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REPORT TO THE CONGRESS

093794



BY THE COMPTROLLER GENERAL
OF THE UNITED STATES



The Integrated Grant Administration Program -- An Experiment In Joint Funding

Office of Management and Budget
General Services Administration
Other Federal Agencies

This report identifies matters which limited the effectiveness of the experimental Integrated Grant Administration program.

It contains recommendations for improving program operations under the Joint Funding Simplification Act of 1974.

GAO also recommends that the Congress amend section 8(e) of the act which deals with non-Federal matching shares.

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JAN. 19, 1976



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 on the experimental Integrated Grant Administration program, now formally established by the Joint Funding Simplification Act of 1974 (Public Law 93-510). Our report identifies matters affecting the operations of the act and suggests a legislative change for consideration by the Congress.

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 this report to the Director, Office of Management and Budget, and to the Administrator of General Services.

A handwritten signature in black ink, appearing to read "F. B. Atch".

Comptroller General
of the United States

N O T I C E

SUBSEQUENT TO THE COMPLETION OF OUR REPORT, EXECUTIVE ORDER 11893, DATED DECEMBER 31, 1975, TRANSFERRED RESPONSIBILITY FOR IMPLEMENTING THE JOINT FUNDING SIMPLIFICATION ACT OF 1974 FROM THE GENERAL SERVICES ADMINISTRATION TO THE OFFICE OF MANAGEMENT AND BUDGET. RECOMMENDATIONS TO THE ADMINISTRATOR OF GENERAL SERVICES CONTAINED IN THIS REPORT SHOULD THEREFORE BE CONSIDERED AS RECOMMENDATIONS TO THE OFFICE OF MANAGEMENT AND BUDGET.

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ABBREVIATIONS

GAO General Accounting Office

GSA General Services Administration

HEW Department of Health, Education, and Welfare

IGA Integrated Grant Administration

LEAA Law Enforcement Assistance Administration

OMB Office of Management and Budget

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

THE INTEGRATED GRANT
ADMINISTRATION PROGRAM--AN
EXPERIMENT IN JOINT FUNDING
Office of Management and
Budget, General Services
Administration, and Other
Federal Agencies

D I G E S T

The experimental Integrated Grant Administration program was conducted to demonstrate a means of coordinating the delivery of separate Federal assistance programs toward accomplishing a single or closely related goals of the receiver of assistance.

Like any intergovernmental or interagency undertaking, a high degree of Federal coordination and commitment is needed for a successful joint funding program. However, such coordination and commitment were lacking and, although some improvements in service delivery were made, the program failed to achieve its full potential.

This report identifies matters affecting program operations under the Joint Funding Simplification Act of 1974 and should help the Congress evaluate the act's implementation and accomplishments during its 5-year authorization.

The Congress should amend section 8(e) of the act to insure that non-Federal matching shares required for each individual program and appropriation will be provided or to more specifically state that establishing a single non-Federal matching share is authorized. (See pp. 21, 34, and 35.)

To successfully implement a joint funding program, Federal action should be directed toward (1) increasing the effectiveness of Federal agencies' responses to the program and (2) defining more clearly the roles of Federal agencies participating in jointly funded projects. (See pp. 30 to 32.)

The Under Secretaries Group for Regional Operations should undertake specific actions to improve Federal agency coordination and participation. (See p. 31.)

In issuing regulations for jointly funded projects, the Administrator of General Services should take numerous actions to improve program operations. (See p. 32.)

Implementation of the act should be undertaken with caution and a recognition that joint funding is but a limited approach for dealing with the problems of the complex grant-in-aid system and not a substitute for grant consolidation.

The Office of Management and Budget and the General Services Administration generally agreed with GAO's conclusions and concurred in its recommendations. The agencies observed that GAO's findings confirmed many of the concerns they had about the program based on their own studies. (See apps. I and II.)

CHAPTER 1

INTRODUCTION

Federal financial assistance to State and local governments and other non-Federal domestic organizations has increased from \$3 billion in fiscal year 1955 to an estimated \$52 billion in fiscal year 1975. This growth resulted from a substantial increase in the number and scope of Federal assistance programs. Currently, assistance is provided through a network of 975 programs administered by 52 Federal departments, agencies, and commissions.

These programs provide wide-ranging assistance aimed at improving Americans' lives; however, certain shortcomings in these programs and their administration have become apparent. Studies showed that redtape and delays characterized most Federal assistance programs. In addition, each program often had special application and administration requirements, and because most new programs were developed without regard to existing programs, many requirements conflicted.

The nature and extent of these problems were highlighted when grantees attempted to use funds from several Federal assistance programs to undertake specific projects. In 1969 the Office of Management and Budget (OMB) and several Federal agencies began a test aimed at simplifying the process of obtaining funds from several Federal sources for a single project. The test involved four separate projects undertaken by State, local, and regional organizations. The test's major feature was the use of a single application to seek assistance from several Federal agencies.

The concept of simplifying the process for obtaining funds from multiple Federal sources was included in the Federal Assistance Review. This was a Government-wide effort which OMB and 14 Government departments and agencies conducted from March 1969 to June 1973 to place greater reliance on State and local governments; move Federal decisionmaking out of Washington, D.C., and closer to the people, and reduce redtape.

INTEGRATED GRANT ADMINISTRATION PROGRAM

On January 14, 1972, OMB formally announced the Integrated Grant Administration (IGA) program, drawing upon the experience gained in the test use of a single application to obtain funds from several Federal programs. The IGA program was an experiment in simplifying the funding and administration of projects that were to use funds from several Federal programs. IGA, however, was not a grant program and therefore

was not, in and of itself, a source of Federal funds. Rather, it was a means to coordinate the delivery of separate Federal assistance programs which contributed to the accomplishment of single or closely related applicant goals.

Among the program's features were the use of a single application, synchronized funding, and a single audit. Chapter 2 discusses additional features.

JOINT FUNDING SIMPLIFICATION ACT OF 1974

Legislation specifically establishing a mechanism to facilitate project funding from several Federal programs was first proposed in 1968. In December 1974 the Joint Funding Simplification Act (Public Law 93-510) formally established such a mechanism. Except for certain technical provisions, the act envisions the use of funding and administrative approaches similar to those used in the IGA program.

Like IGA, joint funding is essentially a management tool designed to make Federal assistance more efficient and effective. However, the House Committee on Government Operations stated that, although the legislation is useful and desirable, it is but a limited approach for dealing with the fundamental problems created by the complexity of the Federal grant-in-aid system. The Committee felt that measures potentially contributing more significantly to improving grant-in-aid administration included the legislative consolidation of closely related categorical programs into broader-purpose grants and the placement of similar programs in a single Federal agency.

SCOPE OF REVIEW

Our review, made from June to October 1974, covered IGA program operations primarily during fiscal year 1974 and was directed toward determining whether the IGA program improved the delivery of Federal assistance to State and local governments.

The six projects reviewed were the New York City Neighborhood Government project in Federal Region II (New York); the Chattanooga Human Services Delivery project in Federal Region IV (Atlanta); the Omaha-Council Bluffs project in Federal Region VII (Kansas City); and the Seattle Indian Social and Health Services, Puget Sound Governmental Conference, and Oregon Treasure Valley Migrant projects in Federal Region X (Seattle). We interviewed representatives of grantees and Federal Regional Councils and obtained appropriate documents covering their projects' activities. We also did similar work at the headquarters and regional offices of the Federal agencies participating in the program.

CHAPTER 2

HOW THE IGA PROGRAM WORKS

OMB initiated the IGA program in 1972 with the promulgation of formal policies and procedures. On November 28, 1973, responsibility for program administration was transferred to the Office of Federal Management Policy of the General Services Administration (GSA); OMB retained policy oversight responsibility and assisted in major policy and procedural changes.

Federal Regional Councils served as the initial point of contact for IGA applicants and were responsible for administering IGA regionally in accordance with GSA directives. Federal Regional Councils were established in each of the 10 standard Federal regions to develop closer working relationships between major Federal grantmaking agencies and State and local governments and to improve coordination of the categorical grant-in-aid system. The Under Secretaries Group for Regional Operations, chaired by the Deputy Director, OMB, is responsible for the Councils' operation and the review of IGA program matters from an overall interdepartmental viewpoint.

With IGA's initiation, OMB authorized the Councils to undertake 24 IGA projects, including the continuation of the 4 projects included in the 1969 test. Both the Chicago and Seattle Councils were to undertake four IGA projects, while each of the remaining eight Councils was to undertake two projects. As of December 1974 24 projects, involving \$33,353,610 in Federal assistance funds, were underway. Councils and Federal agencies were considering seven more IGA projects with total requested Federal funding of \$9,049,500.

FEATURES AND INTENDED BENEFITS OF THE IGA PROGRAM

The IGA program was intended to achieve the following broad intergovernmental goals:

- Provide a mechanism by which State and local governments could be given timely and unified Federal assistance.
- Enhance the capability of Federal Regional Councils to help solve critical problems of State and local governments.
- Encourage greater financial and technical State involvement in solving local problems.

- Encourage the development of work programs whereby State and local planning agencies jointly undertake common or coordinated activities and share staff.
- Synchronize, where possible, the funding cycles of Federal, State, and local agencies.
- Coordinate project monitoring, including requests for project modification.
- Foster cooperation at Federal, State, and local levels.
- Cut redtape by streamlining the administrative requirements of Federal assistance programs used to fund individual projects.

The process of identifying, applying for, and administering Federal assistance to help finance a project can be complex and time consuming. When funds for a particular project are desired from more than one Federal assistance program, the complexities and delays are intensified because of requirement variations and conflicts among individual Federal assistance programs. A principal objective of IGA was to simplify the process by which grantees could seek out, apply for, and administer funds from several Federal assistance programs to carry out a single project. To this end, the IGA program contained the following features and intended benefits:

- One Federal contact point so that a grantee would not have to deal separately with representatives of different Federal agencies.
- A consolidated grant application in lieu of a separate application for each Federal program under which funds were requested.
- A single grant award notice with synchronized funding periods rather than a number of grant awards, each with its own funding period.
- One channel for delivering Federal assistance funds rather than several different advance payment or reimbursement systems.
- A single financial reporting system in lieu of multiple reports for differing financial periods.
- Coordinated program monitoring requirements rather than separate requirements for each Federal assistance program providing funds.

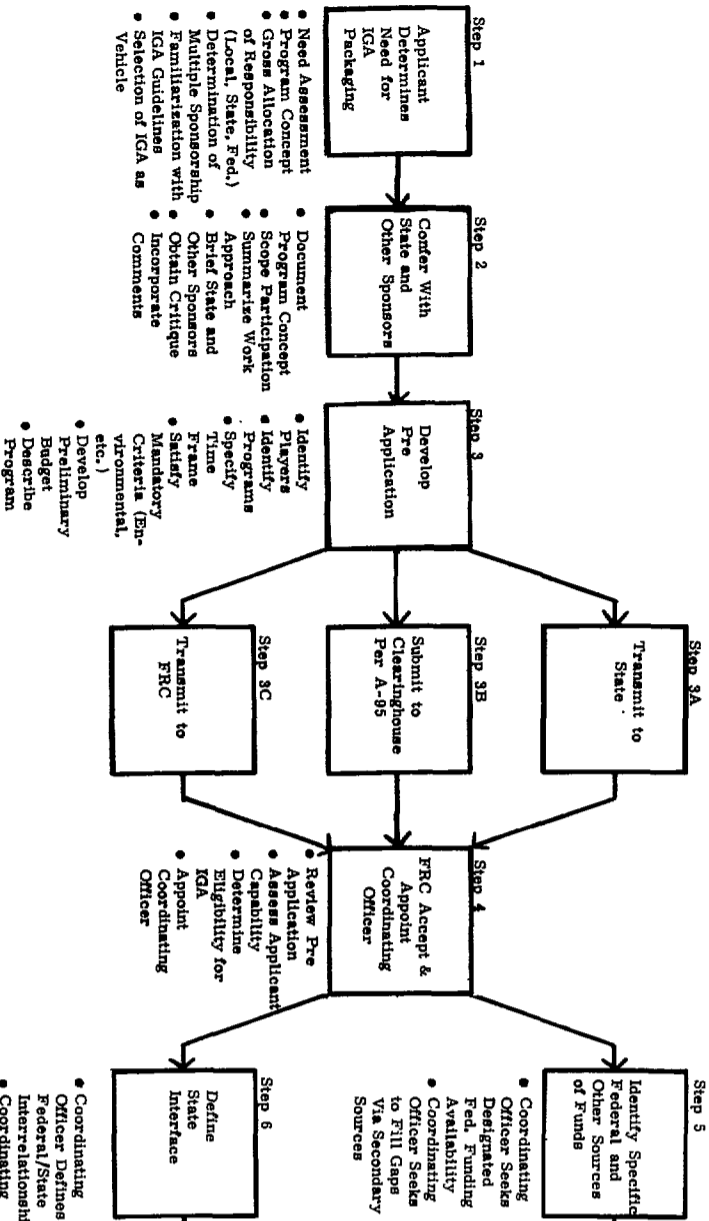
--One project completion report rather than individual reports for each Federal assistance program contributing to the project.

--A single audit in lieu of separate audits for each Federal assistance program.

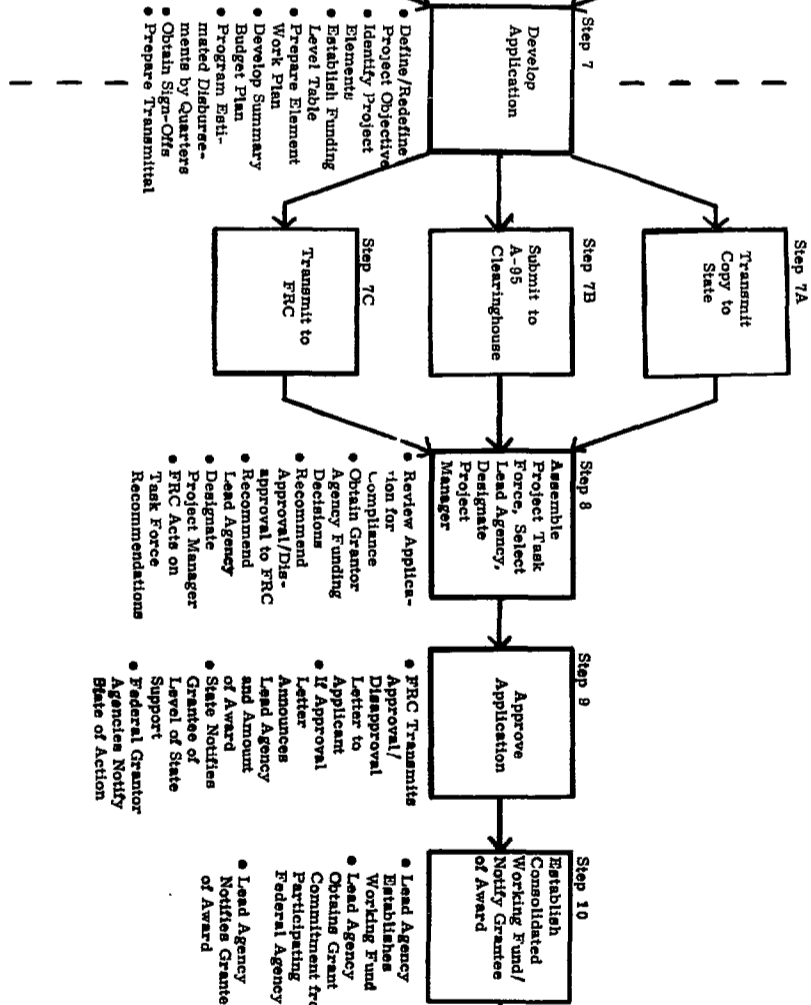
The chart on page 7 shows the steps of the IGA process, the participants, and their responsibilities.

INTEGRATED GRANT ADMINISTRATION PROCESS

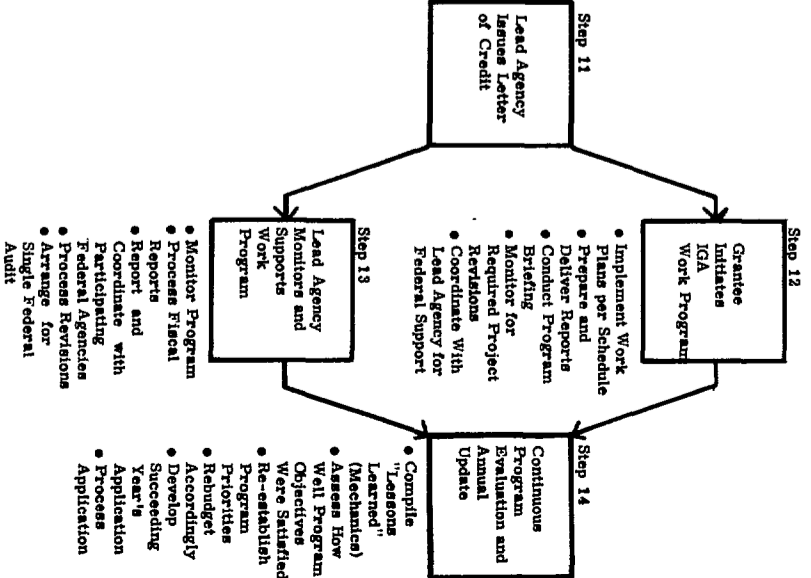
I. NOTIFICATION



II. APPLICATION PROCESSING



III. EXECUTION



FRC - Federal Regional Council

Prepared by:
 IGA Project Office
 Office of Federal Management Policy
 GSA, Washington, D.C.
 29 April 1974

PROJECT DESCRIPTIONS

Potential grantees were given considerable flexibility in proposing the types of projects to be considered for the IGA program. Accordingly, there are no major characteristics common to IGA projects other than that most are for planning and all grantees are units of government, Indian governing bodies, or councils of governments. The following describes the six IGA projects we reviewed.

Oregon Treasure Valley Migrant project

In 1972 Oregon's Department of Human Resources used the IGA program to obtain funds to establish a center to provide multiple services--including employment, housing, health, day care, and emergency assistance--on a coordinated basis to migrant workers during the migrant work season in the Nyssa, Oregon, area. Special services are furnished year round to migrant workers seeking to leave migrant employment.

The project is a 3-year experimental program currently in its third year. From July 1, 1973, to June 30, 1974, three Federal agencies provided about \$343,000 from seven different Federal assistance programs to support the migrant center.

Seattle Indian Social and Health Services project

The city of Seattle used the IGA mechanism to obtain Federal funds to support a project aimed at providing comprehensive social and health services to urban Indians through two organizations--the Seattle Indian Center and the Seattle Indian Health Board.

Services provided to Indians in the Seattle area included family assistance; educational activities; youth services; and medical, dental, and alcoholism treatment. From July 1, 1973, to June 30, 1974, two Federal agencies provided about \$432,000 from six Federal assistance programs to support the project. The project was funded under the IGA mechanism for only one year because in the subsequent period only one Federal agency was willing and able to provide funds through the IGA mechanism.

Chattanooga Human Services Delivery project

The city of Chattanooga used the IGA mechanism to apply for and administer Federal funds which were to be used for human services activities in the city. As part of its project, the functions of three city departments were consolidated into a new Department of Human Services. As a result of the project, funds from several Federal assistance programs were provided through a single channel to one city department.

The project encompasses activities such as a Parent-Child Center, a Head Start program, a Model Cities program, and elements of the Neighborhood Youth Corps program. Four Federal agencies provided Federal funding totaling \$4,594,955 under nine assistance programs from July 1, 1973, to June 30, 1974.

New York City Neighborhood Government project

The New York City Office of Neighborhood Government used the IGA mechanism to obtain Federal funds in support of a project to improve delivery of community services. Under the project, responsibility for administering and coordinating services, such as housing inspection, school health programs, and recreational activities, is decentralized from the city-wide to the neighborhood level.

From July 1, 1973, to June 30, 1974, two Federal agencies provided about \$256,000 from four Federal assistance programs to support the project.

Puget Sound Governmental Conference project

The Puget Sound Governmental Conference is a council of governments formed in 1957 to foster intergovernmental coordination and cooperation in regional planning and policymaking. Conference members consist of 4 counties, 29 cities, and 2 Indian tribes.

The governmental conference was one of four grantees OMB selected to participate in the test aimed at simplifying the process of obtaining funds from several Federal sources for a single project. The governmental conference received Federal funds of \$1,048,858 from four Federal agencies under five Federal assistance programs to support its regional planning activities from July 1, 1973, to June 30, 1974.

Omaha-Council Bluffs project

The Omaha-Council Bluffs Metropolitan Area Planning Agency is a regional council of elected officials organized in 1967 to help solve regional problems. Two States, five counties, and five cities provide non-Federal funding of the agency.

The IGA mechanism was used to obtain funds to plan the development of a 200-square-mile river basin area involving two States and six counties. From November 1, 1972, to October 31, 1973, four Federal agencies provided about \$774,728 from five Federal assistance programs.

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The following chapter discusses the level of benefits achieved and problems encountered in administering the six IGA projects.

CHAPTER 3

LIMITED ACHIEVEMENT OF IGA PROGRAM BENEFITS

The projects reviewed only partially achieved the benefits contemplated under the IGA program. Improvements are needed in program administration, particularly in raising the level of coordination and commitment among Federal agencies. Contributing to the program's limited success is the Federal agencies' lack of clearly defined responsibilities for reviewing, approving, and administering IGA plans and projects.

In response to our inquiries, some grantees said they did not believe any benefits had been received; others believed the IGA program provided them benefits by

- enabling them to better coordinate projects requiring more than one Federal funding source and
- simplifying, to some extent, the effort involved in meeting the program requirements of the various Federal grantmaking agencies.

The following sections discuss IGA program benefits and problems we identified which limited their achievement. In commenting on a draft of our report, OMB and GSA said many of these problems had been identified in their assessments of the program.

PREAPPLICATIONS

Preapplications for Federal assistance are used to eliminate proposals with little or no prospect for Federal funding before potential grantees incur significant expenditures in preparing formal applications. The presumed interdependence of activities in IGA projects makes it even more important that a reasonable degree of funding probability be determined before IGA preapplications are approved and formal applications prepared.

While preapplication notifications were required of potential IGA grantees, Federal Regional Councils used them only to select applicants for program participation. Councils sometimes determined, but ordinarily did not communicate to applicants, the likelihood of funding for or appropriateness of the scope of project activities identified in the preapplications. In effect, Councils were approving preapplications and encouraging applicants to embark on what could be lengthy and perhaps costly formal application processes without reasonable certainty as to whether proposed project activities would be funded.

Sometimes preapplications did not adequately describe the proposed project activities or the Federal funding sources being requested. Councils nevertheless approved the preapplications and invited applicants to prepare and submit formal applications.

Determinations of funding availability and appropriateness of proposed project activities were left to the applicants and coordinating officers designated by Councils to help applicants prepare formal applications; however, these determinations were not always made.

For example, the Federal Regional Council approved the Omaha-Council Bluffs IGA preapplication requesting \$2,356,000 from 13 Federal agencies. In 2 months the applicant prepared and submitted a formal application requesting \$2,364,353 from 15 Federal agencies. As approved 6 months later, the project was considerably reduced in scope and included \$583,963 in funding from four Federal agencies. Two of these agencies subsequently provided additional funds which increased the project total to \$774,728. For this project considerable time, effort, and additional expense were required to finalize an acceptable application and obtain approval.

The lack of an early indication of funding availability and appropriateness of proposed project activities contributes to the preparation of an application requiring substantial modification and additional staff time and effort before the application is finalized, reviewed, and approved or disapproved.

CONSOLIDATED SINGLE APPLICATION

The IGA program enables applicants to apply for a number of Federal assistance grants with one application, thus eliminating the need to use the different forms and to follow the different procedures of individual Federal agencies. In addition, to avoid the need for dealing individually with Federal agencies, Councils appoint coordinating officers as the single contact point for helping applicants prepare applications and subsequently appoint task forces to review and approve formal applications.

These benefits, however, were not achieved because of problems experienced in preparing, reviewing, and approving applications.

Ineffectiveness of coordinating officers
as single Federal contact points

Applicants did not receive the benefit of a single Federal contact point because coordinating officers lacked sufficient experience and expertise concerning other agencies' grant programs to effectively assist in preparing applications and identifying potential funding sources. In three projects, Federal agencies' representatives assigned to task forces to review and approve formal applications commented that the applications submitted were so vague that it was difficult to identify the work components for which funding was being requested.

The coordinating officer for the Puget Sound Governmental Conference project said he did not assist the applicant in preparing the original application or in identifying potential or alternate funding sources because he lacked the necessary expertise concerning other agencies' grant programs. Representatives from participating Federal agencies also held this view and, therefore, met separately with the applicant to revise and formalize the application.

For similar reasons, the coordinating officer for the Omaha-Council Bluffs project did not provide assistance. As a result, the application contained proposed work activities and funding sources which should have been eliminated in the preapplication or application preparation processes. The application also contained duplicate work functions resulting in overstatements of funding requirements. To solve these problems, the participating agencies dealt separately with the applicant.

In contrast, project task forces were established earlier than IGA guidelines prescribed for the Chattanooga Human Service Delivery and Oregon Treasure Valley Migrant projects. Federal representatives responsible for the programs from which funding was requested, rather than coordinating officers, helped the applicants prepare and obtain approval of the applications. Through the task force approach, these applicants achieved to some degree the benefits of simplification and coordination.

Unless coordinating officers possess broad experience with other agencies' grant programs, it is unlikely that they can provide the type of assistance contemplated by the IGA guidelines. Therefore, some direct contact with individual Federal representatives would appear both necessary and desirable. Task forces, if established earlier than prescribed by the guidelines and chaired by a coordinating officer, could (1) fulfill the single contact role, (2) coordinate contacts with individual Federal representatives, (3) facilitate confirmation of funding sources during the initial phase of the

application preparation process, (4) foster improved intergovernmental cooperation during the application preparation and approval processes, and (5) promote the design of applications that result in the integration of related activities.

Failure or inability to comply with IGA procedures

Federal agencies sometimes required applicants to follow normal application and award procedures rather than IGA procedures in order to be considered for funding. Some agencies contended that they lacked authority to award funds as envisioned under IGA while other agencies believed applicants would receive more favorable funding consideration by submitting separate applications. Although we could not pinpoint specific examples, agencies also appeared to be less than fully committed to the program.

In the Omaha-Council Bluffs project, the Federal Railroad Administration of the Department of Transportation determined that it lacked authority to participate as contemplated under the IGA program. This agency would provide funds only if a separate contract was entered into for its portion of the project. Because this agency's support was considered essential, the applicant applied separately to obtain funding for that portion of the project. For different reasons, several other Federal agencies from which funding was requested also required the applicant to submit separate applications.

For the New York City Neighborhood Government project, regional representatives of the Law Enforcement Assistance Administration (LEAA) requested the applicant to use regular agency forms, rather than IGA forms, to request funding. Because final approval was required at headquarters level, the regional representatives believed that confusion could be reduced if LEAA's application forms were used. Although the separate forms were prepared and submitted, funding never materialized.

Lack of familiarity with IGA procedures and centralized grant approval authority

The lack of familiarity with IGA procedures or the need to obtain headquarter approval caused delays. These factors were cited as reasons for delaying final review and approval of funds requested for the Omaha-Council Bluffs, New York City Neighborhood Government, and Oregon Treasure Valley Migrant projects. Similarly, final review and approval for the Puget Sound Governmental Conference project application was delayed because final grant approval authority for certain Federal assistance programs rested in Washington, D.C.

INTEGRATED AWARD AND FUNDING

All grantor agencies were to approve projects through a single award with individual grant funding periods synchronized to the IGA project period with project funds made available to grantees through a single payment system; the letter of credit method was preferred. The integrated award and funding aspects were designed to improve grantee planning and implementation of project activities on a coordinated basis; however, the degree to which these benefits were achieved varied from project to project.

Single award with synchronized grant periods

Only the New York City Neighborhood Government project obtained total project funding through a single grant award with individual grant periods synchronized to the project period. In the other five projects, funds were awarded separately because of statutory and administrative restrictions or were awarded as additions during the project periods. However, these funding periods were not always synchronized to the project periods.

Lead agencies encountered difficulties in issuing single grant awards because grantor agency procedures and the amount of time required for processing funding requests and making final grant approvals varied from program to program. For example, in the Puget Sound Governmental Conference project, one Federal agency could not commit funds until approval was obtained from its departmental planning group. Rather than delaying the project an award was made without these funds and was subsequently amended when funds were approved.

Similar situations occurred in other projects. The need for headquarter approval, other variations among agencies and programs, and funding uncertainties caused some final approvals to take longer than others. Some grantor agencies participating in the Chattanooga Human Services Delivery project could not commit their entire amount of funding at the start of the project period because they were operating under a continuing resolution. Instead, portions of the total anticipated funding were awarded periodically throughout the project year. The grantee stated that this type of funding hindered preparation of adequate program plans.

Due to the difficulties in obtaining timely approvals for individual programs included in IGA applications, grantees may find it advantageous to apply with a single application but ignore the single award benefit and initiate portions of their jointly funded projects as funds under individual grant

programs become available. Unless programs requested have a natural sequential or building block relationship, grantees should consider the impact on their projects and determine the relative merits of

- accepting incomplete awards and initiating portions of their projects or
- delaying the start of their projects until single awards are made which include funds from all grantor agencies.

In either case, attempts should be made by grantor agencies to synchronize individual grant periods with the project period. Otherwise, funding for individual grant programs is only available during portions of project periods and, in addition, may overlap into subsequent project periods. For example, funding for some of the programs included in the Omaha-Council Bluffs project was not synchronized to the project period. As a result, the grantee was confused as to the amount of funds available at any given date and hindered in the timely implementation of project plans.

In the Puget Sound Governmental Conference project, the lack of synchronized funding periods resulted in the first and second year integrated grant running concurrently with the third year grant. The lead agency was simultaneously administering funds for the overlapping project periods and, as a result, encountered an increased administrative burden. Also, an annual audit was not performed for the first or second project periods because funding was still available for these periods during the third project period.

Letter of credit

Except for those instances where funds were awarded separately from the integrated award, grantees were able to use a single payment system for obtaining project funds rather than several different advance payment or reimbursement systems. However, delays in starting projects and increased manpower costs resulted because procedures for establishing consolidated working funds and for issuing letters of credit were not accomplished in a timely manner. Some agencies did not realize they were responsible for forwarding certain forms to the lead agencies; others were slow in doing so. These forms were necessary to commit funds to projects and to enable lead agencies to establish consolidated working funds and issue letters of credit to IGA grantees.

To establish a working fund and issue a letter of credit, a lead agency must obtain from the participating agencies those forms which commit funds to the project and transfer one-twelfth of each agency's share of the estimated project cost to the consolidated working fund. Subsequent transfers are made as grantees use their letters of credit to obtain funds. In many instances, the lead agency did not receive the forms and had to make followup contacts with delinquent participating agencies. As a result, lead agencies incurred additional manpower costs and grantees either (1) delayed initiating project activities or (2) used their own funds if funding was approved but not yet made available.

In the New York City Neighborhood Government and Seattle Indian Social and Health Services projects, funds were provided through a single payment system but not under the letter of credit procedure used in other IGA projects. Instead, the lead agency used its own procedures for providing funds and required an additional financial report.

PROJECT MONITORING

The IGA monitoring process was intended to benefit each grantee by providing a single Federal contact point; a coordinated set of monitoring requirements; and a single set of financial reports in lieu of multiple contacts, varying requirements, and different reports for each grant program included in the project. Grantor agencies were to accept IGA program report forms and waive, when necessary, the nonstatutory administrative and fiscal requirements of their grant programs. Federal Regional Councils were to designate a lead Federal agency as the single Federal contact point for each grantee on matters concerning the administration of funds awarded for the project and the monitoring of project operations. Each lead agency was to serve as the agent of other participating grantor agencies.

The broad implications of this approach and the differing interpretations by individual program participants limited the achievement of benefits as contemplated by the simplified monitoring and reporting procedures.

Program monitoring

Task forces composed of all agencies providing project funds were to determine which of their requirements could be waived in order to reach agreement on a coordinated set of program monitoring requirements; however, such determinations and agreements were made for only two projects. In the other four projects, grantor agencies generally required grantees to meet their normal program requirements.

The IGA guidelines, however, were not clear regarding program monitoring responsibilities, and lead and participating agencies were unsure whether:

- Lead agencies should perform all monitoring.
- Lead and participating agencies should individually perform their respective monitoring.
- Participating agencies should coordinate their monitoring through lead agencies.

The guidelines provided that lead agencies were responsible for arranging the monitoring of project performance, arranging site visits, reporting to participating agencies on project progress, and conferring with grantees for compliance with any special conditions contained in the grant award. When necessary, lead agencies were to arrange for direct contact between participating Federal agencies and grantees.

The interpretations of the monitoring provisions caused grantor agencies to express concern over their inability to monitor project performance and provide technical assistance to grantees. Lead and participating agencies generally believed it was neither appropriate nor feasible for one agency to monitor other agencies' grant programs. We believe the reluctance or, in some cases, refusal of Federal agencies to participate in IGA projects manifests this concern.

There is a need for coordinated monitoring activities to avoid imposing undue administrative burdens on grantees; however, such coordination should not prevent grantor agencies from managing and evaluating their programs. In particular, grantor agencies should be able to obtain whatever information is necessary to evaluate project performance and weigh the merits of future joint funding requests against funding requests under separate grant proposals.

We discussed with GSA officials the monitoring responsibilities of lead and participating agencies as contemplated in the IGA guidelines. GSA officials informed us that, although the guidelines were intended to be flexible, project monitoring responsibility rested with the participating agencies; the lead agency was only responsible for routine administrative and financial monitoring and for coordinating site visits by participating agencies. Although each lead agency was the focal point for status reports required under IGA, participating grantor agencies could obtain from the grantee whatever information they needed for proper evaluation. In addition, participating agencies were to have full opportunity to develop and maintain close working relationships with the grantees.

While GSA confirmed this position in commenting on a draft of this report, its views on program monitoring responsibilities have not been effectively communicated to program participants. To eliminate the present confusion and concern and to perhaps increase the level of participation in jointly funded projects, joint funding regulations should clearly reflect the monitoring responsibilities of program participants.

Assuring compliance with statutory and substantive program requirements

The IGA program and the Joint Funding Simplification Act of 1974 emphasize simplification of procedures for grantees' administration of projects and encourage the waiver of non-statutory administrative and fiscal requirements; however, both the program and the act envision that all statutory and other requirements affecting the programs' substance be maintained. We found that grantor agencies either failed to identify or had difficulty distinguishing between statutory, substantive, and routine administrative program requirements. As a result, there was a lack of assurance that statutory or substantive program requirements were being met.

As further strides are made toward establishing uniform program requirements, as envisioned by the joint funding program and Federal Management Circular 74-7, grantor agencies should establish procedures for identifying and incorporating into grant awards specific references to statutory and other requirements affecting the programs' substance.

The Chattanooga Human Services Delivery project illustrates the desirability of distinguishing between the types of program requirements and incorporating into grant awards specific references to necessary requirements. As part of the integrated grant, the Department of Health, Education, and Welfare (HEW) provided funds to the city's Human Services Division to operate a Parent-Child Center. Previously, HEW provided funds to a community action agency for Center operations and for establishment of a Parents Policy Council with a substantive decisionmaking role. However, the role of the Parents Policy Council was not defined in the IGA grant award and the city considered the council's role as only advisory.

Although HEW considered the Parents Policy Council role as more than advisory, the city did not agree. Because of differing opinions regarding the role of the Parents Policy Council, and for other reasons, certain former parents and staff members of the Center sought, unsuccessfully, a preliminary mandatory injunction against the city's position. Entering into the court's decision to deny the motion was the grant award's omission of the role of the Parents Policy Council.

In the Omaha-Council Bluffs project, the grant award required the grantee to provide local matching funds in specified amounts for each of four Federal programs; however, the Federal Regional Council subsequently advised the grantee that Federal funds could be matched on an aggregate, rather than on an individual, program basis. As a result, the grantee overmatched for two programs and provided sufficient aggregate local funding but undermatched the individual amounts required for the programs of the Department of Labor and the Economic Development Administration of the Department of Commerce.

The Federal Regional Council, lead agency, and grantee believed that procedural simplification was the overriding intent of the IGA program and the recently enacted Joint Funding Simplification Act of 1974. However, both the program and the act envision that all statutory and substantive program requirements will be met.

OMB agreed that under the IGA program a single non-Federal matching share could not be established but noted that section 8(e) of the joint funding act authorizes the establishment of a single non-Federal share. OMB pointed out, however, that there is an apparent contradiction between sections 8(b) and 8(e) of the act. Section 8(b) requires accounting for Federal project funds and the return of any excess Federal project funds according to the applicable programs and appropriations; a substantial change from the accounting provisions of the bill when first introduced.

Section 8(e), on the other hand, could be interpreted to allow accounting for the non-Federal share in total rather than by the individual shares required by the programs and appropriations funding a project. Under this method there is no assurance that the non-Federal matching shares required for each individual program and appropriation will be provided to that program and appropriation. Because the act requires that all statutory and substantive program requirements be met, the Congress should amend this section. (See p. 34.)

Financial monitoring

Unlike program monitoring procedures, IGA procedures for financial monitoring were clear and specific. Lead agencies had primary responsibility for financial monitoring and were the single Federal contact point for financial reports submitted by grantees.

Under the IGA program, funds could be provided to grantees through an integrated grant award and a single letter of credit; however, grantees had to separately account for and report project expenditures by source of Federal funds to maintain the integrity of individual Federal programs and appropriations. Lead agencies were responsible for analyzing reports submitted by grantees, allocating project costs to participating agencies' appropriations, and notifying participating agencies as to the status of their funds.

Use of a single set of reports and a single Federal contact point were the primary financial benefits to be achieved by IGA grantees. While grantees did receive these benefits, we noted that the reports were usually improperly prepared or not reviewed by Federal agencies and, overall, there was a general lack of adherence to IGA financial procedures.

Preparing and reviewing financial reports

Grantees were required to prepare and submit quarterly cash reports and quarterly element financial reports showing the status of project funds and the allocation of expenditures to project work elements being funded by the various grant programs. Only one grantee, Omaha-Council Bluffs, adequately prepared its reports.

We noted various deficiencies in the reports submitted for other projects. Quarterly cash reports for two projects included cash receipts and disbursements for grant programs not included in the projects. In the element financial reports

- funds awarded and expended under other grant programs were shown as IGA project expenditures,
- funds available were improperly classified as obligations and expenditures, and
- expenditures were not separately identified by Federal funding source but shown only in total for each project work element.

Grantees were unaware that these reports were being prepared incorrectly. They said that Federal agencies provided little guidance on how to complete the reports and accepted them without comment.

Federal agencies were generally not reviewing the grantees' financial reports. As a result, inaccuracies went uncorrected, and determinations were not made on whether grantees were withdrawing cash according to their needs or properly allocating project costs.

Allocation of project costs

As grantees withdrew funds under letters of credit, lead agencies were to estimate the amounts chargeable to individual grant programs. Estimates were to be adjusted to actual cost after receipt and analysis of quarterly element financial reports. For both the estimates and adjustments to actual cost, lead agencies were to transfer funds from each agency's appropriation to the consolidated working fund and notify the agencies involved.

These allocation procedures were not followed; however, other procedures used for three projects yielded essentially the same results. Final audits of the other three projects will be necessary to determine the appropriate distribution of costs to each Federal funding source.

In the Omaha-Council Bluffs and Puget Sound Governmental Conference projects, the grantees used the letter of credit on a reimbursable basis. Along with each withdrawal of funds, the grantees provided the lead agencies with a listing of the amounts expended from each funding source. These listings were used to determine the appropriate amounts to transfer from each participating agency's appropriation.

The grantee for the Chattanooga Human Services Delivery project provided a similar listing showing estimated, rather than actual, expenditures for each funding source; however, the lead agency was not performing a quarterly reconciliation to adjust estimates to actual expenditures. As a result, neither the lead agency nor participating agencies knew the actual amount of funds expended under their programs. Also, in this project the grantee used funds awarded by one agency to support activities of another agency for which funding had not been received. Corrective action has since been taken.

In the New York City Neighborhood Government and Oregon Treasure Valley Migrant projects, the lead agencies were improperly allocating project costs to participating agencies. Instead of determining the amount of funds actually expended under each participating agency's program, the lead agencies were allocating costs on a percentage basis. For example, if one agency's funding constituted one-half of the total project funding, one-half of all project expenditures, regardless of purpose, would be allocated to that agency. In addition, unexpended funds would be returned to all participating agencies in proportion to their original contribution rather than to the agency or agencies whose funds were unexpended. Such procedures neither provide an accurate accounting of expended funds nor maintain the integrity of appropriations for individual programs.

Lead agencies were not notifying participating agencies of the amounts drawn against their appropriation accounts. One agency official complained that he had never received notification from the lead agency on the amount drawn against his agency's appropriation account. He stated that, without this information, lead agency drawings can be determined only through a lengthy reconciliation process involving the use of staff resources to the detriment of higher priority assignments. Another agency official made a similar complaint.

Another lead agency failed to notify the agencies of actual quarterly costs as required. The project was in its third quarter of operation, but the lead agency had not determined or notified the participating agencies of their respective shares of project costs. The reasons given for the delay were (1) limited staff resources and (2) IGA grants, in dollar terms, amounted to only a small portion of the agency's overall operations. As a result, the IGA grant received low priority.

AUDITS

Under the IGA program lead Federal agencies were required to arrange for preaward surveys, interim audits, and annual audits of grantees. IGA guidelines specifically required an annual audit to satisfy the audit requirements of each agency funding the project. The requirements for preaward surveys and interim audits were not included in the IGA guidelines; they were communicated orally by OMB to the lead agencies. As a result, adherence to preaward survey and interim audit requirements varied from project to project and, when conducted, were often so late that their benefits were diminished.

Preaward surveys

A preaward survey was supposed to determine whether a grantee's financial management system was adequate to meet the financial requirements of the IGA program. This survey was to be performed before awarding Federal funds but could be waived if the experience of the lead Federal agency had shown that the grantee had an adequate financial management system.

For the six IGA projects we reviewed we found that preaward surveys were

- conducted for two projects before Federal funds were awarded;
- conducted for two projects after Federal funds were awarded;
- not conducted for two projects.

Timely preaward surveys were made for the Omaha-Council Bluffs project and the Seattle Indian Social and Health Service project. The financial management system of the Omaha-Council Bluffs grantee was considered adequate. The survey disclosed weaknesses in the Seattle project's accounting system, but the problems noted went uncorrected because neither the audit group nor the lead agency followed up.

Preaward surveys for the Chattanooga Human Service Delivery and Puget Sound Governmental Conference projects were untimely. In both projects, the surveys were conducted after the grants were awarded.

Preaward surveys were not conducted for the Oregon Treasure Valley Migrant project or the New York City Neighborhood Government project. For the Oregon project a survey was not conducted because the survey instructions were received after the grant had been awarded. In the New York City project, the lead agency waived the preaward survey requirement because it was familiar with the grantee's accounting system and considered the system to be adequate. An interim audit showed, however, that the grantee's accounting system was not adequate for allocating expenditures by the different sources of Federal funds. The lead agency worked with the grantee to improve the accounting system, and the grantee had to reallocate expenditures for the project's first quarter.

Interim audits

An interim audit was supposed to determine during actual project operations whether the grantee was properly accounting for project funds. GSA required that an interim audit be performed within 90 days after project initiation.

Interim audits were conducted for five of the six projects. An official of the cognizant Federal audit group stated that he was not requested to perform an interim audit for the Puget Sound Governmental Conference project. The lead agency official said that he did not arrange for the audit because he was unaware that it was his responsibility.

Four audits were not conducted within the 90-day period. For example, the interim audit for the Seattle Indian Social and Health Services project was performed 8 months after the project started because of the Federal audit group's heavy workload.

An interim audit of the Omaha-Council Bluffs project was conducted 10 months after the project started. The task force chairman said an interim audit at the prescribed time would have provided little benefit because the grantee did not

withdraw Federal funds under the letter of credit until 8 months after the program started. However, we believe an interim audit should have been conducted at the prescribed time because the grantee was incurring project expenditures with its own funds which were subject to immediate reimbursement under the letter of credit.

An interim audit of the Chattanooga Human Services Delivery project was made 13 months after the project began. The cognizant audit group official felt it was an interim audit because the project was expected to continue for 5 years. We disagree because funds were awarded for only a 12-month funding period and an interim audit should have been performed 90 days after the project began.

Annual audits

IGA projects were normally funded for 12 months. An annual audit of each project was required within 6 months after the close of this period and, as a minimum, was to encompass the financial aspects of grantee operations.

An annual audit was performed for only one of the six IGA projects. This audit, however, focused more on the project's programmatic aspects rather than on its financial aspects as required. Further, the Federal audit group did not contact the other Federal agencies that participated in financing the project to determine their individual audit requirements.

In view of the financial complexities associated with funding a project by several Federal agencies, there is considerable merit in using preaward surveys and interim and annual audits. Before grants are awarded there should be some assurance that applicants have adequate accounting systems with appropriate internal controls to protect the interests of the Federal Government. Preaward surveys would accomplish this and should not be waived unless applicants have previously demonstrated the capability to account for jointly funded projects. Also, jointly funded projects should be audited periodically to insure that (1) grantees' accounting and internal control systems are operating effectively, (2) adequate records are being maintained, and (3) project funds are being adequately controlled and expended only for grant purposes in accordance with Federal grant policies.

In commenting on a draft of our report, GSA stated that recognition should be given to the coordination efforts of eight Federal agencies to develop an IGA audit guide and the applicability of Federal Management Circulars which place audit responsibility with the grant recipient. While noteworthy efforts to develop an audit guide were underway, and

while certain Federal Management Circulars provide for more audit coordination and more grantee audit responsibilities, Federal agencies are not relieved of their responsibilities for assuring that their audits or audits by others are coordinated and performed in a timely and acceptable manner. In addition, GSA's own assessment of the IGA program showed that projects have not been audited uniformly, nor has responsibility for project audits been clearly defined.

GSA should specifically require, and take action to insure, that timely audits are performed and clarify the responsibilities for following up on audit findings. GSA stated that more precise requirements and procedures for auditing will be contained in regulations being prepared to implement the Joint Funding Simplification Act.

COMPARATIVE WORKLOAD ANALYSIS

We attempted to determine, for four of the projects, whether cost savings were derived from delivering and administering Federal programs under the IGA process. We could not perform a complete analysis because neither grantees nor Federal officials maintained summary time records or other pertinent data and because none of the projects operated as IGA guidelines envisioned. The information presented below, therefore, is based primarily on impressions we received from program participants.

Overall, the IGA process was more time consuming for Federal agencies and, occasionally, for grantees. Federal agencies participating in the four IGA projects expended between 98 to 314 workdays administering their grants under IGA compared to an estimated 47 to 200 workdays administering a similar number of grants under their traditional grant-making procedures. IGA projects required additional time and effort from task force chairmen, lead agency representatives, and Federal Regional Council representatives compared to the requirements for separately administering their grants. One task force chairman estimated that he spent 150 workdays administering an IGA project compared to an estimated 13 workdays for a categorical grant. Contrary to what might be expected, participating agencies' representatives did not experience an overall reduction in workdays as a result of the IGA program approach.

Grantees spent essentially the same amount of time preparing and submitting a single comprehensive application as they did preparing and submitting separate applications. While certain information, such as applicant demographic data, which could be repeated for separate applications, was provided only once under the single application approach, other

informational requirements remained essentially the same but in a different format under IGA.

While some potential savings exist for reducing application preparation time by integrating the presentation of project activities, the experiences of the grantees were mixed. One grantee estimated that about 5 work months were saved by preparing a single application, but a substantial portion of this saving was lost in convincing Federal agency officials through revisions and oral discussions that the single application met their individual agency requirements.

A grantee official from another project said that a single application took twice as long to prepare as separate applications because the single application was much more complex and required coordinating the activities of several State agencies. He further stated that each IGA continuation application is as difficult as the original, whereas continuation applications under categorical programs are generally more easily prepared and approved in a timelier fashion.

Potential time savings exist for grantees through Federal coordination of project monitoring and common financial procedures and reports. The amount of time expended by Federal personnel remains about the same or increases. In particular, periodic task force meetings may require more time on the part of Federal personnel. Otherwise, responsibilities involving program and financial monitoring remain essentially the same although lead agencies assume additional responsibility for some of the more routine aspects of grant administration.

The single comprehensive audit procedure should provide benefits to both grantees and Federal agencies. One agency performs the audit work for all participating agencies, thus avoiding the waste and disruption of grantee operations that sometimes results from overlapping auditing by two or more grantor agencies. We could not evaluate the merits of this approach, however, because only one annual audit was performed and the audit group did not coordinate as required with the other Federal agencies financing the project to determine whether its audit would satisfy all requirements.

The IGA program led to neither a reduction nor an increase in staffing by grantees and Federal agencies but rather to a reallocation of priorities and responsibilities among staff. Federal officials generally agreed that an expansion of the experimental program would require additional staff resources. Now that joint funding legislation has been enacted, it appears that additional staffing will be required by Councils and Federal agencies to significantly expand the program.

Information regarding the benefits and costs of jointly funded projects accruing to the participating State and local governments and private, nonprofit organizations, and to the Federal Government is required by the Joint Funding Simplification Act to be included in a comprehensive report by the President to the Congress 1 year before the act's expiration.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The ultimate success of intergovernmental or interagency undertakings depends to a great extent on a high degree of Federal coordination and the continuous support of, and a funding and staffing commitment by, each participating Federal agency.

The lack of adequate Federal coordination and commitment impeded the IGA program from achieving its full potential. The program's experimental nature may have contributed to this inadequacy. The Federal agencies' lack of clearly defined responsibilities for reviewing, approving, and administering IGA plans and projects and GSA's general lack of program guidance and clarification also contributed to the program's limited success. Violations of basic program requirements and confusion and misunderstandings among program participants were evident in each project reviewed and demonstrate the need for more training in joint funding principles and procedures. Nevertheless, grantee reaction was mixed concerning the level of benefits received under the program.

We believe that Federal-level measures should be initiated to increase the effectiveness of Federal agencies' responses to the joint funding program. Because OMB, GSA, and Federal Regional Councils do not have direct authority to control the level of participation by individual Federal agencies, the Under Secretaries Group for Regional Operations, responsible for interdepartmental coordination, needs to provide the stimulus for more effective program operations. These officials, both as a group and in their individual agency capacities, should independently and objectively monitor and periodically evaluate the performance of OMB, GSA, individual Federal agencies, and the Federal Regional Councils. These evaluations should include an analysis of the differences in concepts, views, and practices existing among the participating agencies.

The number of ongoing jointly funded projects may increase as a result of the Joint Funding Simplification Act. In view of the problems we noted in the IGA program and the lack of hard data concerning the impact on Federal agencies' workloads, GSA should proceed cautiously in implementing the act through expansion in the number of projects. Moreover, the joint funding program should be recognized as but a limited approach for dealing with the problems of the present

complex grant-in-aid system. As we recommended in a recent report 1/ to the Congress, more fundamental changes, such as grant consolidation, are also needed.

The joint funding approach should not be used simply as a method for grantees to package all assistance being received. Primary consideration should be given to the recipients' ability to logically interrelate project activities and achieve benefits such as program management improvements, more effective planning, and better service delivery through the joint funding approach. Other benefits, such as standardized application and reporting procedures, simplified payment systems, and coordinated audits can be realized through other ongoing Federal initiatives.

Accordingly, Federal Regional Councils and individual Federal agencies should carefully (1) review project proposals to determine the interrelationships of proposed project activities and (2) weigh the relative merits of funding requests included in jointly funded project proposals against funding requests under separate grant proposals.

RECOMMENDATIONS TO THE UNDER SECRETARIES
GROUP FOR REGIONAL OPERATIONS

In view of the need for improved Federal agency coordination and participation to implement a program similar to IGA under the Joint Funding Simplification Act of 1974, we recommend that the Under Secretaries Group for Regional Operations:

- Monitor and periodically evaluate the guidance and leadership provided by OMB, GSA, and Federal Regional Councils.
- Monitor and periodically evaluate the level of Federal agencies' responses to the program concept.
- Make appropriate suggestions and recommendations to help insure that the program is effectively administered and that Federal agencies respond at a level consistent with the act's intent.

1/"Fundamental Changes are Needed in Federal Assistance to State and Local Governments" (GGD-75-75, Aug. 19, 1975).

RECOMMENDATIONS TO THE
ADMINISTRATOR OF GENERAL SERVICES

We recommend that the Administrator of General Services in issuing regulations and program guidelines for jointly funded projects:

- Require Federal Regional Councils to review jointly funded project proposals to screen out those for which packaged programs are not interrelated or do not accomplish a single objective.
- Require Federal Regional Councils to obtain input on the probability of obtaining funding requested in project proposals and communicate such information to applicants before encouraging formal applications.
- Require Federal Regional Councils to periodically monitor joint funding projects in their regions and provide feedback to GSA and the Under Secretaries Group for Regional Operations.
- Establish task forces to assist applicants in confirming funding sources and in preparing formal applications.
- Require timely review and approval procedures to facilitate integrated awards and synchronized project periods.
- Clarify the roles and operating relationships of lead and participating agencies in project monitoring activities to adequately reflect the need for control over projects in each agency's area of program responsibility.
- Require preaward surveys and interim and annual audits of jointly funded projects to assure adequate accountability for project funds.
- Require grantor agencies to identify and incorporate into grant awards specific references to statutory and other requirements that affect the substance of programs.

AGENCY COMMENTS

OMB and GSA generally agreed with our conclusions and concurred in our recommendations. GSA commented that each of the issues we identified is being addressed in the regulations being drafted to implement the Joint Funding Simplification

Act of 1974. The Under Secretaries Group did not respond to our recommendations.

Although agreeing with our recommendations, OMB and GSA believed that the problems we identified were not necessarily representative of the IGA program because only 6 of the 24 projects were reviewed. In our opinion the problems we identified are not unique to the six projects because (1) prior OMB and GSA assessments identified many of the same problems and (2) Federal Regional Councils and most of the Federal agencies that responded to a draft of our report agreed that the problems we identified accurately reflected the problems they had experienced while participating in the IGA program.

GSA noted that a number of reviewers of our draft report did not concur in our recommendation to the Under Secretaries Group because not all agencies, including GSA, are formal members of the Group. GSA added that it may be advisable to wait until the Under Secretaries Group has arranged a forum for full representation for all parties involved in joint funding before assigning the Group major joint funding responsibilities. While the Under Secretaries Group membership question may require further study, it need not delay the Group from implementing our recommendations. There is a means for obtaining representation from all parties involved in joint funding. Executive Order 11731, dated July 23, 1973, requires the Chairman of the Under Secretaries Group to invite appropriate representatives to participate in Group deliberations when matters are to be considered which affect the interests of Federal agencies which are not represented in the Group.

CHAPTER 5

RECOMMENDATION TO THE CONGRESS

The Congress should amend section 8(e) of the Joint Funding Simplification Act of 1974 which deals with the establishment of non-Federal matching shares. As discussed on page 21, the integrity of individual programs can be affected when a grantee is allowed to provide and account for non-Federal matching funds on an aggregate, rather than on an individual, program basis.

OMB, in commenting on our draft report, agreed that matching in the aggregate was not allowable under the IGA program but interpreted section 8(e) of the act to specifically authorize the use of a single matching share ratio rather than the separate share ratios required by specific programs or appropriations funding a project. OMB added, however, that section 8(b), in apparent contradiction, states in part that

"* * * the agency administering a joint management fund shall be responsible and accountable by program and appropriation for the amounts provided for the purpose of each activity established in the fund * * *."

The accounting provisions contained in section 8(b) represent a substantial change from the provisions in earlier House and Senate bills which permitted the accounting for project funds as if the funds were derived from a single program or appropriation. Moreover, section 5 of the act limits the authorities described in section 8(e) by requiring that all statutory and substantive program requirements be met. Therefore, in view of the limitation contained in section 5, it is our opinion that non-Federal matching shares must be established and accounted for on an individual rather than an aggregate basis.

To avoid confusion in the implementation of the Joint Funding Simplification Act of 1974, we recommend that the Congress amend section 8(e). If the Congress desires to insure that specific amounts for non-Federal matching shares as required by individual programs and appropriations will be provided by grantees, section 8(e) should be revised to read as follows:

"(e) In the case of any project covered in a joint management fund, the non-Federal matching shares shall be established and accounted for

individually according to the Federal share ratios applicable to the several Federal assistance programs and appropriations involved."

On the other hand, if the Congress desires to permit the establishment of, and accounting for, a single non-Federal share notwithstanding the provisions of section 5 of the act, section 8(e) should be revised to read as follows:

"(e) Notwithstanding any other provisions of this act, a single non-Federal share may be established according to the Federal share ratios applicable to the several Federal assistance programs involved and the proportion of funds transferred to the project account from each of those programs."

UNITED STATES OF AMERICA
GENERAL SERVICES ADMINISTRATION
WASHINGTON, DC 20405



August 22, 1975

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, DC 20548

Dear Mr. Staats:

We appreciate the opportunity to review the draft copy of the GAO report entitled The Integrated Grant Administration Program--An Experiment in Joint Funding.

In cooperation with the Office of Management and Budget (OMB), we have obtained comments from Federal agencies participating in IGA, the Under Secretaries Group (USG), and the Under Secretaries Working Group (USWG). The consolidation of their comments and suggested textual changes are enclosed. ^{1/} Together with OMB, we have reviewed and discussed informally with Mr. Steve Varholy and his associates the substance of the various agency, USG, and USWG comments and those of GSA staff. It is our hope that you will find our comments useful, constructive, and consistent with the purpose of your review of the IGA experiment.

It is our view that your report would be further strengthened if the following points were considered and reflected in the report:

The IGA process was developed by OMB in cooperation with the General Accounting Office. Because of the experimental nature of the program, IGA procedures were subjected to GAO review and approval prior to their implementation. We feel it was fully understood at the outset that the success of IGA would rest in large measure on the degree of inter-agency cooperation to be developed among participating Federal agencies. We felt then and now that IGA enhances the level of such cooperation over separate grant administrative practices.

We suggest from the outset that the report set forth a more complete statement of the objectives of the IGA experiment, incorporating the language on the bottom of page 45 of the draft report:

^{1/}GAO note: Enclosure deleted; however, the detailed comments have been considered in the report.

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". . . the joint funding approach should not be used simply as a method for grantees to package all assistance being received. The primary consideration should be the recipients' ability to logically interrelate project activities and achieve benefits such as management improvements and more effective planning and service delivery"

Prior to that statement, the report stresses the value of IGA only in terms of a grants simplification effort. The more basic reason for IGA is that it provides the opportunity and a simplified mechanism to integrate Federal financial assistance with the key elements of an applicant's strategy to improve or initiate the management or delivery of a program of services or facilities. In essence, IGA is an experiment that can stimulate capacity building in State and local agencies by removing administrative impediments normally associated with grants administration, particularly when a grantee attempts to utilize several Federal grant programs to initiate new or modified delivery systems. The report should indicate the period of time during the IGA experiment that is covered by the study so that the reader is aware of this time period.

The GAO draft report touches on some of the basic concerns; i.e., lead agency role, interagency communication, and FRC capacity, brought out in our recent assessment report of the IGA program, thereby reinforcing our assessment findings. However, it would appear appropriate to acknowledge in the GAO report that such findings also appeared in the GSA report so that there is common recognition of these concerns. Corrective actions are underway to strengthen the joint funding procedures and agency performance in the form of implementing regulations.

In general, we observe that the report's approach and tone do not distinguish between those findings that are directly attributable to the IGA process and those findings which actually highlight deficient grant administrative practices that surface when brought into an IGA. Without drawing such a fundamental distinction, the report leads to erroneous implications and has an unintended adverse effect on our continuing responsibility and efforts to implement the Joint Funding Simplification Act of 1974.

We believe Federal agencies participating in the IGA process have accomplished more than the report implies. This is not to say even greater efforts cannot be made. We concur with your findings in that regard. At a minimum, however, we feel IGA has fostered a significant increase in the willingness of Federal agencies to work together to jointly assist State and local governments to solve problems which cut across Federal agency lines.

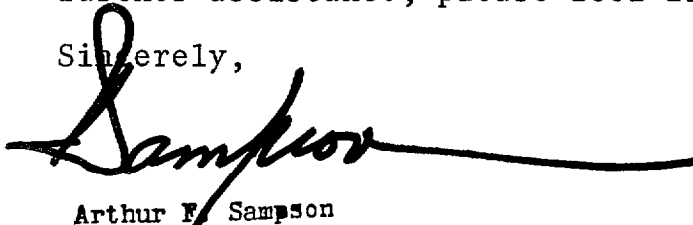
The stumbling blocks to greater interagency cooperation often have been procedural. There is an understandable reluctance on the part of agency field staffs to depart from prescribed procedures in the administration of agency programs. Our assessment report indicated some deficiencies in written procedures for IGA projects which will be corrected in the development of joint funding regulations. The same regulations must be supplemented by clear directions from the headquarters of participating Federal agencies. A case in point is the issuance of interim guidelines by GSA on May 7, 1974. These guidelines advised using OMB Circular No. A-102, which promulgates uniform administrative requirements, for all future IGA applications. That requirement has not been considered in the GAO report. It is apparent, however, from the report and from our recent assessment of IGA, that agencies did not comply fully with the GSA supplemental guidelines. We also recognize this may have been due in part to somewhat limited guidance provided by GSA on this subject. As a result, considerable variations in the application of A-102 requirements (or its replacement, Federal Management Circular 74-7) to IGA projects was in evidence in the various regions.

We believe the report would convey a more balanced critique if it presented such deficiencies in the context of their being part of an experiment. Two important factors should be noted: (1) there is a learning of the new IGA process that has not yet permeated through the agencies' regional and headquarters staff and is compounded by a high personnel turnover; and (2) the lack of agency internal directives that complement the IGA guidelines to assure staff support and provide an "institutional memory" when staff changes occur.

The Joint Funding Simplification Act and its implementation shall benefit from our collective efforts to examine the strengths and weaknesses of the IGA effort. We shall make every effort to incorporate remedial actions in the development and administration of the regulations to implement the Joint Funding Simplification Act.

The continuing interest and support of GAO to initiate and test joint funding concepts have been most appreciated. We thank you for the opportunity to review the draft report and hope our comments are helpful. If we can be of any further assistance, please feel free to call.

Sincerely,

A handwritten signature in black ink, appearing to read "Sampson", with a long horizontal flourish extending to the right.

Arthur F. Sampson
Administrator

Enclosures



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

July 17, 1975

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

Dear Mr. Lowe:

Thank you for the opportunity to review the draft copy of the GAO report entitled The Integrated Grant Administration Program--An Experiment in Joint Funding.

As stated in our letter of May 16, 1975, we have asked the General Services Administration (GSA) to obtain comments from the Federal agencies including the Under Secretaries Group and the Working Group. These will be incorporated in the GSA's response. We have requested comments from the Federal Regional Councils, and this letter summarizes the views of the FRCs and our own comments on the draft report. We have worked closely with GSA in preparing the responses.

We believe that the report is thorough, summarizes the key issues associated with the IGA process, and confirms many of our concerns about management problems related to joint funding which affect its successful implementation. The report will be most useful in formulating revised procedures currently being developed by GSA to overcome the problems experienced in the past. We would, however, suggest your report note that many of the deficiencies described were also identified in the reports resulting from the assessment studies conducted by OMB and GSA and that efforts were underway to correct them.

Most reviewers found the report to be accurate in terms of specific conditions disclosed for the six IGA projects reviewed. However, the report inadvertently gives the impression that broad, system-wide conclusions are being drawn from a review of only six IGA projects. We believe that this can be corrected by (1) placing the scope of the review in proper perspective by referring to the total number and dollar level of all current IGA projects together with comparable figures for the sample GAO reviewed, and (2) by making an explicit statement in the introductory section that the findings and conclusions apply only to the six projects reviewed and that they should not be interpreted

GAO note: Page numbers referred to may not correspond to the final report.

as necessarily reflective of all IGA projects. For the same reason, we suggest that the specific IGA projects be identified in Chapter 3 in lieu of expressions such as "two projects," "in some instances," "some," and "many."

We would question the accuracy of the broad conclusion on page 3 of the Digest that the IGA did "not significantly improve the delivery system." There are a number of IGA projects which did in fact improve the delivery system from the perspective of the grantees based on their own reports. Two other factors should also be recognized as contributing to a better delivery system. The IGA approach encourages grantees to integrate and coordinate the planning and operations of interrelated programs which enabled better management, more efficient, and more coordinated delivery of services.

Further, some States participated in IGA's awarded to local governments. While not all States provided funds to the IGA projects, their involvement resulted in better understanding of local programs and problems and produced better coordination between State and local governmental levels as a consequence.

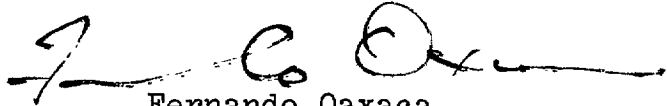
Most FRCs strongly endorsed the conclusions in the last two paragraphs on page 45 that the expansion in the number of projects should be undertaken cautiously, and that joint funding projects should not be used simply as a method to package all assistance being received but as a method to package interrelated programs with common purposes or goals. The same points appear in the Digest of the report, but these conclusions do not come across as forcefully. We suggest that the two paragraphs on page 45 be repeated verbatim in the Digest.

On page 29, a statement is made which could be interpreted to mean that a single matching share ratio cannot be established under IGA guidelines or under the Joint Funding Simplification Act. We agree that a single ratio is not allowable under IGA guidelines. The Act, on the other hand, in Section 8(e) specifically authorizes the use of a single ratio. However, Section 8(b) in part, in apparent contradiction, states that "... the agency administering a joint management fund shall be responsible and accountable by program and appropriation for the amounts provided for the purpose of each activity established in the fund... ." We suggest this point be clarified in the final report together with GAO's official interpretation whether a single ratio is permissible and, if so, under what conditions.

I understand that other relatively minor changes and editorial suggestions were provided to Mr. Steve Varholy by Sus Uyeda of

my staff and GSA staff members. Thank you again for the opportunity to review the draft report. Please feel free to call on me if I can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'F. Oaxaca', with a long horizontal flourish extending to the right.

Fernando Oaxaca
Associate Director for
Management and Operations

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