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# REPORT TO THE CONGRESS



## States Need, But Are Not Getting, Full Information On Federal Financial Assistance Received

Office of Management and Budget,  
Department of the Treasury, and  
Other Federal Agencies

**BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES**

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MARCH 4, 1975



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

B-146285

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

This is our report assessing the performance of the Office of Management and Budget and the Federal agencies in implementing section 201 of the Intergovernmental Cooperation Act of 1968. This section requires Federal agencies to give States information on grant awards made to them and their political subdivisions. Office of Management and Budget Circular A-98, now Treasury Circular 1082, implements section 201.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of the report to the Director, Office of Management and Budget, and to the heads of the departments, agencies, and commissions to which the Circular applies.

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General  
of the United States

C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Intergovernmental Cooperation Act of 1968	1
	Scope of review	3
2	NEED FOR INCREASED PROGRAM COVERAGE UNDER TREASURY CIRCULAR 1082	4
	Full grant information needed	4
	Factors limiting the provision of full information	7
	Federal agencies' approaches to program coverage	10
	Conclusions	10
	Recommendations	11
	Agency comments	11
3	PROBLEMS IN PROVIDING GRANT INFORMA- TION TO STATES	13
	Accomplishments	13
	Grant-reporting requirements	13
	Noncompliance with grant-reporting requirements	14
	Problems with SF 240s prepared by Federal agencies	18
	Why SF 240s were incomplete and inaccurate	21
	Alternative method of providing grant award information to States	23
	Conclusions	27
	Recommendations	28
	Agency comments	28
4	OBSERVATIONS ON THE REGIONAL GRANT INFORMATION SYSTEM	30
	Federal Aid Control System (FACS)	30
	Regional Grant Information System	30
	Conclusions and agency actions	32
	Recommendation	32
	Agency comments	33

		<u>Page</u>
APPENDIX		
I	Letter dated December 31, 1974, from the Deputy Director, Office of Management and Budget	35
II	Letter dated November 7, 1974, from the Associate Director, Office of Management and Budget	49

#### ABBREVIATIONS

Arts	National Foundation on the Arts and the Humanities
DOL-Manpower	Department of Labor-Manpower Administration
DOT	Department of Transportation
EPA	Environmental Protection Agency
FACS	Federal Aid Control System
HEW-OE	Department of Health, Education, and Welfare- Office of Education
HEW-PHS	Department of Health, Education, and Welfare- Public Health Service
HEW-SRS	Department of Health, Education, and Welfare- Social and Rehabilitation Service
HUD	Department of Housing and Urban Development
Interior-BOR	Department of the Interior-Bureau of Outdoor Recreation
Justice-LEAA	Department of Justice-Law Enforcement Assist- ance Administration
OEO	Office of Economic Opportunity
OIM	Office of Intergovernmental Management
OMB	Office of Management and Budget
REGIS	Regional Grant Information System

SF 240	Standard Form 240
USDA-FHA	Department of Agriculture-Farmers Home Administration
USG	Under Secretaries Group for Regional Opera- tions

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

STATES NEED, BUT ARE NOT GETTING,  
FULL INFORMATION ON FEDERAL  
FINANCIAL ASSISTANCE RECEIVED  
Office of Management and Budget,  
Department of the Treasury, and  
Other Federal Agencies

D I G E S T

WHY THE REVIEW WAS MADE

Title II of the Intergovernmental Cooperation Act of 1968 established a policy of improving the administration of grants-in-aid to States. Section 201 provides that Federal agencies inform States of funds provided to them and their political subdivisions as a means of aiding State planning and budgeting. (See p. 1.)

GAO reviewed the administration of this requirement to determine whether States were being furnished with complete, accurate, and timely data on Federal financial assistance.

FINDINGS AND CONCLUSIONS

1 The Office of Management and Budget put this provision of the act into effect, in July 1969, through OMB Circular A-95 and later through OMB Circular A-98. In May 1973, the Office transferred its  
2 responsibility to Treasury. 38

In August 1973, Treasury reissued the Circular, without substantial change, as Treasury Circular 1082.

Program coverage

The act provides that the States be notified of the purpose and amounts of grants-in-aid they and their political subdivisions have received. However, the definition of the term "grants-in-aid" specifically excludes such forms of Federal financial assistance as loans and research and development grants and contracts.

OMB recognized the importance of notifying the States of all Federal financial assistance received and encouraged the Federal agencies to do so. But, because of the restrictive definition in the act, neither Treasury Circular 1082 (nor the previous OMB circulars) required that data on all financial assistance be provided to the States. (See p. 7.)

OMB developed a list of most of the Federal programs to be covered by the Circular and encouraged the agencies to report all Federal financial assistance to the States.

Some agencies did this, but reporting still was not complete. (See p. 9.)

As a result, States lacked full information on

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--who in each State received what Federal assistance,  
--why it was provided, and  
--where in a State the assistance was having impact.

Thus States had difficulties in adjusting their plans to Federal funding decisions.

#### Data provided to States

Federal agencies furnished States information on grants-in-aid on a form (SF 240) designed to help States accumulate uniform data.

Often the forms were not complete, accurate, or legible. (See p. 18.) As a result, the States were compiling erroneous and incomplete data. Because of this some States were not disseminating information to their political subdivisions and other parties. (See p. 21.)

Federal agencies do not use this form in their internal grant information systems, nor is it a part of their standard Federal assistance application package. As a result, the processing of forms for reporting grant awards was not integrated with the processing of grant applications and received little attention. (See p. 21.)

The Office of Management and Budget attempted to improve the accuracy of grant award data reported

by Federal agencies but, with transfer of responsibility to Treasury, further efforts have been limited. Because most of the data errors and omissions were attributable to human error, the potential for further improving the system is limited. (See p. 22.)

The major Federal grantmaking agencies have developed internal grant information systems containing much of the data included in the SF 240.

GAO believes data could be provided to States directly from agencies' internal information systems rather than from manually prepared forms that are often inaccurate and incomplete. (See p. 23.)

With the transfer to Treasury of the responsibility for providing States with data, the Office of Management and Budget may have underestimated

--the need for coordination among Federal agencies to provide States with full grant award information and

--the relationship between this function and the requirement for review and comment on applications for Federal assistance under OMB Circular A-95.

#### Regional Grant Information System

This system was the most recent major effort by the Office of Management and Budget and the

Federal agencies to institute a specific, consistent flow of data from preparation to award of a proposal for Federal assistance. The decision by the Under Secretaries Group for Regional Operations to expand the system nationwide represented a commitment of the Federal Government to assume responsibility for providing information to State governments on applications for assistance and grant awards.

GAO noted problems with the grant award segment of the Regional Grant Information System.

--Federal agencies did not provide complete or accurate data. (See p. 31.)

--Data was submitted to the system on a special form and, as in the case of the SF 240, the system's form was not an essential part of the agencies' standard package used for grant applications.

Further, because the Regional Grant Information System was independent of the Federal agencies' internal information systems, GAO believed Federal agencies would continue to develop and use their internal systems and would devote only limited effort to developing and operating the Regional Grant Information System.

GAO believed that the relation between this system

and the Federal agencies' internal information systems required further study before major resources were committed to it.

#### RECOMMENDATIONS

Legislation is necessary to require that Federal agencies report to each State on all Federal financial assistance to the State and its political subdivisions. In the interim, the Office of Management and Budget should direct Federal agencies to do so.

The Office should also evaluate other methods of giving States grant award information. A system should be developed that would not greatly increase the workload of the Federal agencies and that would minimize the potential for human errors. The Office should consider, as an alternative, using agencies' internal information systems.

The Office also should (1) evaluate the use of agencies' internal systems as a means of implementing the concepts of the Regional Grant Information System and (2) consider reassuming responsibility for administering the grant notification requirements of the Intergovernmental Cooperation Act of 1968.

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

The Office of Management and Budget generally agreed with



GAO's findings and conclusions and concurred in its recommendations. (See app. I.) Its comments included the views of Federal departments and agencies, Federal Regional Councils, State Central Information Reception Agencies, State and area-wide clearinghouses, and major public interest groups.

The Office recognized the need for exercising overall leadership and coordination of Treasury Circular 1082 but said implementation of the Circular also requires agency leadership and support.

The Office agreed with the need to expand program coverage but believed that matters such as privacy of information, needs of the States for certain detailed versus aggregate information, and the impact of the possible increased workload on Federal agencies should be assessed before universally expanding coverage.

The Office will study program expansion in connection with its review of the means of providing grant award information to State governments. State governments and the Federal Regional Councils support expanding program coverage.

According to the Office, GAO's recommendations for legislative amendments or for interim administration

instruction from the Office are premature before the completion of the study.

However, GAO believes that the Congress might wish to consider the problems with the present restrictiveness of the language and may wish to give more firm direction on what information should be reported to the States. Furthermore, the implementation of the results of the Office of Management and Budget's study may involve a lengthy period. Therefore GAO believes increased reporting should be encouraged in the interim, taking into account the current ability of Federal agencies to do so.

The Office of Management and Budget agreed to review improved means to provide Federal aid data to State and local governments. The study, started in December 1974, is expected to be completed in early 1975. The Office emphasized that the fundamental issue is integrating the award notification mechanism into agency procedures coupled with effective compliance monitoring.

The Office stated that it will seriously consider the responsibility for administering section 201 of the act.

Because of funding problems and GAO's observations, the Office and the Under Secretaries Group for Regional Operations

- terminated the Regional Grant Information pilot tests and
- agreed to study agency compliance problems with grant award reporting and the opportunities for more extensive use of Federal agencies' information systems to provide such data to the States. (See app. II.)

MATTERS FOR CONSIDERATION  
BY THE CONGRESS

One objective of the Intergovernmental Cooperation Act of 1968 was to inform States of Federal funds sent to them and their political subdivisions as a means of aiding State planning and budgeting. That this objective may be

met, the Congress should amend the act to require that Federal agencies report to each State all Federal financial assistance to the State and its political subdivisions.

To accomplish this, the term "grants-in-aid" in title II, section 201, of the act should be changed in each place it is used to the term "Federal financial assistance." Title I, section 107, describes the term "Federal financial assistance" as "those programs that provide assistance through grant or contractual arrangements, and includes technical assistance programs or programs providing assistance in the form of loans, loan guarantees, or insurance."

## CHAPTER 1

### INTRODUCTION

Federal financial assistance to State and local governments and other non-Federal domestic organizations has increased dramatically, from \$3 billion in fiscal year 1955 to an estimated \$52 billion in fiscal year 1975. This growth resulted from a considerable increase in the number and scope of Federal assistance programs. Currently, Federal domestic assistance comes through 975 programs administered by 52 Federal agencies. Approximately 550 of these programs involve financial assistance. This growth emphasizes the importance of establishing intergovernmental mechanisms to facilitate communication and cooperation in delivering Federal assistance.

### INTERGOVERNMENTAL COOPERATION ACT OF 1968

Title II of the Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4201) established a national policy of improving the administration of grants-in-aid to States. One objective of the act was to inform States of Federal funds provided to them and their political subdivisions as a means of aiding State planning and budgeting.

Section 201 of the act provides that:

"Any department or agency of the United States Government which administers a program of grants-in-aid to any of the State governments of the United States or to their political subdivisions shall, upon request notify in writing the Governor, the State legislature, or other official designated by either, of the purpose and amounts of actual grants-in-aid to the State or to its political subdivisions."

The act included a lengthy definition of the term "grants-in-aid. Basically, the term includes "\* \* \* money, or property provided in lieu of money, paid or furnished by the United States under a fixed annual or aggregate authorization \* \* \*" to a State, its political subdivisions, or community action agencies or through the State or its political subdivisions to other parties. The act specifically excluded from the definition (1) shared revenues, (2) payments of or in lieu of taxes, (3) loans, (4) surplus property or agricultural commodities, (5) research and development grants and contracts, and (6) payments for costs incurred by States or their political subdivisions when paying benefits or furnishing services to other parties under certain Federal programs.

BEST DOCUMENT AVAILABLE

The President delegated responsibility for administering section 201 to the Office of Management and Budget (OMB) by memorandum, requesting OMB to coordinate the actions of the various Federal agencies.

In July 1969, pursuant to this directive, OMB issued Circular A-95. Part III of the Circular implemented section 201 by requiring any Federal agency administering a grant-in-aid program to notify the State of a grant award within 7 days. The notification was to contain information such as the identity of the grantee, purpose and amount of the grant, Federal program involved, and date of award.

OMB requested each Governor, in consultation with the State legislature, to designate a State agency to receive Federal grant award information. The Circular provided that the State reception agency be responsible for:

- Distributing grant award information to the Governor, the State legislature, and other designated State agencies.
- Insuring that grant award information was made available to regional and metropolitan agencies and to local governments.

All States designated State central information reception agencies.

In June 1970, part III of OMB Circular A-95 was rescinded and replaced by OMB Circular A-98, which prescribed a standard process and form for reporting uniform grant award data to the States promptly. A copy of the notification was also to be sent to OMB.

Federal assistance programs that would be subject to section 201 were not listed in any versions of the Circulars. Instead, OMB referred Federal agencies to the definition of grant-in-aid in the act and advised the agencies to apply the procedures of Circular A-98 to any programs meeting the definition. However, OMB considered that definition restrictive and encouraged agencies to be as responsive as possible to States' needs for information by reporting other grant awards as well.

To develop a list of programs covered by Circular A-98, OMB requested each Federal agency to prepare and submit a list of programs for which they were or would be reporting grant-in-aid actions. A list compiled from these reports was published as appendix III of the Catalog of Federal Domestic Assistance and currently includes 233 Federal assistance programs. OMB

cautioned that the list was not all inclusive and did not relieve the Federal agencies from their responsibilities for providing grant award notifications for other programs which may meet the definition in the act.

Effective May 1973, the responsibility for implementing section 201 was transferred from OMB to the Treasury Department, which in August 1973 reissued the Circular, without substantial change, as Treasury Circular 1082.

#### SCOPE OF REVIEW

We reviewed the legislative history leading up to the Intergovernmental Cooperation Act of 1968 and the implementation of section 201, first by OMB through a succession of OMB circulars and later by the Treasury Department through Treasury Circular 1082.

We did our fieldwork at OMB and in the Washington, D.C., headquarters of the Treasury Department and the 11 Federal agencies that administer most Federal assistance programs subject to Treasury Circular 1082. We also did work at the regional office of these agencies in regions I (Boston), V (Chicago), VI (Dallas), and IX (San Francisco). We also interviewed officials of State reception agencies and local governments and obtained documents covering their activities.

## CHAPTER 2

### NEED FOR INCREASED PROGRAM COVERAGE

#### UNDER TREASURY CIRCULAR 1082

States have not received enough information to assess the impact of all Federal financial assistance on their activities because of the limiting definition of grant-in-aid in the Intergovernmental Cooperation Act of 1968. OMB and the Federal agencies cannot agree which of the 550 Federal programs involving financial assistance to States, local governments, and other organizations are subject to Treasury Circular 1082. As a result, States lacked complete information on:

- Who in the State received Federal assistance.
- why it was being provided.
- Where in the State the assistance was having impact.

without complete information, several States had difficulties in adjusting their plans to Federal funding decisions. Further, some States were not disseminating Federal assistance information to their political subdivisions and other parties because they knew it was incomplete.

Although OMB recognized the benefits of reporting all award data to the States and encouraged the Federal agencies to do so, the restrictive definition has prevented the establishment of a requirement in Treasury Circular 1082 and in the previous OMB circulars that such data be provided.

#### FULL GRANT INFORMATION NEEDED

There is a strong State-level demand for information on Federal assistance awards. The demand is not so great at the local level, except in large cities.

#### States

On a nationwide level, the States have issued a formal policy statement on the need for complete grant award data. In 1972 the National Association of State Budget Officers, an affiliate of the Council of State Governments, stated that:

"Any and all required steps should be taken by the Office of the President and the Congress of the United States to provide each of the State Governors with full information on all federal grant applications and all federal grant approvals for their

respective states \* \* \*. There is an obvious trend toward closer coordination of federal, state, and local fiscal systems. If this coordination is to be effective at the state level, it is imperative that every Governor have access to full information regarding all federal grants \* \* \*."

This statement was issued about 2 years after Circular A-98 went into effect.

The director of the California reception agency said the Governor valued Circular A-98 data as a source of information for his cabinet officers and State agencies. He said this expression of need for data on Federal financial assistance dictates that the reception agency press for more complete grant award data.

The director of the California reception agency said even the incomplete data provided by the Federal agencies was in demand and could be used for making limited analyses.

For example, the California State reception agency used award notification data to prepare:

- A list of grants in a California county by type of applicant; i.e., city, county, special district, and school district.
- A report for a State agency showing approved grants on which the State had commented pursuant to OMB Circular A-95.
- A report to the State agency administering education programs on grants received by school districts.
- A report showing selected Federal grants with potential manpower impact.
- A report of approved grants by State legislative districts.
- A report for the Governor's Select Committee on Law Enforcement Problems.

However, the State apprised recipients of the data that it might be incomplete or inaccurate.

Other States have expressed to OMB their need for Federal grant award information. For example, the Governor of Michigan, in a May 1974 letter to OMB commenting on the proposed grant information system discussed in chapter 4, stated:

"I have expressed on previous occasions that timely and comprehensive information on federal aid is essential to state and local governments in determining fiscal programmatic impacts of federal aid, budget planning and formulation, and intergovernmental cooperation including coordination among and between state and local program delivery. Without specific information on the current and expected use of federal financial assistance, state and local governments experience difficulty, and in many cases find it impossible, to design, manage and evaluate their programs in concert with federal grant programs."

#### Local governments

We contacted officials in 11 cities in the San Francisco metropolitan area to ascertain their need for grant award data. Officials in seven cities said they needed such data; four said they did not. An official of one city said it used the data to analyze city and regional expenditure patterns. Officials of two of the cities not using Federal data said they received so little Federal assistance that they accumulated award data themselves; an official of a third city said it lacked the resources and capabilities to use data on Federal financial assistance.

Because of the limited number of Federal assistance programs for which award data is furnished, some local governments have sought other means for obtaining data on Federal assistance in their areas. For example, the city of San Jose obtained from the Department of Housing and Urban Development (HUD) a grant to refine and adapt HUD's Chief Executive Review and Comment demonstration project. As part of this grant, city officials inventoried all federally funded projects affecting the city.

A San Jose official said this undertaking was to obtain grant award data unavailable under Circular A-98. He identified the following problems with A-98 data:

- Program coverage was not complete.
- Federal agencies were not reporting all grants made under covered programs.
- Data was not current.



The official advised us the data-gathering project was very successful. One city official estimated the cost of obtaining the grant data to be approximately \$30,000.

An official of the areawide planning organization for the San Francisco area stated that general revenue sharing and block grant programs were designed to transfer much of the responsibility for spending Federal funds from the Federal to the local level. However, local jurisdictions cannot make proper choices without comprehensive knowledge of the flow of Federal funds into their areas. Such information must be available if jurisdictions are to assess the impact of Federal expenditures, coordinate their resources with those of other public and private agencies, deliver services within the community, and develop long-range policy objectives relating government resources to community needs.

#### Federal Regional Councils

Federal Regional Councils have also expressed need for Federal grant award data. OMB, in a May 1974 report on the evaluation of a proposed grant information system discussed in chapter 4, said the Councils needed information for:

"\* \* \* economic impact activities, A-95/TC-1082 compliance monitoring, management capacity building, response to the information needs of State and local governments, areawide planning, response to grant status inquiries, etc."

The staff director of the San Francisco Council said:

--A properly functioning grant award information system would be very useful for planning, coordination, and oversight activities.

--An important consideration for management acceptance of such a system is good program coverage.

#### FACTORS LIMITING THE PROVISION OF FULL INFORMATION

As noted in chapter 1, section 201 of the act provides for notification of the purpose and amounts of grants-in-aid to States and their political subdivisions. The definition of the term "grants-in-aid" contained in the act, however, has limited the number of Federal assistance programs for which such information has been furnished.

Restrictive definition  
of grant-in-aid

As discussed in chapter 1, the term "grants-in-aid" as defined in the Intergovernmental Cooperation Act of 1968 specifically excluded certain Federal financial assistance programs.

An OMB official said there have always been two problems in determining what programs are subject to section 201:

--What constitutes a grant-in-aid program?

--What programs are to be covered?

The official said OMB has been hesitant to publish a list of A-98-affected programs because the list may not be all inclusive and the Federal agencies might report only those programs on the list. Another OMB official said the time OMB was allowed to issue a circular implementing the act did not permit the development of a list of covered programs.

Therefore, OMB's circulars implementing section 201 and the current Treasury Circular 1032 do not list covered programs. Instead, OMB let the individual agencies decide which of their programs were subject to the act, but at the same time urged them to be as responsive as possible to State needs for grant information and not to be bound by the definition of grant-in-aid.

However, the practice of encouraging, but not requiring, reporting to the States on all Federal financial assistance programs resulted in incomplete reporting and caused confusion among the Federal agencies. Two OMB studies conducted during 1970 and 1971 showed that Federal agencies were not sure what grant awards to report to the States. Further, agencies were not reporting even those awards they had previously decided to report.

A July 1971 report by the Council of State Governments on the implementation of the Intergovernmental Cooperation Act also reported that:

--Federal agencies were confused about Circular A-98 program coverage.

--Some Federal agency officials thought Circular A-98 pertained only to Federal programs covered under OMB Circular A-95.<sup>1/</sup>

#### List of covered programs

To develop a list of programs covered by Circular A-98, OMB requested each Federal agency to prepare and submit to OMB a list of programs for which the Federal agencies were or would be reporting grant-in-aid actions.

A list of 219 Federal programs was published as appendix III to the May 1972 edition of the Catalog of Federal Domestic Assistance for the convenience of the Federal agencies and the State reception agencies. Appendix III of the 1974 edition contains 233 programs administered by 22 Federal agencies, commissions, and councils. However, neither list was incorporated into either OMB Circular A-98 or Treasury Circular 1082.

In developing this list, OMB and some Federal agencies did not limit themselves to the definition of grant-in-aid in the act. Some Federal programs providing research grants and loans were listed. OMB made it clear that the list was not comprehensive.

The publishing of a list of Federal programs subject to Circular A-98 has had both positive and negative effects. The list enabled OMB and the States to identify cases when Federal agencies did not comply with the Circular. In response to an OMB survey in August 1972, 33 State reception agencies provided information on their experience with the grant and notification system. About one-third reported that not all Federal agencies were reporting awards as they should according to the Circular. One reception agency said awards under 161 programs had gone unreported. Other agencies cited as many as 80 unreported programs, and one went so far as to say that the number of unreported programs was too great to list.

The publishing of a list of covered programs restricted the reporting of award information to States. For example, the list excluded programs under which nongovernmental organizations were the primary recipients but under which grants might also be awarded to State or local governments. OMB stated that in such cases, notification was required, but left the identification of these programs to the individual Federal agencies. However, one Federal agency's internal instructions required notification

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<sup>1/</sup> This Circular provides States, local governments, and other parties with the opportunity to review and comment on federally assisted projects.

only of those programs in the list. Other Federal agencies did not list the programs subject to reporting requirements in their instructions.

The publishing of a list of programs to be reported also caused concern to several States. For example, the Director of the Office of Planning and Programing in Nebraska noted:

"\* \* \* I am puzzled by the 'List of Programs Requiring A-98 Notification' section. Does this list mean that the full scope of A-98 has been cut back? My interpretation of A-98 would be that a considerably larger range of categorical grant-in-aid actions would require a form 240 [notice] to be sent to the State central information reception agency. Certainly, the definition on page 2 of OMB Circular A-98 covers the entire gamut of Federal assistance."

#### FEDERAL AGENCIES' APPROACHES TO PROGRAM COVERAGE

Because of the uncertainty over which programs are subject to the reporting requirements of section 201, Federal agencies have taken different approaches to meeting their reporting responsibilities. For example, the Law Enforcement Assistance Administration (LEAA) requires that all grants to State or local governments be reported and requests that grants to private or nonprofit organizations be reported as well. The number of LEAA programs in LEAA's instructions is twice that of the LEAA programs in appendix III of the Catalog.

Department of Labor (DOL) instructions require the reporting of all grants made to State and local governments and community action agencies. The instructions also identify those DOL programs not listed in appendix III of the Catalog that require grant notification when the grantee is a State or local government or a community action agency. When the grantee is a private organization, however, no notification is required.

In contrast, the Department of the Interior list, with one addition, includes only those programs in the Catalog.

#### CONCLUSIONS

OMB, and later Treasury, in implementing section 201 of the Intergovernmental Cooperation Act, have had to deal with a restrictive definition of grant-in-aid, the desire of States for total information on Federal assistance, and concerns of Federal agencies with the additional reporting requirements imposed by the act. In an attempt to satisfy all parties concerned, OMB and the Federal agencies developed a list of most

of the Federal programs to be covered by the Circular. However, OMB encouraged the agencies to report all Federal financial assistance to the States. Some agencies complied with OMB's suggestion but reporting was still not complete.

Since the passage of the act, States and Federal Regional Councils have continued to request total Federal financial assistance information so they can determine the impact of Federal assistance on their other activities. Furthermore, some States have been reluctant to disseminate the incomplete Federal information to other organizations within the States. Increasing the coverage of Treasury Circular 1082 to encompass all Federal assistance programs would:

- Eliminate confusion on the part of Federal agencies as to what programs are covered by the Circular.
- Improve the operations of the award notification system established under the Circular.
- Provide States and their political subdivisions with complete data to facilitate their analysis of how Federal assistance affects their areas of responsibility.

#### RECOMMENDATIONS

We recommend that the Congress amend the Intergovernmental Cooperation Act of 1968 to require that Federal agencies report to each State on all Federal financial assistance provided to the State and its political subdivisions.

To accomplish this, we suggest that the term "grants-in-aid" in title II, section 201, of the act be changed in each place it is used to the term "Federal financial assistance." Title I, section 107, describes the term "Federal financial assistance" as "those programs that provide assistance through grant or contractual arrangements, and includes technical assistance programs or programs providing assistance in the form of loans, loan guarantees, or insurance."

We recommend that, in the interim, OMB direct the Federal agencies to report to each State on all Federal financial assistance provided to the State and its political subdivisions.

#### AGENCY COMMENTS

By letter dated December 31, 1974 (see app. I), OMB agreed with the need to expand program coverage but believed that matters such as privacy of information, needs of the States for certain detailed versus aggregate information, and the impact of the possible increased workload on Federal agencies should

be assessed before universally expanding coverage. OMB will study program expansion in connection with its review of the means of providing grant award information to State governments. State governments and the Federal Regional Councils support expanding program coverage.

OMB believed our recommendations for legislative amendments or for interim administration instruction from OMB to be premature before the completion of the study. However, we believe that Congress might wish to consider the problems with the present restrictiveness of the language and may wish to give more firm direction on what information should be reported to the States. Furthermore, we believe that, because implementing the results of OMB's study may involve a lengthy period, increased reporting should be encouraged in the interim, taking into account the current ability of Federal agencies to do so.

## CHAPTER 3

### PROBLEMS IN PROVIDING GRANT INFORMATION TO STATES

Chapter 2 discussed the need for providing States with more grant award data by expanding program coverage. This chapter deals with the quality of data provided for programs which were covered.

Federal agencies have not consistently furnished States with complete, accurate, and timely information on the grants-in-aid which the States or their political subdivisions have received. Although some States have used this inadequate data to analyze the impact of Federal assistance and to compile reports, others have been reluctant to prepare or distribute reports on grants because the incomplete data would cause users to lose confidence in the States' information systems.

Grant award data was furnished the States on a form which is not a part of the agencies' standard package of material for processing applications for Federal grants. As a result, the processing of forms for reporting grant awards was not integrated with the processing of grant applications and received little attention.

OMB tried to improve the completeness and accuracy of the data reported. However, since the transfer of responsibility for administering section 201 to the Department of the Treasury, OMB has concentrated on developing a Regional Grant Information System (REGIS). Treasury has made no further effort to improve the performance of Federal agencies in informing States of grant awards.

### ACCOMPLISHMENTS

Under section 201 of the Intergovernmental Cooperation Act of 1968, many States have been aided in developing financial assistance information systems and in coordinating their activities with programs funded by Federal agencies. Some State reception agencies have computerized the data provided by the Federal agencies; analyzed the impact of Federal assistance; and provided data to State agencies, State legislatures, local governments, and others.

### GRANT-REPORTING REQUIREMENTS

To carry out section 201, OMB issued Circular A-98 directing the Federal agencies to notify the appropriate State reception agency of each grant awarded and of any subsequent modifications. To achieve uniformity in reporting by Federal agencies and to facilitate accumulation of

data by reception agencies, OMB, in consultation with the Federal agencies and other organizations, developed a Standard Form 240 (SF 240), Notification of Grant-in-Aid Action. For each grant action, an SF 240 was to be completed and forwarded by the Federal agency to the State reception agency within 7 working days, with a copy to OMB.

The act requires that States be notified of the purpose and amounts of grants-in-aid. As an aid to analysis, the SF 240 goes beyond these requirements and includes 15 elements, such as name and location of grantee, identification of the grant program, award date, duration of the grant, and State and local funds contributed. However, the amount and nature of this data makes the form complex and necessitates more than minimal time and effort by Federal agencies to complete.

With the transfer of responsibility for implementing section 201 from OMB to the Treasury Department, the procedures of OMB Circular A-98, including the use of SF 240, were incorporated in Treasury Circular 1082.

As discussed below, Federal agencies have not complied consistently with OMB Circular A-98 or Treasury Circular 1082 nor have they consistently prepared accurate and complete SF 240s.

#### NONCOMPLIANCE WITH GRANT-REPORTING REQUIREMENTS

Federal agencies were not reporting all grant-in-aid awards to State reception agencies. Although OMB published a list of programs to be covered by OMB Circular A-98, the reporting practices of Federal agencies did not substantially improve. Most parties to the reporting process agree that compliance by the Federal agencies is not complete, but the extent of such noncompliance has not been determined because no one knows the exact number of projects for which grant awards should be reported.

#### OMB efforts to improve compliance

OMB made several attempts to determine the extent of noncompliance by Federal agencies with Circular A-98. In addition to surveying States, Federal agencies, and Federal Regional Councils, OMB also developed a central file of grant award data using SF 240s submitted by Federal agencies.



In developing its file, OMB encountered the same problem experienced by State reception agencies. Because of uncertainty as to the programs covered by Circular A-98 and the number of awards made within each program, OMB could not determine how many SF 240s it should have received and, therefore, how many forms were missing. OMB informed the Federal agencies that financial records showed they had awarded more grant funds than they had reported on the SF 240s. The discrepancy was estimated to run between 20 and 40 percent of total grant funds awarded.

In March 1972 OMB solicited suggestions from States, Federal agencies, and Federal Regional Councils for improving Circular A-98 and the SF 240 process. In reply, 25 States, 15 Federal agencies, and 5 Councils reported their problems and potential solutions. Some of these follow.

- States doubted all grants were being reported. Thirteen States reported that they did not receive all SF 240s for A-98 programs.
- Federal agencies were concerned about improving the SF 240 or consolidating the form with their own forms for notifying grantees or congressional delegations. Three agencies suggested eliminating the SF 240 and substituting their own forms. Three Federal Regional Councils agreed with this suggestion.

OMB said Federal agency compliance with grant-in-aid reporting was improving. All Federal agencies that should have been reporting grant awards were reporting, but not consistently. For example, OMB found that SF 240s were being received for only 183 of the 219 programs on its list.

OMB informed the Federal agencies of the problems identified in its March 1972 study and advised them that, to improve reporting, OMB would refer complaints from State reception agencies to the responsible Federal agencies for corrective action; OMB would follow up on the actions taken by the agencies. OMB also advised the State reception agencies, Federal agencies, and Federal Regional Councils that the problems identified during its study would be included in its REGIS study. (See ch. 4.) OMB further stated that, pending completion of its study, Circular A-98 and the grant award reporting process would not be revised.

In August 1972 OMB surveyed State reception agencies to assess the grant award reporting system. Only 19 of the 33 responding agencies reported that all Federal agencies were submitting SF 240s. Eight State reception agencies

reported that SF 240s were not being provided for a number of programs ranging from 5 to 161.

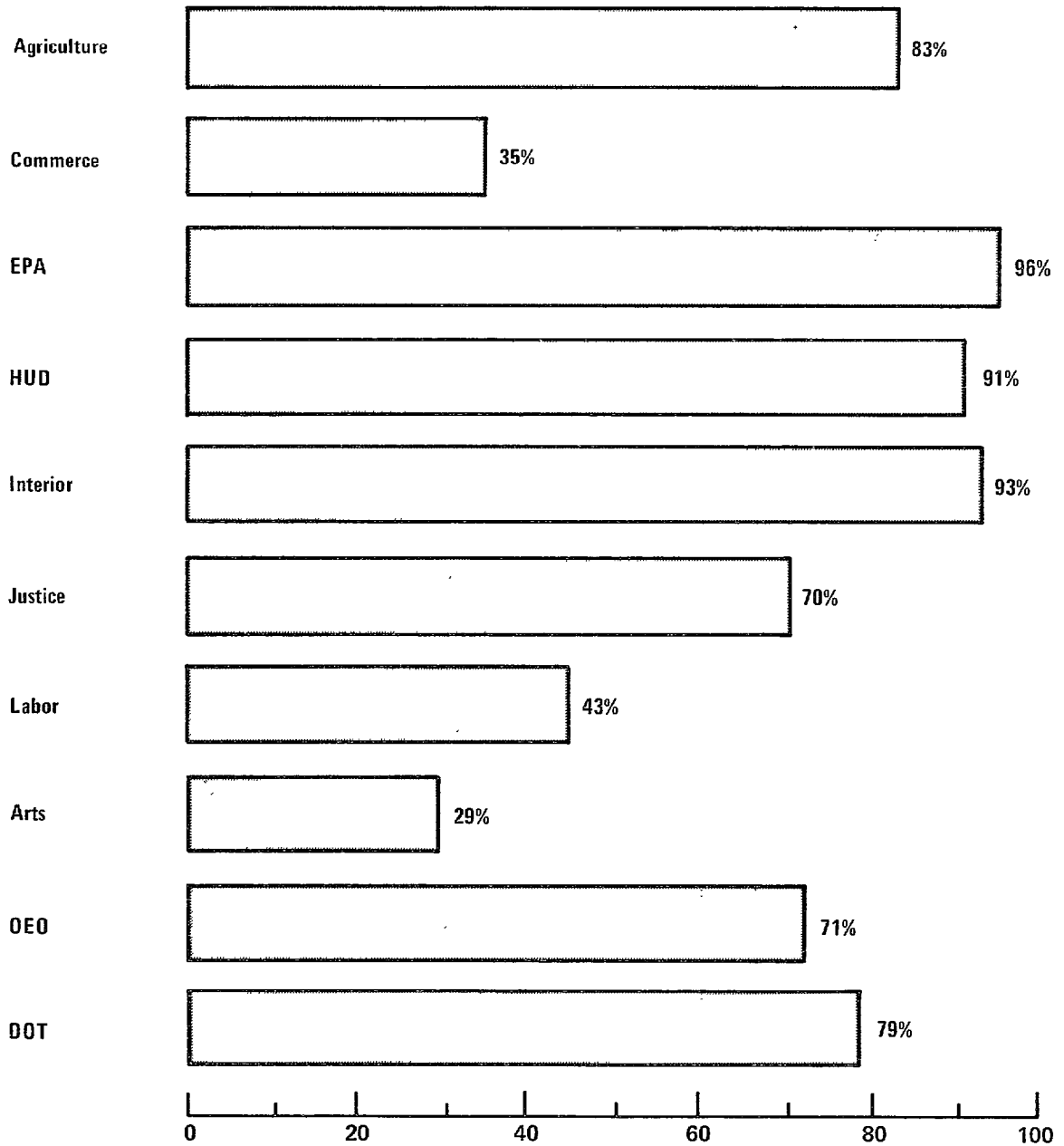
Efforts of the California reception agency to improve compliance

In July 1971 the California Office of Intergovernmental Management (OIM), the State reception agency, began to accumulate and computerize grant award data obtained pursuant to OMB Circular A-98. As the project continued, OIM found serious gaps in its data file. OIM asked OMB to request Federal agencies to comply with Circular A-98 and identified and corresponded directly with the Federal agencies that were not complying.

In August 1972 OIM began to document instances when SF 240s had not been received and presented its findings to the Federal agencies concerned. By comparing SF 240s with the records of the agencies, OIM found that during fiscal year 1972 it had received SF 240s for only 1,052 of the 1,590 grants awarded. The average compliance rate was 69 percent, but it varied considerably among agencies, as the following chart shows.

COMPLIANCE WITH CIRCULAR A-98 BY FEDERAL AGENCIES  
FOR THE STATE OF CALIFORNIA

PERCENTILES



Note: Data was not available for the Department of Defense. The State reception agency was unable to obtain data from the Department of Health, Education, and Welfare.

SOURCE: California Office of Intergovernmental Management

OIM concluded that this incomplete reporting inhibited its efforts to establish an A-98 grant-reporting system that would provide total, accurate, and timely information. OIM stressed to the Federal agencies that the completeness and accuracy of the A-98 information depended on their efforts and how they react to the spirit and letter of Circular A-98. OIM stated that, "If there were any doubts in the past about the interest of the States, and California in particular, in the A-98 information, they can be laid to rest."

OIM reported that, because of greater coordination with Federal agencies and because of a better understanding of mutual problems, its efforts to document problems and apprise the Federal agencies of their findings had resulted in a marked improvement in the submission of grant-in-aid information.

Our limited survey of 5 Federal agencies showed that SF 240s had been submitted to OIM for 74 of 78 grant awards. No SF 240s had been prepared for the remaining four grants totaling \$3.7 million. This survey indicated greater compliance by Federal agencies, but improvement is still needed to acquire fully reliable data.

PROBLEMS WITH SF 240s  
PREPARED BY FEDERAL AGENCIES

SF 240s prepared by Federal agencies were of diminished value because they were not always complete, accurate, or legible.

Incomplete forms

The SF 240 was issued in June 1970. OMB reviewed the SF 240s prepared by Federal agencies in October and December 1970 and found that data was omitted on many forms, as follows:

<u>Period</u>	<u>SF 240s reviewed</u>	<u>SF 240s with omissions</u>	<u>Percentage of total SF 240s with omissions</u>
October 1970	8,897	2,959	33.3
December 1970	13,331	4,618	34.6

The performance of individual Federal agencies varied; omission rates ranged from 15 percent to 61 percent.

An OMB analysis in August 1971 of its computerized files of SF 240s (43,053 records) showed that 25 percent of the records contained an error or omission. OMB considered this rate conservative because it had manually corrected many errors and omissions before the data was entered into its system.

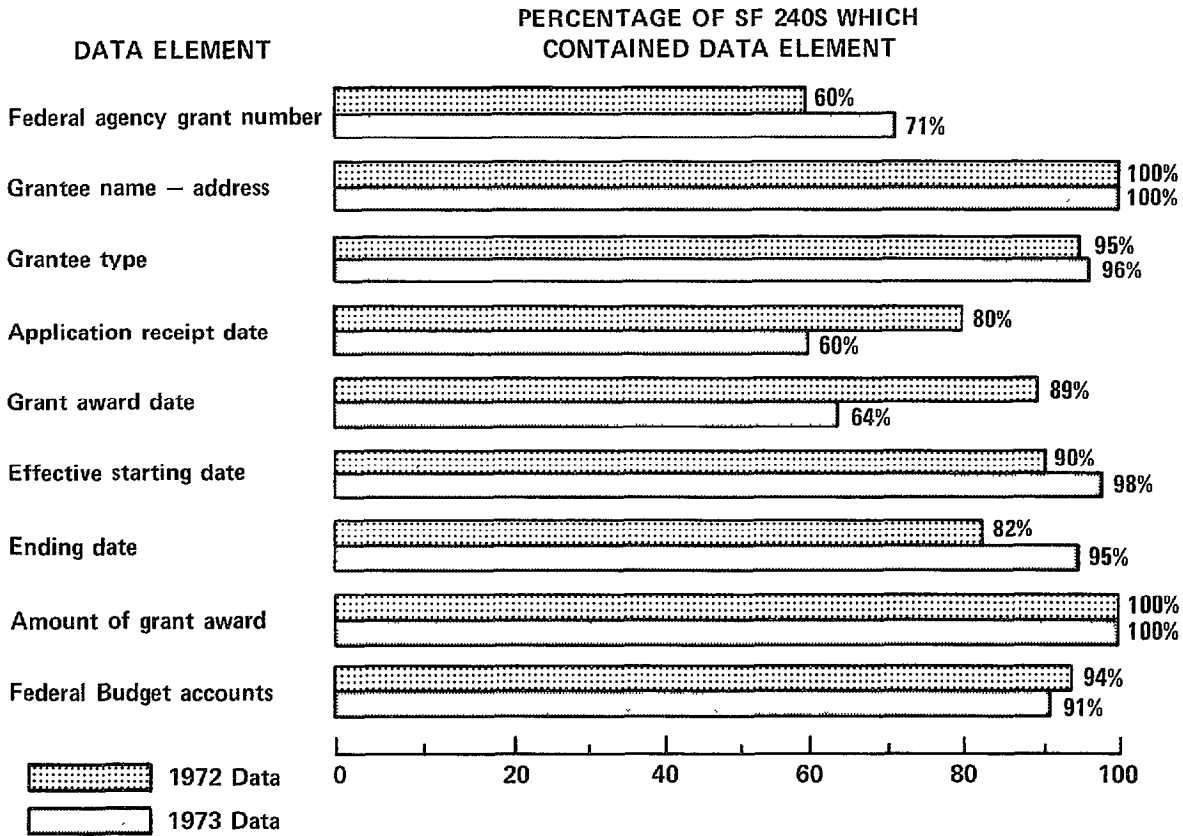
In its March 1972 study, OMB learned that State reception agencies were also concerned about the accuracy of SF 240s. Some stated that they were hesitant to issue reports based on this data because resulting inaccuracies could discredit their information systems.

OMB advised the Federal agencies and the Federal Regional Councils of the results of its study and then instituted procedures to improve the accuracy of grant reporting. OMB started reviewing each SF 240, notifying the State reception agency of any errors or omissions. The SF 240 form was then returned to the responsible Federal agency to be corrected and resubmitted.

OMB's survey of State reception agencies in August 1972 showed continuing problems with the SF 240s. The States received an average of 20 forms a week and spent an average of 6 man-hours a week reviewing the forms to detect and correct errors. Further, half of the States reported they sometimes called the Federal agencies to determine missing information or verify questionable data.

We reviewed the completeness of all the SF 240s received by the California State reception agency in 1972 and 1973. The number of forms received totaled 4,074 and 3,813, respectively. Because Federal grants-in-aid are occasionally amended after they are awarded and each amendment requires an SF 240, the number of forms exceeds the number of grants awarded in a given year.

For the nine data elements of the SF 240 which could be analyzed, data was not provided in all cases, as shown below.



The significance of data omitted depends on the purposes for which it is to be used. The amount of the Federal grant is most important to any type of analysis and was included on all SF 240s. The name and address of the grantee was usually included, facilitating geographic analysis of Federal assistance. However, the application receipt date, grant award date, and beginning and ending period of the grant were too often omitted, hampering analysis based on the time frame of Federal assistance. The Federal agency grant number, which facilitates communication between users of the information and the Federal agency, was also too often omitted.

The California State reception agency has prepared some reports using data obtained from SF 240s but has cautioned recipients of the limitation of the data on which they were based.

In other instances, States were reluctant to prepare or distribute reports based on data obtained from SF 240s because incomplete data could cause users to lose confidence in their information systems. Officials of Indiana and Michigan said reports based on SF 240s are not distributed below State level because of errors and omissions. The Director of Federal Aid for the State of Indiana told us that the State reception agency:

"\* \* \* would be far more interested in determining how many SF 240s are never received than in the timing of those that are received. This is the main reason SF 240s are merely stored. The cost of maintaining and making readily available comprehensive grant information is prohibitive. Unless we are assured of receiving complete and accurate information, Federal agencies complying only somewhat with feedback requirements renders SF 240s useless."

#### WHY SF 240s WERE INCOMPLETE AND INACCURATE

The SF 240 is not used by Federal agencies in their internal grant information systems. The preparation of the form was included as an additional step in a long and complicated system for reviewing and deciding on the merits of Federal assistance applications. Therefore, processing of SF 240s was not integrated with the processing of grant applications and received little attention. Because the SF 240s have little value to the Federal agencies, they have low priority. Further, an OMB official said another reason for omissions and errors in the SF 240s was high

personnel turnover. In spite of the time and funds devoted to training of personnel, errors and omissions in SF 240s have continued.

Officials of State reception agencies have complained about the inaccuracy of SF 240s. For example, an official of the Federal-State Relations Unit of the State of Wisconsin wrote to OMB in May 1972, stating in part:

"Agencies are not complying with circular A-98, they simply fail to report or to consistently report grants.

"Of those agencies submitting form 240, some appear to give the activity a low priority. Typing errors, data errors, extremely cryptic data and handwritten data insertions attest to a generally careless regard for the importance of the 240."

The Wisconsin official concluded:

"The time and effort invested by states and the OMB in attempting to monitor grants via the 240 reporting system is largely an exercise in futility unless reforms can be made in the system. It is strongly recommended that OMB, working through the Federal Regional Councils, direct the improvement of the system and the inclusions of all grants under reporting requirements. In addition, it's recommended that a two-part major reform be considered:

- "A. Federal agencies be directed to report all grants or financial allocations made, reporting singularly to the OMB.
- "B. The OMB, utilizing a nationally agreed upon format, provide data tapes quarterly to each CIRA [State reception agency]. An annual total, summary tape also be issued within 60 days after the end of the fiscal year."

The efforts by OMB and the California State reception agency have improved the compliance of Federal agencies with Circular A-98. However, because many of the problems are due to human error, the opportunity for further improving the current system is limited.



## Transfer of responsibilities to Treasury

Since May 1973 responsibility for implementing section 201 has rested with the Department of the Treasury. Treasury continues to receive copies of SF 240s but does not monitor Federal agency compliance because of limited manpower--one staff member on a part-time basis. Further, there were no plans for additional monitoring pending development of REGIS.

## ALTERNATIVE METHOD OF PROVIDING GRANT AWARD INFORMATION TO STATES

The major Federal grantmaking agencies have developed grant information systems containing much of the data included on the SF 240. In our opinion, the data in these systems could be used to meet the grant award notification requirements of section 201 and of any additional grant reporting as recommended in chapter 2.

## Federal agencies' internal information systems

To account for the expenditure of Federal funds and to facilitate program management, Federal agencies have developed their own grant information systems. Data on Federal financial assistance to State and local governments and other parties is entered into these systems. Federal officials recognize the importance of prompt, accurate accounting of Federal funds. Therefore the grant information systems within the Federal agencies are reasonably accurate. Most Federal agencies devote considerable resources to refining and developing their information systems.

Agencies that provide large amounts of financial assistance, such as the Department of Health, Education, and Welfare (HEW) and DOL, told OMB that their internal information systems could readily be used to provide grant award data to the States. Several years ago these agencies sought OMB's permission to provide the data on the SF 240 directly from their automated information systems, but their requests were denied. OMB felt that, under the proposed procedure, grant information would not be uniform. However, OMB did not investigate the development of a uniform reporting format for grant award notifications based on the agencies' systems, although it was authorized to do so.

Public Law 89-306 enacted in October 1965 provides for the economical and efficient acquisition, operation, and use of automatic data processing equipment by Federal agencies. Citing this as its authority, OMB issued Circular A-86 on September 30, 1967, to begin a program for standardizing data elements and codes used in Federal computer-based information systems in order to achieve a high degree of uniformity among Federal data systems.

Thus, OMB could have tried to develop a standard format for reporting grant awards, enabling the Federal agencies to provide award data on a direct printout from their internal systems.

The standardization of grant data within the agencies' systems would facilitate uniform reporting on grant awards. Standardization should be OMB's and the agencies' long-range goal. Meanwhile, grant data needed by States is either already included in, or could be added to, the Federal agencies' information systems.

The following chart, showing the data elements on the SF 240, indicates those that are currently included in the Federal agencies' systems. Officials of the Federal agencies generally agreed that the missing elements could be added to their systems.

SF 240 Data Elements in Federal Agencies'

Existing Internal Information Systems

SF 240 data elements	OEO	PHA	USDA-	HUD	DOT	EPA	Jus- tice- LEAA	DOL- Man- power	In- terior- BOR	HEW-SRS	HEW-OE	HEW-PHS (note a)
State application identifier (note b)			X					X		X		
Grantor	X	X		X	X	X	X	X	X	X	X	X
Federal agency grant identifier:												
Code (note b)	X	X	X	X	X	X	X	X	X	X	X	X
Title and purpose	X	X	X	X	X	X	X	X	X	X	X	X
Grantee:												
Name (note b)	X	X	X	X	X	X	X	X	X	X	X	X
Address	X	X	X	X	X	X	X	X	X	X	X	X
City (note b)	X	X	X	X	X	X	X	X	X	X	X	X
State (note b)	X	X	X	X	X	X	X	X	X	X	X	X
Zip code	X	X	X	X	X	X	X	X	X	X	X	X
Grantee type	X	X	X	X	X	X	X	X	X	X	X	X
Application receipt date			X	X	X	X	X	X	X	X	X	X
Action date (note b)	X	X	X	X	X	X	X	X	X	X	X	X
Effective starting date (note b)			X	X	X	X	X	X	X	X	X	X
Ending date (note b)	X	X	X	X	X	X	X	X	X	X	X	X
Type of action (note b)	X	X	X	X	X	X	X	X	X	X	X	X
Amount of contribution:												
Federal (note b)	X	X	X	X	X	X	X	X	X	X	X	X
State	X	X	X	X	X	X	X	X	X	X	X	X
Local	X	X	X	X	X	X	X	X	X	X	X	X
Other	X	X	X	X	X	X	X	X	X	X	X	X
Catalog of Federal domestic assistance program number (note b)			X	X	X	X	X	X	X	X	X	X
Authorization	X	X	X	X	X	X	X	X	X	X	X	X
Facility location	X	X	X	X	X	X	X	X	X	X	X	X
Remarks			X	X	X	X	X	X	X	X	X	X

a/PHS components reviewed include the Center for Disease Control, the Health Resources Administration, and the Health Services Administration.

b/In reports prepared by State reception agencies, these data elements appear most frequently and apparently are the elements most needed by users of reports.

The information systems of the major Federal grantmaking agencies contain most of the data required for the SF 240s. Further, the individual systems contain much more data not required for the SF 240s. Although each system has a unique format, agency officials said they can change the formats of grant information reports because they designed them.

### Federal reports on financial assistance

Using agencies' internal information systems as a source of data for external reporting on Federal assistance is an established practice. A number of reports are published periodically by Federal agencies. Some concern the financial assistance programs of individual agencies; others deal with all Federal financial assistance.

#### Reports of individual Federal agencies

Several Federal agencies prepare reports on their financial assistance to State and local governments and to others. For example:

- HEW publishes semiannually a report entitled "Financial Assistance by Geographic Area" for each of its 10 regions. The report provides data on financial assistance provided by HEW. The report shows the component of HEW that awarded the grant; the Federal funds involved; the recipient and its location; and the number and title of the grant program involved, as contained in the Catalog of Federal Domestic Assistance. Data for the report is obtained from the accounting systems of the individual HEW components.
- EPA publishes quarterly an "Awards Register, Grant Assistance Program" that lists grants made for water, air, and solid waste programs. The list shows the recipient and its location, program area, grant number, and amount of award.
- OEO submitted monthly reports to each State Economic Opportunity Office on grant awards made to organizations in the States.

#### Consolidated Federal agency reports

Two major reports provide summary information on Federal financial assistance to State and local governments.

"Federal Outlays" is prepared annually by OEO in accordance with OMB Circular A-84. This report contains summary information on all dollar outlays, including administrative expenses, of executive branch agencies of the Federal Government

for each State, county, and city having over 25,000 people.

A typical city summary in a "Federal Outlays" report provides information by Federal agency, Federal program area, and Federal funds. For example, the fiscal year 1973 report shows for the city of Honolulu that OEO made grants totaling \$325,995 for community action programs. The number of grants and the identity of the recipients are not identified. Similar information is provided in the State and county summaries.

The data for "Federal Outlays" comes from the Federal agencies' internal information systems and generally represents Federal funds obligated rather than actual expenditures.

"Federal Aid to States" is prepared annually by the Department of the Treasury in accordance with Treasury Circular 1014. The report contains summary data on Federal aid to State and local governments but, unlike "Federal Outlays," provides no data on Federal grants to individuals and private institutions in the States. Also excluded are Federal agencies' administrative expenses, awards for basic research, and certain other Federal payments.

"Federal Aid to States" does not list governments below the State level; only a total for the State is given. Also Federal activities are not listed by program but are grouped into broad functional areas. As in "Federal Outlays," the number of grants and the identity of the recipients are not listed. For example, the 1973 report shows that OEO made grants totaling \$2.8 million to recipients in Hawaii for community action programs.

The data for "Federal Aid to States" is obtained from the Federal agencies' information systems and is on a cash payments basis.

### CONCLUSIONS

Federal agencies have not consistently furnished States with complete, accurate, and timely information on grants-in-aid provided to States and their political subdivisions. Some States have used the Federal data to analyze the impact of Federal assistance and to make reports in spite of the data's shortcomings. Other States have been reluctant to do so because the unreliable data would cause users to lose confidence in the States' information systems.

OMB attempted to improve the data reported to States by Federal agencies but, since the transfer of responsibility

for implementing section 201 to the Treasury Department, no further efforts have been made. Because most of the data errors and omissions were attributable to human error, the opportunity for further improvement of the system is limited.

The major Federal grantmaking agencies have developed internal grant information systems that contain much of the data needed by the States. Grant award data could be provided to States directly from agencies' internal information systems rather than on the manually prepared SF 240s. Federal agencies' internal information systems would also be the most practicable way to report additional grant award actions as recommended in chapter 2.

With the transfer of administration of section 201 to Treasury, OMB may have underestimated (1) the need for coordination among Federal agencies to provide States with full grant award information and (2) the interrelationship between this function and the requirement for review and comment on applications for Federal assistance under OMB Circular A-95.

#### RECOMMENDATIONS

We recommend that OMB evaluate new methods for giving States grant award information. A system should be developed that would not greatly increase the work of processing applications for Federal assistance and would minimize the risk of human error.

OMB should consider, as an alternative, using agencies' internal information systems as a means of meeting the requirements of the act.

Because of the need for greater emphasis on coordinating and monitoring Federal efforts to provide grant award data to States, we also recommend that OMB consider reassuming responsibility for administering section 201 of the Intergovernmental Cooperation Act.

#### AGENCY COMMENTS

OMB has undertaken a review of improved means of providing Federal assistance data to State and local governments.

OMB cautioned, however, that the proposed alternative of using the agencies' internal information systems must be accompanied by the standardization of operational instructions, reporting procedures, and formats. OMB believes that, rather than alter the agencies' information systems, agencies may prefer the current SF 240 process with improved compliance

monitoring. Notwithstanding, OMB emphasized that the fundamental issue not to be obscured is the integration of the award notification mechanism into agency procedures coupled with effective compliance monitoring.

We recognize that the standardization of grant data within the internal information systems may be a long-term effort but consider it most essential for effective reporting. As noted in the report, Public Law 89-306, enacted in 1965, requires such standardization and in 1967 OMB issued Circular A-86 to achieve this goal. However, OMB and the agencies have not made sufficient effort to implement Circular A-86. We believe that, as agency systems are redesigned, standardized information should be incorporated and in the interim the SF 240 process would have to be used with improved monitoring.

The standardization of data in agencies systems should enable them to meet multiple information needs--those of the States, the Congress, OMB, GAO, and others. To establish a new system for providing information each time an information user is identified results in competition with the existing system, nonconformity of data, and dissipation of resources.

OMB stated that it will seriously consider the responsibility for administering section 201 of the act along with improving coordination with Federal agencies on meeting the act's requirements.

OMB also recognized the need for exercising overall leadership and coordination but stated that implementing the Circular required agency leadership and support as well.

## CHAPTER 4

### OBSERVATIONS ON THE

#### REGIONAL GRANT INFORMATION SYSTEM

OMB and the Federal agencies have made two major efforts to develop a system for providing information on Federal grant-in-aid awards to State governments. Both efforts were limited by the inability of the Federal agencies to provide complete, accurate, and timely grant award data as discussed in chapter 3.

#### FEDERAL AID CONTROL SYSTEM (FACS)

An early effort to develop specific and consistent procedures for the flow of Federal assistance data was undertaken by OEO in 1970 under FACS. FACS was a computerized system developed by Louisiana and OEO. FACS had two purposes: (1) to facilitate the monitoring and coordination of selected applications for Federal assistance during the application process up to the time of receipt by a Federal agency and (2) to monitor all Federal grants awarded in a State to determine the amounts, purposes, Federal programs involved, and geographical areas where there would be impact.

Data on applications for assistance was to be obtained as part of the review and comment process prescribed by OMB Circular A-95, and data on awards was to be obtained from Federal agencies using the SF 240. Together, the two processes were to provide States with information on the flow of applications from time of decision to apply for assistance to final award.

FACS, at different times over a period of several years, was adopted by 37 States with OEO assistance. Though the FACS concept was kept intact, the configurations of the computer systems for each State necessitated changes in the software before the system could become operational. Major technical problems and declining OEO resources caused dissatisfaction with FACS, but again the principal complaint was the uncomprehensive and often inaccurate information provided to the States by the Federal agencies.

#### REGIONAL GRANT INFORMATION SYSTEM

OMB and several States, in an effort to improve the flow of data through the process of obtaining Federal assistance--from proposal to grant award--developed REGIS. As in the case of FACS, REGIS relied on data to be obtained from two separate sources. Data on applications was to be obtained through the



review and comment process of OMB Circular A-95, and data on grant awards was to be provided by Federal agencies.

REGIS differed from FACS in that it was designed to serve the needs of Federal Regional Councils as well as the needs of the States. REGIS was operated by the Councils; FACS was operated by the States.

A 1971 OMB survey of the information requirements of Councils identified a need on the part of Federal regional directors for an information system to provide a basis for specific discretionary grant decisions and more systematic interagency and intergovernmental coordination. The May 30, 1974, OMB final evaluation of REGIS concluded that, as the system had evolved during the pilot test in the Boston and Dallas Federal Regions, its responsiveness to individual regional agency needs had been marginal in most cases.

REGIS, as it evolved during the pilot tests, was to facilitate State and local planning by providing information to a State and its local governments on funds that had been requested and those that had been received from Federal programs covered under OMB Circulars A-95 and A-98. After the test, the Under Secretaries Group for Regional Operations (USG) decided to expand REGIS to all 10 Federal regions. OMB was working toward expanding REGIS when, in October 1974, USG rescinded its decision.

Our review included the two Federal regions where REGIS was pilot tested. Although we did not assess REGIS in depth as it was being tested, we saw problems with the completeness and accuracy of grant award data provided by the Federal agencies.

For example, we analyzed a January 1974 REGIS report on the status of applications and grant awards for the Commonwealth of Massachusetts and discovered 137 applications that had been received by the Federal agencies but not reported to REGIS. We also discovered 73 grants that had been awarded but not reported to REGIS.

REGIS, like FACS, did not use, as a data source, the internal grant information systems of the Federal agencies. In the two test regions, a special form, Regional Office Form 189, was used to report data on applications for Federal assistance. Because the form also provided for reporting on grant awards, the SF 240 was not used. However, neither form was an essential part of the standard package of material used for grant applications by applicants and Federal agencies.

Most Federal agencies have devoted considerable time and resources to developing internal grant information systems using data obtained from grant applications and related agency documents. Agency officials stated they did not use data from the REGIS form or REGIS reports because they believed that their internal systems provided sufficient data to meet their needs. As a result, the REGIS form provided data for REGIS and grant applications and related agency documents provided data for agencies' internal systems. In our opinion, REGIS would have remained independent of the internal information systems of the Federal agencies.

#### CONCLUSIONS AND AGENCY ACTIONS

USG's decision to expand REGIS nationwide represented a Federal Government commitment to assume responsibility for providing information to State governments on applications for assistance and grant awards. We concluded that, as long as REGIS remained independent of the agencies' internal systems, the agencies would continue developing and using their systems while devoting limited effort to developing and using REGIS.

We proposed that OMB study the relation between REGIS and the Federal agencies' internal information systems before major resources were committed to REGIS expansion.

By letter dated November 7, 1974 (see app. II), OMB stated that USG had decided to terminate the pilot tests of REGIS because of our comments and the inability to obtain a firm commitment from the Federal agencies on financing. The annual cost of REGIS was estimated to be at least \$2.7 million.

With the termination of REGIS and until alternative grant award notification systems are studied and implemented, OMB, Treasury, and the Federal agencies will have to increase their monitoring of agency compliance with the present SF 240 grant award notification process. However, as agency systems are redesigned, provision should be made for incorporating standardized information in them.

#### RECOMMENDATION

We recommend that OMB consider the use of agencies' internal systems to implement the REGIS concepts.

#### AGENCY COMMENTS

OMB agreed to study other means, including internal agency systems, to provide grant award data to State and local governments. OMB initiated this study in December 1974. OMB and USG agreed that one aspect of the study will cover agency compliance problems with the present grant award reporting process.

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

December 31, 1974

Mr. Victor Lowe, Director  
General Government Division  
General Accounting Office  
441 G Street, N. W.  
Washington, D. C. 20548

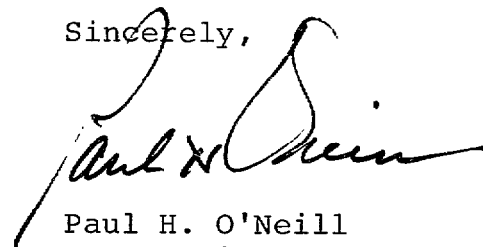
Dear Mr. Lowe:

Enclosed is the Office of Management and Budget's consolidated review of the draft GAO report, "States Need, But Are Not Getting, Full Information on Federal Financial Assistance." The report was widely distributed among Federal agencies, Federal Regional Councils, State Central Information Reception Agencies, State and areawide clearinghouses, and public interest groups. The consolidated review attempts to reflect major areas of consensus among the respondents. GAO is, of course, welcome to examine the written reports that we received.

Vincent Puritano, Deputy Associate Director for Intergovernmental Relations and Regional Operations, and his staff are available to discuss the draft report and our response at your convenience.

We look forward to your final report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Paul H. O'Neill".

Paul H. O'Neill  
Deputy Director

Enclosure

## APPENDIX I

### OMB CONSOLIDATED REVIEW OF THE DRAFT REPORT:

#### "STATES NEED, BUT ARE NOT GETTING, FULL INFORMATION ON FEDERAL FINANCIAL ASSISTANCE"

##### I. GENERAL REMARKS

The draft Report was distributed widely to Federal departments and agencies, to Federal Regional Councils (FRCs), and through them to all State Central Information Reception Agencies (SCIRAs) to State clearinghouses where different from the SCIRA's, to a sampling of areawide clearinghouses and to major Public Interest Groups representing State and local governments. There was a broad consensus that the Report focused attention on the principal shortcomings of one of the major channels of intergovernmental information flow.

Recommendations dealing with universal program coverage and an evaluation of other methods of providing award information drew the most comment. There was general support for the recommendations, but some Federal agency respondents had reservations about universal program coverage on the basis of desirability and/or workload impact. (See comments below for further details.) There was also concern expressed, particularly by FRCs and SCIRAs, that an assessment of alternative methods of providing information recognize the need for a minimum but irreducible level of standardization in reporting as well as the relationship of TC 1082 to other intergovernmental information media (A-95 and FRC 74-7).

**BEST DOCUMENT AVAILABLE**

II. COMMENTS ON THE RECOMMENDATIONSA. Program Coverage

The first section of the Report describes the problem of confusion and uncertainty on the part of Federal agencies, SCIRAs, and others about the extent of program coverage. As a result of this uncertainty, States are not getting all the Federal assistance data they need. The Report recommends attacking this problem by requiring Federal agency reporting on all financial assistance provided.

SCIRAs and FRCs were virtually unanimous in supporting the proposed expansion of coverage. A number of Federal agencies also agreed. However, some Federal agencies, while sympathizing with the need for improvements in the Circular, opposed universal program coverage. This opposition was based on two factors--the intent of the Intergovernmental Cooperation Act and adverse workload impacts.

The Intent of the Act. It seems questionable that reporting on awards for certain types of Federal financial assistance relates directly to the Act's goal of providing timely and accurate award information as a means of facilitating sound planning and budgeting at the State level. Thus, certain payments to individuals for personal betterment (e.g., education, individual home loan guarantees) or for economic betterment (e.g., business insurance, farm loans) may, in the aggregate, be relevant to State planning and budgeting, but the provision of reports on

## APPENDIX I

thousands of such Federal transactions with individuals would require a glut of paperwork that may not be needed.

A further consideration concerning Federal assistance awards to individuals is the issue of privacy and the effect of that consideration on the type and content of reports made to State governments on such awards. The legitimate claims of privacy should be carefully assessed before deciding on the inclusion of such programs under TC 1082 requirements and on the nature of reporting if such programs are included.

In addition, certain research and development programs, such as those in the sciences, support projects which are non-local in character. Without additional study, it is not clear which of these R&D programs, if any, are of interest to State governments for planning and budgeting purposes.

Workload Impact. Some Federal agencies highlighted the adverse workload impact anticipated if program coverage were extended universally. The number of programs covered would be approximately doubled by the recommendation; the number of additionally projects requiring individual notification under these programs cannot be accurately estimated without considerable additional study.

The Small Business Administration, for example, stated that the impact of this extension of coverage would put a "significant burden" on SBA. The National Foundation for the Arts and Humanities noted that it provided SF 240 notifications on all grants to State and local units of government. That

came to less than 1000 grants in FY 1974, but the total number of grants made by the Foundation in that year was 4,389. The agency estimated that expanded coverage would require "substantially increased staffing."

The assumption underlying these impact estimates may be that the notification process as currently prescribed by TC 1082 would be substantially unchanged. The Report recommends elsewhere that a study be undertaken to assess alternative means of providing this information to States, and that any alternative chosen should not have an adverse workload impact. Thus, it is possible that these objections can be overcome with the completion of the recommended study.

OMB View. OMB concurs in the Report's recognition of the need of States for more complete information on Federal assistance decisions. We support the expansion of program coverage along the general lines recommended by the Report, but we also believe that the caveats described above on universal coverage and workload impact have force and should be assessed before extending coverage to all Federal financial assistance programs without exception.

The Report recommends in a subsequent section that OMB undertake a study to assess alternative means of providing award information to State governments. Such a study would provide the vehicle to resolve the problems of program expansion described

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## APPENDIX I

above and to determine how that expansion can best be achieved. Consequently, implementation of the Report's recommendations for legislative amendments or for interim administrative instructions from OMB would seem premature prior to the completion of the suggested study.

We would also raise one other point, not specifically dealt with in the Report, concerning the language of Section 201 of the Act which mentions only State entities as recipients of Federal assistance information. Some FRCs, local governments, and areawide clearinghouses who commented on the Report noted the need for such information by sub-State jurisdictions. The Report indicates that some States did not pass award information to political subdivisions because of concern about data quality. Since improvement in data quality may not automatically result in passthrough of award information, we would suggest that the recommended study to determine means of improving flow of information should also address the issue of how that information can be most effectively made available to sub-State jurisdictions which request it.

### B. Study of Alternatives

The next major section of the Report recommends that OMB evaluate other methods of providing States with grant award information. It stipulates that any system developed should not increase the normal Federal workload and should provide States with complete and accurate data by minimizing the

potential for human errors. In this review of alternatives, the Report recommends giving particular attention to the use of agencies' internal information systems. This recommendation received general concurrence from the respondents including a number of Federal agencies which saw significant advantages in using agency systems to meet notification requirements. Most FRCs and SCIRAs emphasized, however, that utilization of agencies' internal information systems must be accompanied by a standardization of operational instructions, reporting procedures, and formats.

We would point out that one of the initial reasons for developing the Regional Grant Information System (covered in the succeeding section) was a recognition that the limitations of existing agency systems made it extremely difficult to provide Federal aid data to State and local governments in compatible forms without significant changes in those systems, which agencies were reluctant to make. If the proposed assessment of alternatives results in recommendations for systems changes, it is possible that agencies may consider the current SF 240 process with improved compliance monitoring preferable to altering information systems which were designed primarily to meet internal agency needs.

In addition to the issues described above, the study recommended by the Report should address the following points as well:

- o Trade-offs. The use of internal agency systems may offer more complete information, wider program coverage, and a higher degree of accuracy; gaining

## APPENDIX I

these advantages, however, may require changing the requirement that individual award actions be reported within 7 days in favor of monthly summaries of agency actions.

- o Varying capabilities. Agency systems vary in content, capability, and sophistication. The ability of smaller agencies to produce award information in the desired formats may depend more on manual preparation than computer based systems.
- o Aggregation. As indicated earlier in the discussion on awards to individual citizens, aggregate, summary data may be more appropriate for certain categories of assistance.
- o State capabilities. The differences in information processing capabilities from State to State will affect the form in which they can most effectively utilize information.

We would caution, therefore, that the assessment recommended in the Report will involve considerable complexities. Furthermore, these complexities should not obscure the fundamental issue, which is not simply the adequacy or inadequacy of the SF 240 or any alternative notification mechanism, but rather the integration of that mechanism into agency procedures coupled with effective compliance monitoring.

OMB agrees that we should undertake a review of improved means to provide Federal aid data to State and local governments.

C. The Regional Grant Information System (REGIS)

The Report recommends that OMB study the relationship between REGIS and agencies' internal information systems with a view to evaluating use of these systems to implement REGIS concepts. OMB Associate Director Robert Marik's letter of November 7, 1974, to Victor Lowe of GAO reported that the Under Secretaries Group decided at their October 24, 1974, meeting to terminate the pilot tests of REGIS because of inability to obtain a firm commitment on financing the expansion of REGIS, and because GAO's recommendations on REGIS in this Report and the companion Report on OMB Circular A-95. The Marik letter also noted that OMB proposed to undertake a review of agency compliance with TC 1082 requirements as well as other issues.

Many FRCs and SCIRAs noted the cancellation of REGIS with regret. These respondents pointed out that REGIS was not attempting to capture "historical" data only (i.e., award actions) but rather to track the broader Federal award process from intent through decision. Some argued that knowledge of intent to apply and of applications in the pipeline is more significant for planning and budgeting purposes than what has already happened.

Although REGIS has been terminated, the intergovernmental information problem remains. We believe that we should utilize

**BEST DOCUMENT AVAILABLE**

## APPENDIX I

existing mechanisms to attack that problem more effectively and in a more coordinated fashion. Three tools which lend themselves to the kind of coordinated intergovernmental information flow described by States and FRCs are the A-95 notification of intent and feedback requirements, the coversheet which is part of the standardized application procedures specified by Federal Management Circular 74-7 (formerly OMB Circular A-102), and the notification process of TC 1082.

In connection with underscoring the need to coordinate the capabilities of these intergovernmental information mechanisms, a number of FRCs and SCIRAs urged that particular attention be devoted to the retention of the RO 189 form developed for REGIS. Based on experience on using this form, these respondents felt that it deserves consideration as a way to standardize at least part of the intergovernmental information flow and that it readily lends itself to automated data processing should States so desire.

OMB concurs in the perception that A-95, TC 1082, and FMC 74-7 should not be considered in isolation but rather that positive linkages should be sought. Consequently, at the Under Secretaries Group meeting on October 24, 1974, during which the USG decided upon the cancellation of REGIS, OMB discussed its plans to initiate a study which would not only address the question of better compliance with TC 1082, but would also investigate the possibilities of tying together the informational

aspects of PMC 74-7 coversheets, TC 1082 reports and agency notifications of action to clearinghouses required by A-95. As a part of this study, the use of the RO 189 form to achieve coordination and integration of information mechanisms will be specifically addressed. The study plan also envisions further actions involving necessary Circular revisions, program coverage expansion and coordination and other improvements. The USG agreed to support OMB in this effort.

We will provide GAO a copy of our final study plan and would appreciate their advice and assistance during the course of this review.

D. OMB Assumption of Responsibility

The Report recommends that OMB reassume responsibility for the administration of Section 201 of the Intergovernmental Cooperation Act which provides the basis for TC 1082 and its predecessor, A-98. This recommendation is based on the rationale that OMB may have underestimated the need for coordination of the efforts of Federal agencies to provide full grant award information to States and the interrelationship between this function and the system for review and comment on applications for Federal assistance under OMB Circular A-95. The problems cited in the report on improving coordination with Federal agencies on meeting the requirements of the Intergovernmental Cooperation Act including the responsibility for Section 201 will be given serious consideration by OMB.

## APPENDIX I

### E. Other Comments

Without repeating our comments in detail here, we would like to make the same point with reference to this Report that we did in our draft reply to the draft Report on A-95, namely, that responsibility for implementing TC 1082 is an interagency and intergovernmental cooperative effort which is not OMB's or Treasury's alone. OMB recognizes the need for exercising overall leadership and coordination but implementation of the Circular and the law from which it derives requires agency leadership and support as well.

We are encouraged by the interest of GAO in strengthening the effectiveness of this intergovernmental mechanism and look forward to its continuing cooperation and support. In this regard we would again suggest that, as with A-95, GAO consider including surveillance of agency compliance with TC 1082 notification requirements as part of its regular Federal agency program audit procedures.

[See GAO note.]

GAO note: Deleted comments refer to material contained in the draft report which has been revised or which has not been included in the final report.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

NOV 7 1974

Mr. Victor L. Lowe  
Director, General Government Division  
General Accounting Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Lowe:

During the past few months, we have received two draft GAO reports on OMB Circular A-95 and Treasury Circular 1082 respectively. Both reports contained specific comments on the Regional Grant Information System (REGIS) including a recommendation that a review of agency internal information systems be completed before any major commitments of resources for expansion of REGIS.

At the October 24 meeting of the Under Secretaries Group, we discussed these and other problems related to expansion plans for REGIS and concluded that in light of the inability to obtain a firm agreement on financing as well as GAO's comments, the pilot tests should be terminated. A copy of the highlights of the meeting is enclosed for your information.

The USG also agreed to support a proposed OMB review of agency compliance problems with notice of grant award reporting and the opportunities for more extensive use of internal information systems to provide such data to the States. We will continue to work closely with your staff in developing plans for this review.

As you know, we are in the process of reviewing the entire draft report on Treasury Circular 1082 and expect to have our comments to you shortly.

Sincerely,

Robert H. Marik  
Associate Director for  
Management and Operations

Enclosure





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

NOV 1 1974

MEMORANDUM FOR THE UNDER SECRETARIES GROUP

Subject: Decision on the Future of the Regional Grant  
Information System (REGIS)

At its meeting of October 24, 1974, the USG reluctantly came to the decision that it will not be possible to proceed with the original plan for the expansion of REGIS, as adopted at the meeting of June 20, 1974. Three factors combined to lead to that conclusion:

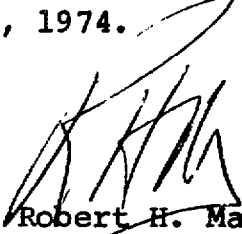
- ° It had not been possible to reach final agreement on the provision of financing in FY 1976 and thereafter required for the expansion of REGIS. In the USG's June 20 discussion on REGIS, the concept of seeking a direct appropriation for FY 76 and beyond in a lead agency (GSA was recommended) had been endorsed by the USG. However, OMB had determined that such an approach runs counter to the existing policy of financing such programs through user fees levied on Federal agencies. Moreover, the participating Federal agencies could not give firm commitment to provide such funds in FY 1976 and thereafter.
- ° The General Accounting Office (GAO) had issued draft reports on A-95 and TC 1082 (A-98), both of which expressed serious reservations about the commitment of major resources to REGIS without further study of the relationship of REGIS and Federal agencies' internal information systems.
- ° A major tool of the President's top priority attack against inflation is strong restraint on Federal expenditures, including reductions in outlays previously planned as well as deferring new initiatives.

The USG still holds strongly, however, to many of the original objectives of REGIS, which were to develop the capability to provide current financial information about ongoing Federal domestic assistance programs to State and local officials, Federal Regional Councils and the Congress. The USG agreed to support an upcoming OMB study to determine other means of addressing the need for improved intergovernmental information flow including more systematic compliance with existing

requirements. The study will be completed by March 31, 1975, and will include the following considerations:

- Federal compliance with the requirements of A-95 and TC 1082 requires substantial improvement. The study should focus on ways and means to improve the flow of information required by these Circulars and compliance with the basic procedures established for each.
- The overall objectives of REGIS as a means of improving intergovernmental information flow on federally assisted projects are valid. Therefore, a second feature of the study should be an analysis of ways to achieve such needed improvements through other means including more extensive utilization of internal agency project information systems, development of improvements in project data standards, greater compatibility among agency project data systems, more timely dissemination of data, and the capability of consolidating individual agency reports for specific geographic or functional cross-cut reporting.
- FRCs and State and local governments should be consulted during this study because of their role in the development of REGIS, and the FRCs' continuing responsibilities for A-95 and intergovernmental coordination.
- Satisfying congressional needs including geographically based Federal aid information as required by the Legislative Reorganization Act should be covered. REGIS was intended to satisfy some of these needs and viable alternatives should be developed.

As a result of the decision by the USG, the REGIS pilot centers in Boston and Dallas will be terminated as soon as possible, but no later than December 31, 1974.

  
Robert H. Marik  
Associate Director for  
~~Management and Operations~~

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