencies may properly modify existing rules and regulations of programs included in consolidated grants, and the scope of their authority to do so,
- 0 Whether Federal agencies should be required to waive matching requirements, and
- 0 Whether restrictions may properly be placed on the Insular Areas' flexibility to allocate funds under a consolidated grant.

We feel that Congressional guidance is particularly needed in the areas addressed in the second and fourth issues, above. Regarding the first and third issues, DOT generally supports consolidating formula or entitlement grants to insular areas; however, we do object to consolidating discretionary grants. Our discretionary grants are designed to address the most urgent or pressing problems in various program areas throughout the United States and its territories; consequently, they should not be granted to a recipient absent assurance by that recipient that the discretionary funds will be devoted to alleviate the specific problem which they address, an assurance which is inconsistent with the concept of consolidation.

This issue relates to a more general aspect of Title V to which we object. We do not interpret the statutory language as authorizing waiver of any grant conditions in addition to those which are specifically listed in the statute. Although additional waivers might well serve the intent embodied in Title V, the statute is quite specific and we lack authority to go beyond its words. Additional statutory language to clarify this point would be helpful. If such language is forthcoming, we urge that it address the following troublesome points --

1. All of our grants are subject to Government- and DOT-wide conditions precluding discrimination in the use of the grant funds on the basis of race, sex, age, physical condition, etc. Although we acknowledge that compliance with these conditions creates burdens, we believe that they should not be waived for the insular areas. There may be cultural differences in some of the affected insular areas which render one or more of these social conditions unnecessary or inappropriate; if so, we urge determination of these by Congress and not by the agencies.

2. All of our grants carry specific conditions -- some imposed by Congress and some by DOT itself. Among these are requirements for such things as preliminary planning and consultation with the public which extensive experience has shown are necessary for proper construction of highways, airports, etc. Without conditions like these, money is wasted and projects are often delayed through court challenges. We would not like to see these conditions waived by statute and feel that such program-specific waiver questions are best left to the agencies.



The fourth issue raises a similar point. If we are permitted to retain, for example, the requirement in the highway program that a specified percentage of Federal funds be spent for such things as preliminary planning, a question might arise if an insular area elected to spend more on highway construction than came from the highway trust fund. In such a situation, should the specified planning percentage be a percentage of the amount derived from the trust fund or of the larger amount devoted to highway construction. We believe it should be the latter, since planning requirements are generally proportional to the size of the project.

Finally, the fourth issue raises another point. One of the programs which we propose to include in the consolidation called for by Title V conditions the amount of grant funds which a prospective grantee receives in any year on the amount which the grantee spends on the program in the prior year. We request guidance from Congress on how to handle the situation in which an insular area elects not to spend any of its consolidated funds in that program area.



**DEPARTMENT OF AGRICULTURE**  
OFFICE OF ASSISTANT SECRETARY FOR ADMINISTRATION  
WASHINGTON, D.C. 20250

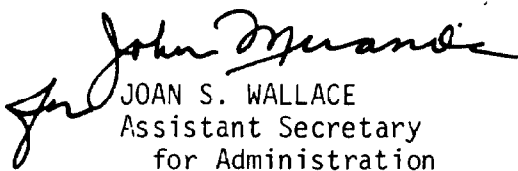
**APR 30 1981**

Mr. Henry Eschwege  
Director, Community and  
Economic Development Division  
General Accounting Office  
Washington, D.C. 20548

Dear Mr. Eschwege:

We are enclosing two copies of the Department's comments on the findings and recommendations in General Accounting Office draft report entitled "Limited Progress Has Been Made in Consolidating Grants To The Insular Areas." These comments were prepared by the Department's Office of Operations and Finance.

Sincerely,

  
JOAN S. WALLACE  
Assistant Secretary  
for Administration

Enclosure

GAO Draft Report "Limited Progress Has Been Made in Consolidating Grants to the Insular Areas"

We have reviewed the subject draft GAO report and generally agree with the findings and recommendations. However, we would like to point out that the recommendation to amend Title V of P.L. 95-134, to require Federal agencies to consolidate grants to U.S. Insular areas may be met through currently pending legislation on Federal assistance reform.

Bill S.45, the "Federal Assistance Reform Act of 1981," provides for an examination of the various Federal assistance programs to determine if consolidation is necessary or desirable to (1) adapt programs to particular needs of beneficiaries and operating practices of recipients; (2) promote better administrative and effective planning; (3) improve coordination; (4) eliminate overlap and duplication; and (5) promote economy and efficiency. Consolidation of programs would be consistent with Congressional and program purposes. Additionally, the Bill calls for modification of existing agency rules to reconcile any inconsistencies with the consolidation plan.

Bill S.807, the "Federal Assistance Improvement Act of 1981" proposes similar consolidation of assistance programs.

The proposed provisions on consolidation in either of these Bills would be a more direct way of providing for consolidation of programs in Insular areas. Both Bills cover all Federal assistance programs.

The above represents our review of the draft report. We appreciate being provided an opportunity to comment.



Commonwealth of the Northern Mariana Islands  
Office of the Governor  
Saipan, Mariana Islands 96950

FOR OFFICIAL USE  
CABLE ADDRESS  
GOV. NMI SAIPAN  
REPLY TO:

DEPT. or ACTIVITY

May 11, 1981

Mr. William J. Anderson  
Director  
U.S. General Accounting Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Anderson:

Thank you for inviting our comments on your draft report regarding progress made by Federal agencies in implementing Title V of U.S. Public Law 95-132, which authorizes grant consolidations to Insular Areas.

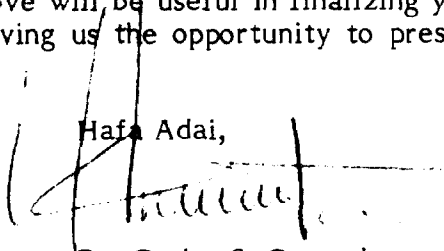
We found the positions taken by the Federal agencies on grant consolidation to generally reflect our views on this subject, except as noted below:

1. Time Difference: Long distance telephone communications between our program directors and staff and their Federal counterparts may indeed be useful. However, I should point out that because of the great distances and time differences involved this option may not be too practical. For example, in order to place a long distance call to Washington, D.C. from Saipan during normal working hours on Saipan would require the person receiving the call in D.C. to stay up late in the early morning hours. It has created inconveniences for people on many occasions.
2. Conference Travel: There is an urgent need to better coordinate and regulate, if necessary, travel performed at the request of Federal agencies by territorial staff to attend conferences, meetings and related functions on the U.S. mainland. These travels are extremely expensive and are generally of short duration. Alternative options should be explored so that only extremely necessary travel would be authorized.
3. HUD Section 701 Grant: We understand that funding for this program is being reduced drastically by the Federal Government as part of the current effort by President Reagan to balance the Federal budget. We seek support for having this program's funding level maintained.
4. Agriculture: The U.S. Department of Agriculture has not implemented Title V for reasons noted in the draft report. We wish to take exception to the Department's assertion that the Territories have not improved their grant administration. This statement is certainly not true with respect to the grant administration and management of federal grants in the Commonwealth of the Northern Mariana Islands. We have indeed taken

definitive steps to provide for improvement in fiscal management and accountability of federal grants. We have established the needed administrative mechanisms to do an efficient job, including the training of local personnel in this area. We have done this with the assistance of the Department of the Interior through its technical assistance program. We have also recruited outside experts to assist us in automating our financial management system. It is my opinion that the Commonwealth Government is prepared to handle a grant consolidation program relating to the U.S. Department of Agriculture at this time.

I hope that the information provided above will be useful in finalizing your report. Once again, I am grateful for your giving us the opportunity to present our views on this matter.

Hafa Adai,



Dr. Carlos S. Camacho  
Governor

c: Edward DLG. Pangelinan



## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

11 MAY 1981

Mr. Gregory J. Ahart  
Director, Human Resources  
Division  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "Limited Progress Has Been Made in Consolidating Grants to the Insular Areas." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

  
Bryan B. Mitchell  
Acting Inspector General

Enclosure

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
COMMENTS ON GAO'S DRAFT REPORT, "Limited progress has been  
made in consolidating grants to the insular areas."

General Comments

Although we agree with the principal conclusions of the report--that Federal agencies have moved slowly and conservatively to implement the provisions of P.L. 95-134--we question the need for the Subcommittee to consider amendment of title V of P.L. 95-134, as the report recommends. The Administration's block grant proposals go far beyond the provisions of P.L. 95-134 in increasing flexibility, reducing administrative burden and eliminating matching requirements. Enactment of the block grant proposals will make the provisions of P.L. 95-134 and their amendment much less important.

GAO Recommendation

"GAO recommends that the Subcommittee Chairman consider the need for a legislative initiative to amend title V and address such issues as whether Congress should...."

- 1) "require federal agencies to consolidate grants and specify which grants should be required to be included in the consolidations."

Under the four block grant proposals submitted to Congress for Health Services, Preventive Health Activities, Energy-Emergency Assistance and Social Services, specification in the legislation of the categorical grants required for consolidation will be much less important and we would see no need to make consolidation mandatory. If the Subcommittee considers mandatory consolidation, we strongly recommend against inclusion of discretionary grants awarded on a competitive basis.

- 2) "allow federal agencies to modify existing rules and regulations of programs included in the consolidated grants."

Under the four block grant proposals, clarification of the authority to modify existing regulations would be less critical, but of some use as it would apply to programs not included in the block grant legislation. However, in place of clarifying the scope of the current authority, we suggest consideration of a general authority to vary program rules and regulations as they apply to all programs operating in the territories. Such a provision was included in P.L. 96-597 with respect to programs of the Department of Agriculture.

Comments on draft GAO report -- Page two

3) "require federal agencies to waive matching requirements."

We agree with this recommendation and, as a part of our block grant proposals, are proposing to eliminate matching requirement for those programs incorporated into the block grants.

4) "specify whether or not agencies should place any restrictions on allocation of funds under a consolidated grant."

We agree that the policy purposes of the legislation are not served by such restrictions. These are not included as a part of the four block grants proposed by the Department to Congress.

Other comments

1. The report should clarify that neither the Health Care Financing Administration nor the Social Security Administration have programs that are subject to consolidation under the terms of the legislation. (pages ii and 7)

2. The report implies failure on the part of HHS to include certain programs which, in fact, are excluded from the provisions of P.L. 95-134 by legislation. (page 15)

3. The report does not adequately address the logical inconsistency, administrative difficulty or inequity of allowing consolidation of competitive awards. Eligible entities compete for the awards on the basis of the merit of the applications and the extent to which they address the purposes of the award. Allowing an insular area to enter a competition where a limited number of awards can be made, receive the award and then direct the funds to other purposes--under the consolidation authority--reduces the resources of the program, while providing the insular area with funding which it was under no pressure to pursue. The intent of P.L. 95-134 is to provide flexibility in use of funding not to increase it at the expense of other jurisdictions.

4. The report does not adequately discuss or explain the indifference of insular officials to the opportunities of consolidation under title V.



Comments on Draft GAO report -- Page three

5. The report refers to a discussion with a PHS official who stated that (a) the application procedures did not change under the consolidated grant concept, and (b) the requirement for the submission of proposed program objectives constitutes a new policy that did not exist prior to consolidation. (page 17)

It is true that the basic application procedures did not change with the implementation of P.L. 95-134. However, since 1973 the PHS formula grant application process has been simplified (and consolidated) so that by submitting a single application--essentially consisting of two one-page forms--an applicant can request funds under all PHS formula grant programs for which the applicant is eligible. The need to submit a description of proposed program objectives is not a new policy and has been applicable to PHS formula grants for many years.

6. The 1979 cable from Guam reflects an incorrect assumption on their part. As stated in the regulations, there is no requirement for HHS approval of an insular area's decision to reprogram funds. (page 25)

THE VIRGIN ISLANDS OF THE UNITED STATES  
OFFICE OF THE GOVERNOR  
FEDERAL PROGRAMS OFFICE

JULIO A. BRADY, ESQ.  
FEDERAL PROGRAMS COORDINATOR



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May 22, 1981

Mr. William J. Anderson, Director  
General Government Division  
U.S. General Accounting Office  
Washington, D. C. 20548

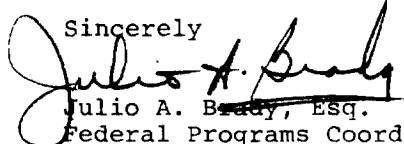
Dear Mr. Anderson:

Governor Luis has asked me to respond to your March 13, 1981 letter requesting his comments on your draft report concerning grants consolidation by Federal agencies to the Insular Areas as provided for in Title V of Public Law 95-134, otherwise known as the Omnibus Territories Bill of 1977. I make the following comments:

The Virgin Islands formally endorsed the consolidation concept in 1980 with the issuance of a report by the Federal Programs Office entitled, "Consolidating Federal Grants Programs - The Virgin Islands Perspective". Recently, we have participated in efforts of the U.S. Departments of Education and Health and Human Services to increase consolidation of select categorical grants. We remain in favor of the implementation of Title V of Public Law 95-134.

Governor Luis strongly recommends that Congress act to amend Title V to require Federal agencies to uniformly consolidate grants, and provide necessary legislative guidelines to ensure full implementation of this worthwhile experiment in the Federal-Territorial relationship.

Thank you for the opportunity to review and comment on your draft report. I trust these comments will be of assistance.

Sincerely  
  
Julio A. Brady, Esq.  
Federal Programs Coordinator

JAB:lgh

(017660)



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