United States Government Accountability Office

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Report to Congressional Committees

July 2006

GRANTS MANAGEMENT

Grantees' Concerns with Efforts to Streamline and Simplify Processes

GAO-06-566

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Grantees' Concerns with Efforts to Streamline and Simplify Processes

GAO Accountability · Integrity · Reliability

Highlights

Highlights of GAO-06-566, a report to congressional committees

Why GAO Did This Study

At least 26 federal entities distribute grants, often with differing administrative requirements. As a result, grantees may be diverting resources from program objectives to comply with varying administrative requirements. Congress, attempting to reduce this inefficiency, passed the Federal Financial Assistance Management Improvement Act of 1999, commonly referred to as P.L. 106-107. It required the Office of Management and Budget (OMB) to ensure that agencies streamline processes, develop common systems, and consult with grantees; it also required GAO to evaluate the law's effectiveness. In response, this report discusses aspects of grant administration that grantees identified as inadequate to meet the act's goals and on which further action was needed. GAO reviewed grantee comments on changes needed, obtained views from grantee associations and users of the Web portal called Grants.gov, performed detailed site visits at selected grantees, and obtained views of OMB.

What GAO Recommends

OMB should ensure that grantees' views are obtained as approaches are developed. Further, Congress should consider reauthorizing the act beyond its November 2007 sunset date to ensure that cross-agency initiatives progress. OMB said that it will continue working with agencies to further streamline grant administration and seek grantees' input.

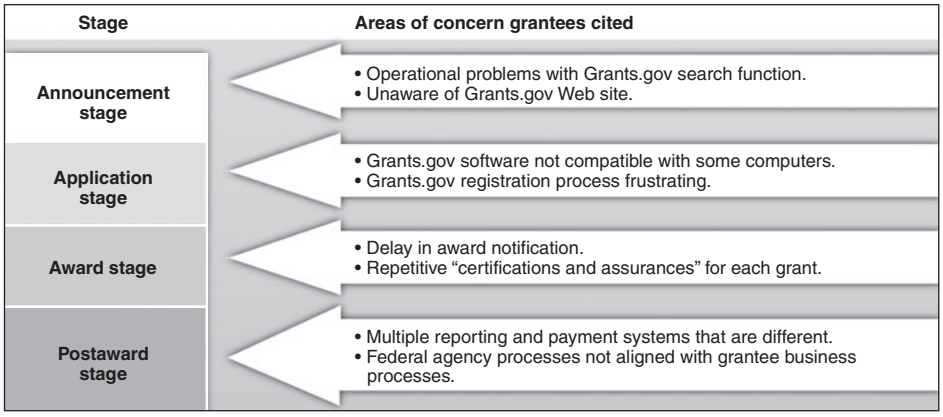
www.gao.gov/cgi-bin/getrpt?GAO-06-566.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Stanley J. Czerwinski at (202) 512-6520 or czerwinskis@gao.gov.

What GAO Found

While some progress has been made since GAO issued its report last year on interagency reform initiatives (GAO-05-355), federal grantees continue to identify areas where the goals of P.L. 106-107 have not yet been met. These include continued lack of standardization and continued inefficiencies in grant administration across agencies and technological difficulties with implementing Grants.gov, the Web site where grantees can find and apply for grants. Grantees report they continue to need to use different application, reporting, and payment systems, and definitions differ across agencies. Further, some inefficiencies continue to exist, such as agency grant processes not aligning with typical grantee business practices. In addition, problems using Grants.gov, such as search engine problems and complex registration practices, have caused grantees frustration as they have used the site for identifying and applying for grant opportunities. The Grants.gov Program Management Office has taken actions to address some of these problems and has plans for further improvements.

Examples of Grantee Concerns Related to P.L. 106-107 Goals



Source: GAO.

Grantees GAO interviewed were concerned that, while the three federal cross-agency initiatives underway to streamline grant administration—Grants.gov, the Grants Management Line of Business, and the cross-agency workgroups—were moving forward, progress to date has been inadequate. Grantees identified two specific areas where the management of P.L. 106-107 initiatives contributed to the lack of progress. They pointed out that inadequate ongoing communication with grantees before decisions on changes were made resulted in poor implementation and prioritization of initiatives. Grantees also said lack of clear objectives and a public time line for the reform process sometimes prevented them from understanding the scope and timing of planned changes.

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Abbreviations

DUNS	Data Universal Numbering System
OMB	Office of Management and Budget

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GAO
Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

July 28, 2006

The Honorable Susan M. Collins
Chairman
The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Tom Davis
Chairman
The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

About one-fifth of the federal budget—over $460 billion[1]—was distributed in fiscal year 2004 in grants to various entities, such as state, local, and tribal governments, nonprofit organizations, and colleges and universities. Grantees, particularly those that obtain grants from multiple federal agencies, must comply with the different requirements and systems that agencies have established, which can result in directing excessive resources to meeting varying administrative requirements rather than toward the purpose of the program. While these requirements are generally intended to ensure accountability, Congress became concerned that these administrative requirements may be duplicative, burdensome, or conflicting and could impede the cost-effective delivery of services at the local level. In response, Congress passed Public Law 106-107, the Federal Financial Assistance Management Improvement Act of 1999. The act (commonly referred to by the grants community as P.L. 106-107) required that federal grant-making agencies streamline administrative requirements and engage and involve grantees in developing and implementing their

[1]As reported in the Consolidated Federal Funds Report at http://www.census.gov/govs/www/cffr.html (downloaded Mar. 10, 2006).

reform goals and implementation plans.[2] It specifically requires that the Office of Management and Budget (OMB) work with agencies to establish common applications and systems and uniform rules for federal grant administration. The act is scheduled to sunset in November 2007.

P.L. 106-107 also directed GAO to assess the effectiveness of the reform efforts and to obtain input from state, local, and tribal governments and nonprofit organizations. In April 2005, we completed an evaluation that focused on efforts federal grant-making agencies had made to streamline and develop common processes for grantees and the extent of coordination among OMB, the agencies, and potential grant recipients.[3] This second report examines how selected grantees view the federal streamlining effort. Specifically, we will identify

- aspects of the various federal reform efforts and initiatives that grantees identified as inadequate to meet the goals of P.L. 106-107, in particular simplifying federal financial assistance application and reporting requirements; and
- grantees' views on further action needed to standardize and streamline grant processes for grantees.

To address our objectives, we reviewed P.L.106-107 to identify requirements and criteria for evaluating the effectiveness of agency and governmentwide reform efforts. We then reviewed the common plan developed initially by 26 grant-making agencies, and we obtained and reviewed the annual progress reports that the act required each agency to submit to OMB and Congress. We met with officials from OMB and with lead officials from the various cross-agency work groups to discuss ongoing reform and streamlining efforts. To get the perspective of grantees, we reviewed the public comments that were received in response to proposals for the initial, multiagencywide plan. We also interviewed staff from several associations representing different communities of grantees to identify issues that their memberships have expressed about federal grant management process reform and to identify

[2]As defined in the act, federal financial assistance includes grants, cooperative agreements, loans, loan guarantees, insurance, interest subsidies, and other forms of assistance. Pub. L. No. 106-107, §4. The current streamlining efforts have focused on grants and cooperative agreements. In our evaluation we have also limited our assessment to grants and cooperative agreements and, for simplicity, refer to them as grants.

[3]GAO, *Grants Management: Additional Actions Needed to Streamline and Simplify Processes*, GAO-05-335 (Washington, D.C.: Apr. 18, 2005).

states that were undertaking grant process management reforms of their own. We analyzed results from surveys of users of the Grants.gov Web portal, one of the initiatives implemented so far.

To get a better working-level understanding of grant management issues, we visited and interviewed officials at 17 grantee organizations—4 state governments, 3 tribal governments, 2 county governments, 3 municipal governments, 2 nonprofit organizations, 2 higher education institutions, and a nonacademic research institution. This selected set of grantees represented a range of grantee sizes, levels of administrative sophistication, and types of grants being applied for. These discussions enabled us to gain an in-depth perspective on the concerns of grantees from different communities of grant recipients, and to understand how grantees manage an array of grants from different programs and agencies, a perspective not obtained from individual program reviews. Although we cannot project these results to all grantees, the comments obtained help inform the issue of the type of difficulties that grantees must address. These discussions also enabled us to identify grant reform initiatives undertaken by selected states that could have potential to reduce grantee administrative burdens. For more on our methodology, see appendix I. We conducted our work in accordance with generally accepted government auditing standards from June 2005 through May 2006.

Results in Brief

While some progress has been made, federal grantees continue to identify significant areas of grants administration where the goals and requirements of P.L. 106-107 have not yet been met. These concerns fall into two groups: (1) the continued lack of standardization and other inefficiencies in grant administration across agencies; and (2) the difficulties related to technological implementation of the Grants.gov Web portal, a Web site at which grantees can find grant opportunities across government agencies and can apply for many of them online. Grantees told us that federal grant-making agencies still use different application, reporting, and payment systems, and use different definitions on the grant application forms. Grantees also identified other inefficiencies that continue to limit the effectiveness of grant programs, particularly federal procedures that do not consider the manner in which grantees conduct their grant administration. For example, when federal processes are not aligned with typical grantee business practices, key documents do not flow back and forth from the federal grantor agency and grantees in an efficient manner. The most significant progress in the area of technology development has been the implementation of Grants.gov, but grantees report that the Grants.gov technology nevertheless has areas needing

improvement. Specifically, grantees we interviewed were not satisfied with the performance and usefulness of the Grants.gov search, or find, function, which was intended to make it easier for them to identify grant opportunities. Some grantees told us that the Grants.gov find feature was not any better than previous methods of searching; others were unaware that Grants.gov had a find capability at all. Additionally, some grantees with experience using Grants.gov to apply for federal grants have had difficulties and reported their considerable frustration with its requirements, such as the complex and time-consuming process for registering to use the Grants.gov apply system. The Grants.gov program management office has worked at addressing some of these problems, for example by improving the search capability in December 2005, and has plans for further improvements.

Grantees we interviewed were concerned that, while the federal cross-agency grant management reform initiatives were moving forward, progress to date has been inadequate. They identified management issues related to implementation of the P.L. 106-107 initiatives that have contributed to the lack of progress. For example, they reported that they would like to have more communication with work groups before decisions about grant administration changes are made to better prioritize and implement initiatives. Grantees also said lack of both clear objectives and a public time line for the reform process sometimes prevented them from understanding the scope and timing of planned changes.

We are suggesting that Congress consider reauthorizing P.L. 106-107 to make certain that federal agencies have clear requirements to continue these efforts. We are also recommending that OMB ensure that the groups leading the streamlining efforts identify and implement approaches to obtaining grantees' input as policies and procedures are being developed. In commenting by e-mail on a draft of this report, OMB wrote that it will continue working with agencies to streamline grants administration and to make further progress toward achieving the P.L. 106-107 goals, and it will continue to seek input from the grant community.

Background

The process of distributing federal assistance through grants is complicated and involves many different parties, both public and private, with different organizational structures and sizes as well as varying missions. Federal grants are disbursed and managed by 26 different federal agencies as well as by some smaller federal entities, and grants are used to implement about 1,000 different federal programs. Grant programs have different objectives and strategies—reflected in the application,

selection, monitoring, and reporting processes—that are intended to assure accountability to the federal agencies.

The universe of potential applicants for grants is also large and varied. It includes governments from the smallest school district to the largest state. According to information from the Census Bureau and the Department of Interior, there are approximately 88,500 units of government in the United States, including states, tribal governments and county governments, municipalities, townships, school districts, and various other special purpose governments.[4] Grant recipients also include nonprofit organizations, described in one study as ranging from small organizations with annual budgets less than $25,000 to multi-million-dollar health organizations.[5] We reported in 2005 that over 460,000 nonprofit organizations filed tax forms in 2002.[6] Some grants are also provided to individuals.[7] While not all of these entities actually apply for grants, they are potentially eligible and do reflect the considerable diversity of grant recipients. The grants process is further complicated because state agencies may act as both grantees soliciting federal grant resources and as grantors distributing federal funds to other grantees. Thus states redistribute significant amounts of the federal aid they receive to local governments and nonprofit agencies in their states.

Moreover, the grants themselves come in a wide variety of types and sizes. Grant types cover a broad spectrum from those narrowly targeted to fund a program to those that are broadly targeted and allow the grantee to make decisions regarding how funds are used. Mandatory grants are awarded under a program where the authorizing statute requires the award to be made to each eligible entity under the conditions and in the

[4]Census Bureau, *2002 Census of Governments* GC02-1(P) (Washington, D.C.: 2002) and Department of Interior Quick Facts, http://www.doi.gov/facts (downloaded Mar. 6, 2006).

[5]Lester M. Salamon, "The Resilient Sector: The State of Nonprofit America," *Snapshots*, no. 25 (2002).

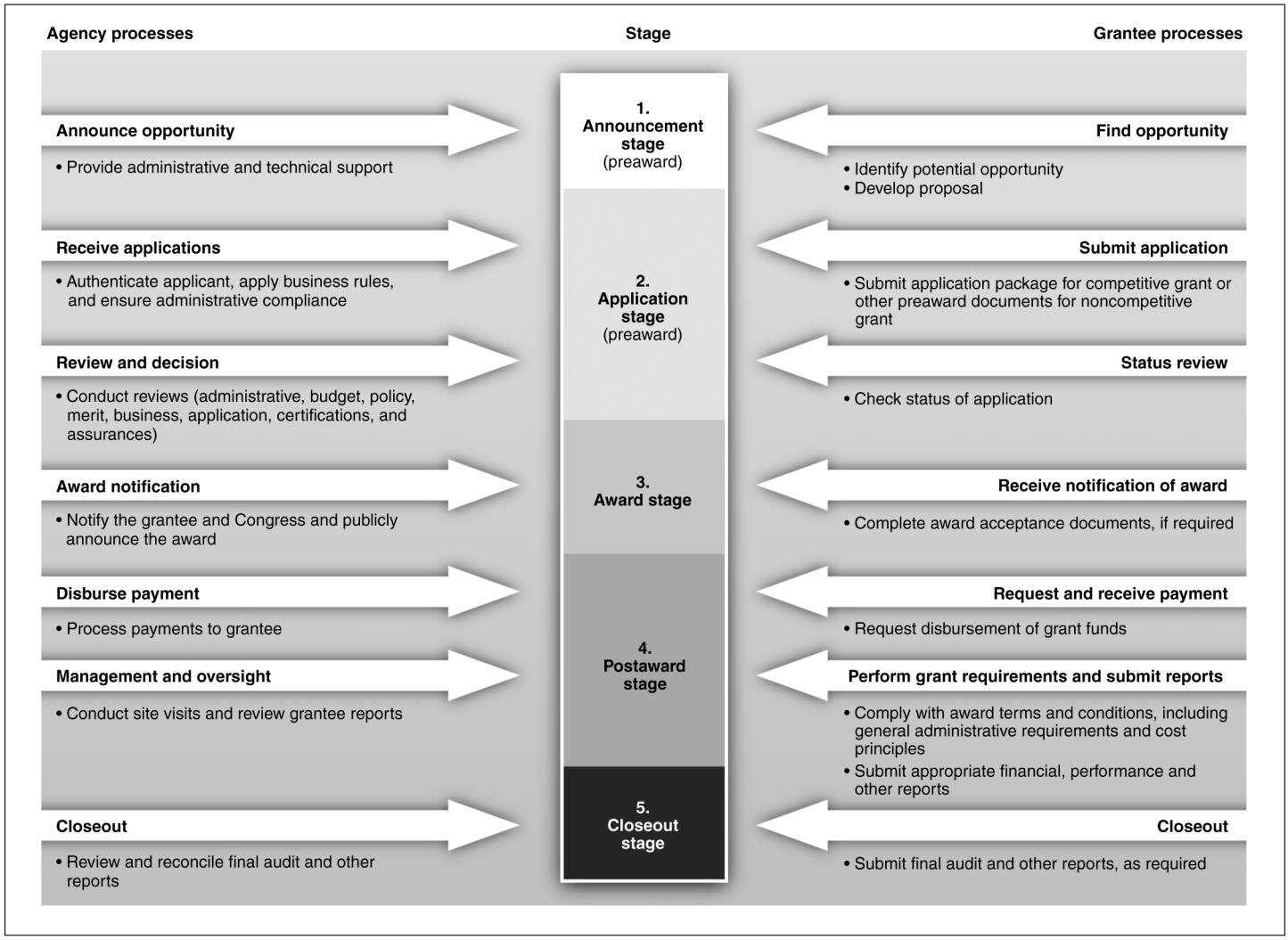
[6]GAO, *Tax-Exempt Sector: Governance, Transparency, and Oversight Are Critical for Maintaining Public Trust*, GAO-05-561T (Washington, D.C.: Apr. 20, 2005). An entity that believes it meets the requirements set by Congress must apply to the Internal Revenue Service to obtain tax-exempt status. Entities that are not required to apply include those that are not private foundations and that have gross receipts of less than $5,000 as well as churches and church-affiliated entities. Churches are potentially eligible for federal grants.

[7]See, for example, the National Endowment for the Arts's "Literature Fellowships: Translation Projects" or the National Endowment for the Humanities's Fellowships and Faculty Research Awards.

amount (or based on the formula) specified in statute. Discretionary grants are those in which the federal awarding agency may select the recipient from among all eligible recipients, may decide to make or not make an award based on the programmatic, technical, or scientific content of an application, and can decide the amount of funding to be awarded to each recipient. Grants can be small, such as the $1,100 National Science Foundation Social, Behavioral, and Economic Sciences Grant, or large, such as California's $3.7 billion Temporary Assistance to Needy Families block grant.

While there is substantial variation among grants, they generally follow a life cycle as shown in figure 1: announcement, application, award, postaward, and closeout. Once a grant program is established through legislation, which may specify particular objectives, eligibility, and other requirements, a grantor agency may impose additional requirements on it. For competitive grant programs, the public is notified of the grant opportunity through an announcement, and potential grantees must submit applications for agency review. In the award stage, the agency identifies successful applicants or legislatively defined grant recipients and awards funding. The postaward stage includes payment processing, agency monitoring, and grantee reporting, which may include financial and performance information. The closeout phase includes preparation of final reports, financial reconciliation, and any required accounting for property. Audits may occur multiple times during the life cycle of the grant and after closeout.

Figure 1: Grant Life Cycle



Source: GAO.

Grantees have different approaches for managing their grants across their own internal subdivisions or departments. Grantees we visited had a variety of grant administration structures and degrees of centralization that were not dependent on the size of the organization or the number of grants they received. In a more decentralized structure, each department within the organization managed most aspects of its grants, including financial accounting and reporting. For example, in a municipality the police department might deal with federal Department of Justice grants;

the health department might deal with Environmental Protection Agency grants; and the school administration might deal with Department of Education grants. Conversely, a more centralized structure might have a single grants office that coordinated all aspects of grant administration across the organization, including final submission of applications and general oversight of reporting and accountability compliance. Even for grantees we visited with a decentralized structure, some amount of central grant oversight was generally present.

P.L. 106-107 was passed in response to the complicated nature of the grant process. To address these issues, the act required OMB to direct, coordinate, and assist federal agencies in establishing common applications, systems, and uniform rules to improve the effectiveness and performance of federal grants with the goal of improved efficiency and delivery of services to the public. For example, under P.L. 106-107

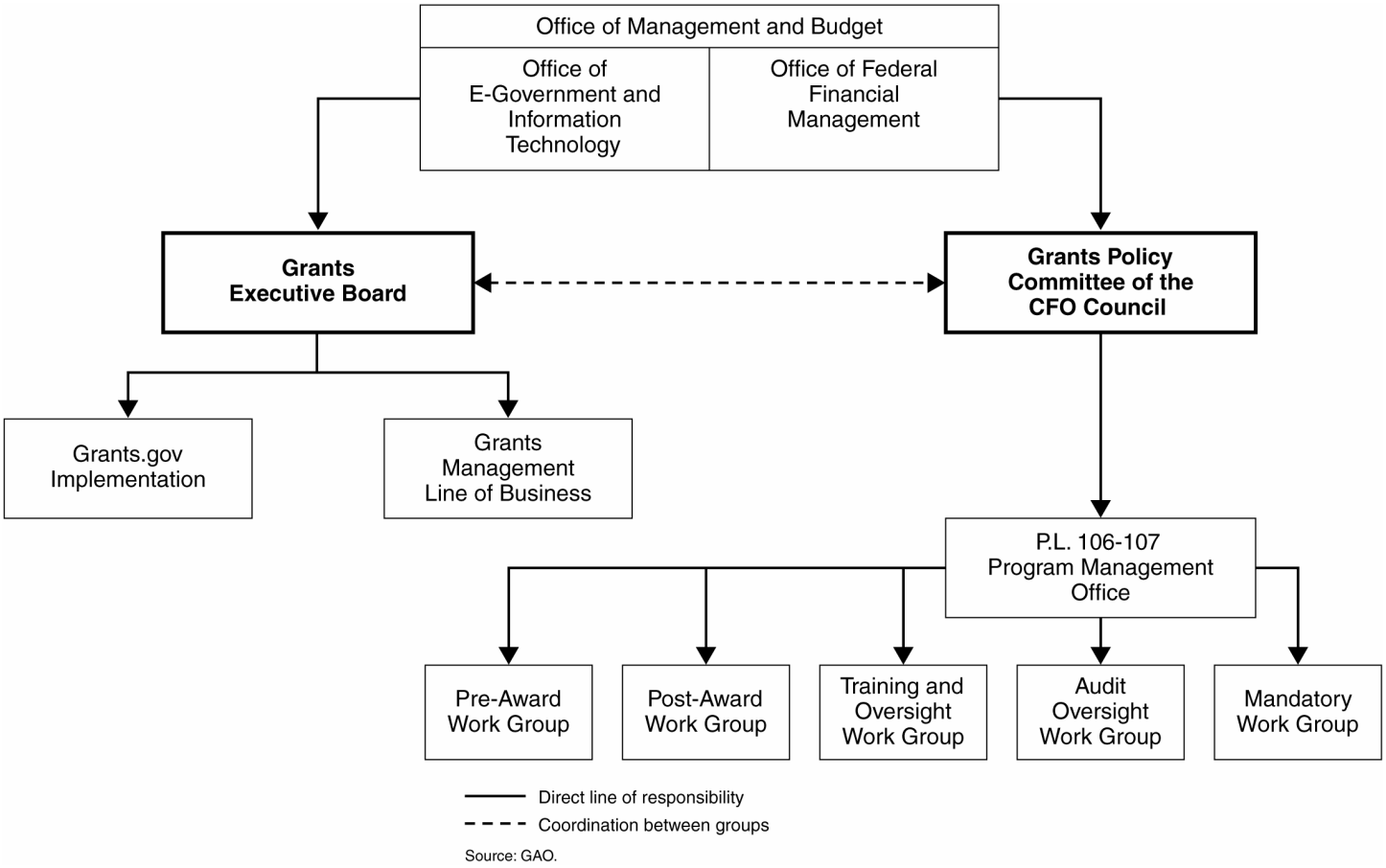
- OMB is required to direct, coordinate, and assist federal agencies in developing and implementing a common application and reporting system, including electronic processes with which a nonfederal entity can apply for, manage, and report on the use of funds from multiple grant programs that serve similar purposes but are administered by different federal agencies; and
- federal grant-making agencies are required to streamline and simplify their application, administrative, and reporting procedures and enable applicants to apply for and report on the use of federal grants funds electronically.

As we reported previously, the federal government has undertaken several activities to implement P.L. 106-107.[8] OMB has designated the Department of Health and Human Services as the lead agency responsible for assisting OMB in implementing the act. Activities are presently organized under two different groups—the Grants Policy Committee and the Grants Executive Board—who report to OMB's Office of Federal Financial Management and Office of E-Government and Information Technology, respectively (see fig. 2). The Grants Policy Committee is currently responsible for formulating overall grant management reform policy and oversees the efforts of the cross-agency work groups. Work groups were organized shortly after the act was passed to develop policies for implementing the act's goals related to their respective areas:

[8]GAO-05-335.

- Pre-Award Work Group, responsible for streamlining policies and practices that occur while grantees find grants, apply for grants, and receive notification of award decision;
- Mandatory Work Group, responsible for streamlining policies and practices for mandatory grants;
- Post-Award Work Group, responsible for streamlining policies and practices that occur while grantees perform awards, complete required reporting, acquire payments, and during the federal monitoring of grantees;
- Audit Oversight Work Group, responsible for improving OMB's Circular A-133 single audit process; and
- Training and Oversight Work Group, responsible for addressing governmentwide issues concerning the grants management workforce.

Figure 2: P.L. 106-107 Initiatives Orgnization Chart



Source: GAO.

The Grants Executive Board consists of senior officials from federal grant-making agencies. They provide strategic direction and oversight of Grants.gov and the Grants Management Line of Business, which implement technological aspects of P.L. 106-107. Grants.gov is a single Web portal that enables users of all types to search for grants electronically. Agencies are required to post all discretionary grant opportunities on Grants.gov. Agencies are also able to provide the capability for potential grantees to apply for grants through this Web site. A Grants.gov official said that as of May 22, 2006, all but two agencies have provided this capability and that both agencies plan to post applications on the site in June 2006. Grants.gov continues to make improvements to its cross-agency systems at which potential grantees can find and apply for

grant opportunities. A Grants.gov official told us they have started planning and designing upgrades to the computer hardware to meet the processing requirements as additional grant application packages and functions, including improved search capabilities, are added to the site. Further, a newly designed Grants.gov Web site was introduced in July 2006.

The Grants Management Line of Business is an initiative begun in spring 2004 that intends to provide end-to-end management (that is, over the entire life cycle of a grant from announcement to closeout) of grants and address how best to consolidate the administration and management of grants across agencies. In 2005, the Department of Health and Human Services and the National Science Foundation were selected by OMB to be the managing partners to lead the Grants Management Line of Business effort. They plan to implement a consortia-based approach that builds on existing commercial systems and grants management systems in selected agencies to develop those agencies and their systems into shared service providers or centers of excellence to be used by other agencies. In late 2005, OMB and the Grants Executive Board chose three agencies—the National Science Foundation, the Administration for Children and Families within the Department of Health and Human Services, and the Department of Education—to lead three consortia in defining requirements and agency needs around a common end-to-end grants management system for members of each consortium. OMB officials told us that they, the cochairs of the Grants Management Line of Business, and the consortia leads have developed a process for agencies to join a consortium and that the consortia leaders are working with other agencies to discuss potential partnerships and develop memorandums of understanding. A cochair of the initiative said OMB may designate additional consortia based on agency interests in leading a consortium. Detailed plans for the initiative indicate a goal of September 2011 for completing the movement of agencies to the common systems.

Grantees Report That, Despite Federal Efforts to Streamline, Excessive Administrative Burden Remains

While OMB and the federal agencies have various efforts under way at the federal level to streamline grant administration, grantees continue to identify areas in which the goals of P.L. 106-107 have not been met. Areas grantees identified include the lack of standard forms and systems across agencies, federal processes that do not take into account the manner in which grantees conduct their grant administration, and technological aspects of the changes that have presented problems for grantees.

Lack of Standardization in Applying for and Managing Grants

Grantees continue to express frustration with having to work with varying systems to apply for and report on the use of grant funds, to respond to different administrative requirements, and to use different payment systems. They voiced objections to policies and procedures that differ by agency, as the differences necessitate that grantees become familiar with different application and reporting requirements. (App. II summarizes specific areas grantees identified as needing standardization and streamlining through the grant life cycle.)

Multiple Application, Reporting, and Payment Systems Remain

Grantees commented that they continue to need to be familiar with multiple electronic systems and paper processes of different agencies to apply for grants. As federal agencies transition to using Grants.gov for their application process, grantees find themselves submitting applications by mail, through existing agency systems, and through Grants.gov. For example, officials from one research institution told us that they had recently submitted applications through Grants.gov, other federal agency Web-based systems, and by mail. A few grantees mentioned that they had to mail in parts of the application in addition to submitting parts online for some agencies. Some grantees expressed a preference to be able to continue to use particular existing agency systems because they were familiar with these systems and they found useful some of the options that they provided, such as tracking the status of applications.

Along with agencies' varying application processes, grantees described varying agency procedures required to submit financial and progress reports. When the cross-agency work groups sought public comments in 2001, several grantees raised issues such as the need to develop uniform reporting requirements, formats, guidelines, and submission frequencies, and the need to obtain and submit reports online. Grantees we visited said that the frequency with which progress and financial reports were required varied across programs, making it difficult to keep track of when reports were due. Progress reports are sometimes required quarterly,

semiannually, or annually. Due dates for quarterly financial reports also varied; grantees reported that financial reports are due as few as 30 days and as long as 90 days after the end of the quarter.

Grantees provided several examples of administrative requirements that vary across grants and the resulting challenges. An official from one nonprofit group we met with, which receives seven separate grants all related to serving one special population, said reporting was the most difficult part of managing federal grants for them. Reports require information in different ways, and this requires that intake information on their clients must be collected in different ways, such as by special age-grouping categories. Grantees also described different systems to submit reports. Some are submitted to agencies' online systems, while others are submitted via paper hardcopy. One system that grantees described required continual updating of activities as often as daily for the purpose of generating performance reports. A P.L. 106-107 cross-agency team representative explained that standard reports are being developed, but have not been implemented yet. Grantees receiving many federal grants also told us they would like to have the ability to track reporting deadlines and submissions online. This capability for grant administrators to conduct online tracking of when reports are due and which reports have been submitted to and received by the federal grantor agencies would decrease the confusion caused by various reporting schedules.

Some grantees we interviewed expressed a preference for a single grant management system on which multiple users could perform concurrent tasks and that would provide the data to conduct end-to-end management of grants throughout the grants' life cycle, unlike Grants.gov, which only handles the front end of the process (i.e., identifying and applying for grants). Several grantees told us they have had experience using such systems. However, without the capability for grantee staff to oversee the entire grant process on one system, grantees cannot easily monitor when program reports are due, whether these reports have been submitted and received, and whether payments have been made. Not having this end-to-end grant management capability makes it particularly challenging for central grant management staff at larger grantees to oversee the grant process across their organizations. P.L. 106-107 required the development of a common system, including electronic processes, through which a grantee can apply for, manage, and report on the use of funding. To date, such a system has not been developed across federal agencies. However, the Grants Management Line of Business initiative, if implemented as proposed in its business plan, could eventually result in reducing the number of different systems.

Several grantees identified the multiple payment systems that they must access to receive funds as a source of frustration. The existence of multiple payment systems was one of the areas of greatest concern by those grantees who commented on the initial plan, and grantees continue to identify the need to reduce the number of payment systems. The National Association of State Auditors, Comptrollers and Treasurers, commenting on this situation, explained that it has continued to cause problems for the states because of the continued use by some federal agencies of unreliable and antiquated systems. Some of these systems are paper-based or phone systems. Many grantees with whom we spoke described needing to understand several payment systems—as many as six different systems in one municipality. This creates problems as new employees need to be trained on multiple systems. Grantees we interviewed said they preferred some electronic systems more than others because of the ease of use and the ability to track balances and print reports. They also expressed concern that as systems were standardized, the grant management systems that they believe are the most functional will not be selected and used as the standard system.

In 1998, the Chief Financial Officers Council designated two payment systems for use by federal civilian grant-making agencies and designated a third payment system for use by the Department of Defense.[9] As of November 2005, 16 civilian agencies have migrated to one of the civilian payment systems, but agencies still continued to operate nine different systems. As of May 2006, the Grants Policy Committee's Post-Award Work Group was seeking information on agencies' current payment systems and their plans for these systems in the future. Officials from neither the work group nor the Grants Management Line of Business team could provide us with information on payment systems that would be used under the Line of Business consortia approach. They said these details had not yet been decided.

Lack of Standard Definitions and Formats for Grant Documents

Grantees reported that they see differences across agencies in policies, and the requirements and forms resulting from those policies. Grantees reported that standard definitions do not exist for some terms, and as a result, grantees must track and report expenses in different ways. For example, expenses such as particular employee-related costs are

[9]The two civilian systems are the Automated Standard Applications for Payment System, operated by the Department of the Treasury's Financial Management Service, and the Payment Management System, operated by the Department of Health and Human Services.

categorized differently across agencies, which requires recalculating expenses into new categories, a time-consuming step.

Grantees said that the lengthy and differing terms and conditions that are part of the award agreements are difficult to grasp. They generally said standard terms and conditions would be very helpful in identifying significant differences between requirements of different agencies. As of March 2006, the Grants Policy Committee's Pre-Award Work Group was drafting a standard award notice and standard terms and conditions. It would include a standard section, but would also identify award-specific terms and conditions, including points related to the program and to the specific grantee, if needed. After the draft is complete, it will be reviewed by the Grants Policy Committee, reviewed by the agencies, sent to OMB for approval, and published in the Federal Register for a period of public comment. The goal for publication is early 2007.

Grantees reported that for each grant awarded, they are required to review and sign a set of multiple certifications and assurances forms, though these forms do not vary widely from grant to grant, even across agencies. These forms attest that the policies and procedures of a grantee organization are in accordance with federal requirements. Grantees are typically asked to avow that they will not use funds for lobbying purposes and that they will provide a drug-free workplace, among other assurances. Grantees noted that these types of policies are unlikely to change frequently, and that it seems unnecessary to reconfirm their adherence to them on a continual basis. Nevertheless, grantees receiving many federal grants must get essentially the same forms signed many times by executive level managers and submit these forms to agencies, a process they say is duplicative and time-consuming. In addition, frequently, certifications and assurances require original signatures, and must be submitted in hardcopy, even at times when the application is submitted electronically, adding additional burden. Grantees suggested that there should be a mechanism to submit any required certifications and assurances annually, in a format which is accessible and accepted governmentwide. This would relieve them of this additional burden and reduce the amount of paperwork required.

Grantees Identified Areas Where Administrative Inefficiencies Continue to Exist

In addition to the lack of standardization in procedures and systems across agencies, grantees mentioned other areas where inefficiencies in grant administration and excess administrative burden on grantees exist. These included not aligning federal grant processes with typical grantees' business processes, inadequate advance information on potential grant

availability, and unexplained delays in grant awards. OMB officials with whom we discussed these issues were generally unaware of them but acknowledged that further investigation might be warranted into how to best alleviate the problems.

Federal Processes Not Aligned with Grantee Business Processes

Federal grant administrative systems, particularly those being developed under streamlining initiatives, do not always seem to take into account the manner in which grantee organizations conduct the business of grant administration. For example, grantees told us that federal agencies generally only send award notifications to one person in the organization, frequently at the executive level (for example, the mayor of a city), although several contacts are listed in the application. By sending the notification by paper or e-mail to a single contact who is authorized to sign off on grant applications for the organization but is not directly involved with applying for the grant, federal agencies might inadvertently leave the grantee's program manager and financial staff out of the communication chain. It can take some time for organizations to filter the information through, and grantees said that notifications were frequently lost in their organizations. For instance, if a letter or e-mail is sent to the mayor of a city, it could be some time before that information is reviewed and passed along to the appropriate person. Grantees would prefer that notifications go to multiple people in the organization.

Additionally, grantees told us when they receive a bank wire transfer report from their bank indicating that a payment has been credited to their account, they sometimes cannot identify the grant program for which it is providing funds because the bank report does not provide helpful information. When funds from federal agencies are deposited, grantee financial staff are notified of a deposit to the grantee's account, which is notated with coding on a wire transfer report. Grantees explained that these codes are complicated alphanumeric sequences which have little or no information about which grant or program the money is for. The grantee accountants may be unaware that the funds are coming, sometimes because grantee program staff have drawn down funds and have not notified them and sometimes because the deposit was not expected. Financial staff said that even if they are aware of the request, they match transactions primarily by dollar amount because the codes are difficult to decipher. Grantees said that it would be helpful to have more information, such as a payment transaction number or Catalogue of

Federal Domestic Assistance number, on the wire transfer report.[10] However, if that is not possible, they suggested that some type of notice from the agency describing the deposit made would be helpful.

Inadequate Advance Information on Potential Grant Availability

Grantees reported to us that they generally do not have adequate time between when federal agencies post grant opportunity announcements and application deadlines to adequately develop application documentation and obtain the necessary internal approvals. They explained that, in an environment of increasing reliance and emphasis on partnerships in grant project management, grantees have difficulty developing a well-conceived project plan, lining up partnerships, and getting through the necessary internal approval processes in the period normally allotted. They said that they sometimes have insufficient time to obtain approvals from internal authorities such as city councils and county boards, who meet infrequently, yet such approvals are often required by local officials before submitting applications. If lengthening the application period is not feasible for a given grant or program, one grantee suggested that federal agencies provide better forecasting of opportunities they expect to be available, funds permitting. This would allow grantees to begin developing projects well in advance. Some agencies, such as the Department of Education, already provide forecasts on their Web sites of funding opportunities.[11]

Grantees also stated that it is difficult from the multitude of grant opportunities available to readily identify those for which they are most competitive. Grantees noted that there is inadequate information in opportunity announcements for them to make a fully-informed assessment of the appropriateness of their project for the grant program. They said that the eligibility requirements do not always make it clear whether their organization is likely to be considered. Grantees said that the program may be designed for a specific type of organization in mind, such as a particular level of government, and that more information about these would allow them to make better decisions about whether or not to apply. To improve their ability to parse through announcements, grantees said it would be helpful to have information about previously successful applications, which could include a list of awardees or project abstracts. This would

[10]The Catalogue of Federal Domestic Assistance is a governmentwide compendium of federal programs, projects, services, and activities that provide assistance or benefits to the American public.

[11]http://www.ed.gov/fund/grant/find/edlite-forecast.html (downloaded June 1, 2006).

allow grantees to make better decisions about whether or not the project they have in mind is in line with the federal agencies' expectations for that grant opportunity.

Delays and Uncertainties in Grant Award Process

Grantees said delayed grant awards and uncertainty about award time frames create significant burden on them and limit their ability to plan for and efficiently execute funded grant programs. Grantees noted that they often have no way to check on the status of their applications after they are submitted. Further, they often receive award notifications significantly later than they had anticipated, sometimes months after the expected award date provided in the opportunity announcement. These uncertainties and delays cause significant problems in planning for and executing grant projects. Some grantees experience problems related to the seasonal nature of their work, and delayed awards could mean that the project must be delayed a full year before beginning in certain fields such as environmental research. Additionally, grantees noted prolonged uncertainty makes it difficult to maintain partnerships with other organizations and that they may need to quickly find another partner once the grant has been awarded. Grantees suggested that agencies should award grants in a more timely way or provide more precise information on when an award could be expected.

Technology Issues Have Reduced the Benefits of Some Initiatives

Grantees with whom we spoke expressed concerns about difficulty using features of the Grants.gov site, the key effort completed so far in response to P.L. 106-107. Of those who were aware of Grants.gov's find capability, several told us it was not helpful in identifying appropriate grant opportunities for them. Grantees also expressed frustration with technological issues related to the apply capability of Grants.gov, including steps required to register before a user can submit an application.

Grants.gov Find Capability

Although Grants.gov's find capability was designed to provide information on federal grant-funding opportunities at a single Web site, several grantees told us that it has not provided a better alternative to traditional methods of finding federal grant opportunities. Some grantee officials were unaware of Grants.gov's ability to help identify grant opportunities. The site enables potential applicants to search for grant opportunities by several characteristics, such as the type of activity funded and the agency providing funds. Grants.gov can also notify potential applicants by e-mail of new opportunities that meet certain parameters the potential applicants have preidentified.

During our visits with grantees in the fall of 2005, we heard several comments that the keyword search did not work correctly and returned irrelevant grants, resulting in some grantees deciding that such searches were too time-consuming and generally unproductive. Some also said that grant opportunities they knew were open were not included in results when searching for relevant key words. They preferred using other approaches to identifying grant opportunities, such as using paid subscriptions to grant-finding services and searching individual agencies' Web sites as they have in the past.

Grants.gov Program Management Office officials told us in early December 2005 that the search engine had not been working properly, and that an update planned for later that month would address issues that had created problems for users. They reported to agency stakeholders in early 2006 that the search engine had been modified and improved. However, our interviews with selected grantees raised the issue that some grantees may have already dismissed the Grants.gov find keyword search function as a useful tool and abandoned this approach to identifying relevant funding opportunities. We also reviewed results of Grants.gov's online survey presented to a random sampling of site visitors and found that the responses indicated users' views have not improved markedly since the December 2005 change. Moreover, a question posed on the survey after the update asking about the search format enhancements showed mixed results.[12]

Grants.gov Apply Capability

The technological solutions chosen for Grants.gov's capability to apply online for grant opportunities at federal grant-making agencies—the apply capability—has also caused problems for grantees. Grantees cited many examples to us of the system not being functional enough and easy to use.

[12]The survey asked respondents to rate Grants.gov on a variety of Web site characteristics such as content, navigation, and functionality. Our analysis covered the period from June 2005, when the survey administered by the current contractor was initiated, through early March 2006. We examined the responses to online survey questions asking Grants.gov visitors to rate on a scale from 1 ("poor") to 10 ("excellent") such things as the usefulness and organization of search results, how they are presented, and the capability to narrow the results to find the desired information. The average respondent ratings, although falling between 6 and 7 on the scale, showed no significant positive shift upward subsequent to the December search engine updates. Regarding the question posed after the update on search format enhancements, 20 percent of the grantee respondents indicated that it was "better," another 21 percent said it was "on par," 12 percent said "worse" and the rest chose the "didn't notice" (29 percent) or "didn't use search" (16 percent) response categories. (Figures do not total 100 percent due to rounding and a small number of respondents not answering this item. See app. I for detail on our analysis of these data.)

Some complained of slow performance on the system, particularly at peak usage times. Some complained of the system being shut down. A few expressed a desire to have the capability to test the apply function before they were actually ready to submit, given the pressure experienced just prior to deadlines. Others expressed frustration that existing systems for agencies that incorporated all aspects of grant management from the application to closeout phases were not used instead of the newly-developed Grants.gov system, which could only address identifying and applying for grants.

The Grants.gov officials have worked at addressing some of these problems. They said they had, for example, upgraded hardware and increased capacity for peak application periods as agencies continue to increase the number of grant opportunities requiring that applications be submitted through Grants.gov. According to the Grants.gov officials, future plans also include improving the Web site to provide the capability for users to practice applying for grants and test options. Grants.gov users who responded to the online survey questions related to the apply function gave generally neutral responses. Grantee survey respondents did show a greater degree of endorsement to the question of how likely it was that they would use Grants.gov to submit an application.[13]

One issue that some grantees raised was that Grants.gov's apply feature requires the use of software that works only on the Windows operating system. For example, research institutions that use Macintosh computers cannot use this software to submit applications on Grants.gov. Grants.gov officials report that as of June 2006 more than 20 organizations had the capability to use a system-to-system approach that directly links Grants.gov to their own internal computer system. However, this requires significant programming and financial investment to use. In addition, in December 2005, Grants.gov instituted a temporary solution to allow users of Macintosh systems to complete and submit applications using the electronic forms software. Grants.gov officials anticipate that a final solution will be available in November 2006.

[13]When asked to rate the grant application process on a scale from 1 ("very difficult") to10 ("very easy"), the average rating by grantee respondents over the period we analyzed was 5.69, which suggests a generally neutral position with regard to the ease or difficulty of the application process. On the question of how likely it was that they would use Grants.gov to submit an application, with a scale from 1 ("not very likely") to 10 ("very likely"), the average rating was 7.63. On both items, however, the average rating after the December upgrades were implemented showed no significant improvement over the average rating prior to the upgrades.

One particularly difficult problem for grantees using the apply feature has been the initial registration process. Grantees experienced difficulties with registering through the Central Contractor Registration—a requirement to use Grants.gov—as well as the time it takes to complete the process. They stated that the registration process was complicated and difficult. Much of the confusion has centered on the use of Data Universal Numbering System (DUNS) numbers, which are used to track grantees. States, as well as other grantees, sometimes have more than one DUNS number and stated that it is unclear which number should be used for the registration. Grantees also stated that the process takes too long to complete. The Grants.gov online survey also asked site visitors to rate both the clarity of instructions for registering and the ease of registering. No significant positive shifts in the average ratings to these items were observed after the Web site was upgraded in December 2005.[14]

Grantees Report That Inadequate Communication and Lack of a Clear Schedule Have Resulted in Slow Progress

Grantees we interviewed were concerned that, while the three cross-agency grants management reform initiatives related to P.L. 106-107 are moving forward, progress to date has been inadequate. Grantees identified two specific areas where the management of P.L. 106-107 initiatives contributed to the lack of progress: (1) inadequate ongoing communication with grantees; and (2) insufficient information on the timing and objectives of proposed changes, including a lack of clarity on the responsibility for decisions involving both policy and technology issues.

Inadequate Communication with the Grantee Community

According to some grantees and grantee associations, insufficient ongoing communication with the grantee community has resulted in poor implementation and prioritization of initiatives and has limited grantees' use and understanding of new functionality of electronic systems. P.L. 106-107 required that lead officials consult with representatives of nonfederal entities during the development and implementation of the P.L. 106-107 initial plan. In 2005, we recommended to OMB that cross-agency work

[14]The Grants.gov online survey asked visitors to rate both the clarity of instructions for registering and the ease of registering on a scale from 1 ("poor") to 10 ("excellent"). The average rating provided by grantee responders placed both items in the interval of 6 to 7 with no significant shifts in these average ratings after the Web site was upgraded in December 2005.

groups solicit grantee input and provide coordination with grantees on an ongoing basis.[15] However, there has not been extensive communication with all types of grantees on policy and technology development. For example, one of the work groups told us that they obtained feedback from grantees on a potential product during its development, but this has not occurred on a wide scale.

Our discussions with grantees about P.L. 106-107 initiatives that have been implemented indicate that insufficient communication with the diverse grantee community has hampered effective and efficient implementation of the act, especially in the case of the technology implemented. As discussed earlier, grantees experienced problems stemming from policies and technologies that are inconsistent with grantees' business practices and these have caused inefficiencies in their administration of grants. These issues may have been addressed, or addressed sooner, if greater communication, before implementation, existed between grantees and the cross-agency work groups. For example, we found that some grantees could not efficiently use the software needed to apply for grants on Grants.gov as intended because internal information technology policies limit their use and transfer of certain files or programs throughout the organization.

The Grants.gov staff felt that the needs of rural users merited the use of an application that could be completed offline, rather than using a system that involves completing forms while online, to reduce the time spent online completing the application. They also stated that using online fillable forms would require a greater investment in hardware to store applications that were not complete and also maintain system performance. However, some grantees we spoke with stated that it takes a long time to submit applications to Grants.gov and they have experienced problems with submission due to large file sizes. They stated that they prefer completing forms online and that it would be easier for them to submit applications using that method.

In addition, the lack of communication between the work groups and the whole grantee community may have prevented the work groups from focusing on initiatives that grantees found important. Grantees we spoke with stated that there was a need to address postaward administration in addition to addressing the find and apply phases that are completed on

[15] GAO-05-335.

Grants.gov. P.L. 106-107 requires a common electronic system that grantees can use to apply for, manage, and report on federal financial assistance. However, according to a coleader of the Grants Management Line of Business initiative, no single common system exists for grantees to report on grants from multiple agencies. That initiative should eventually meet the need for a common system, but not by the law's sunset date. Had grantees been consulted about their priority of needs, greater emphasis may have been placed on implementing this initiative.

In some cases the lack of communication with grantees has limited their ability to use and understand new technology implemented under P.L. 106-107. Some grantees stated that they had not heard of Grants.gov, though they expressed some interest when we discussed it with them. Some grantees also expressed concern about the lack of training they received on the use of electronic systems, either Grants.gov or other agency electronic systems used for grants management. Those that did use Grants.gov expressed some serious concerns about its functionality as well. For example, as discussed previously, many stated that the Grants.gov keyword search did not yield grants that were relevant to the search words. Some of these issues may have been resolved more quickly if communication with grantees had been greater.

The lack of adequate communication between the federal government and state grantees particularly affects progress in streamlining grant administration because of the dual role that states play. States both receive federal grants and provide grants to other levels of government and nonprofit agencies, including some federal funds that pass through the state. Subrecipients of federal grants must follow procedures established by both federal agencies and state agencies, all of which can differ. States must implement federal changes in their own state grant awards as required by the federal agencies. In addition, federal efforts to reduce administrative burden on grantees may also stimulate corresponding state actions to examine requirements added by states. Some states are already taking actions (discussed in more detail in app. III) that may reduce administrative burdens on recipients of state grant awards. For example, states we visited had initiated their own grant process management reforms, including

- establishing central policies and procedures that provide consistency across all state agencies awarding funds to local governments and nonprofit agencies;
- establishing central state grants management offices that can provide mechanisms for statewide oversight of grants management; and

- developing new streamlined and standardized grants management systems that are similar in intent to the federal Grants.gov system.

The research community has established avenues of communication with relevant federal agencies through the Federal Demonstration Partnership, a cooperative initiative of 10 agencies and over 90 research institutions that encourages streamlining the administration of federally-sponsored research. The research community has used the Federal Demonstration Partnership to provide input on the implementation of P.L. 106-107. This initiative, however, only encompasses the research community. State and local governments, tribal governments, and nonprofit organizations have had only limited success in organizing their efforts to share their views with federal streamlining initiatives in an ongoing and continual manner.

The National Grants Partnership, an organization that brings together both government and nongovernment individuals with an interest in improving grants administration, believes it can serve as a similar avenue of communication with the cross-agency work groups. The National Grants Partnership's membership includes individuals from state, local, and tribal governments; federal agencies; nonprofits; and associations that represent particular sectors of the grant community. National Grants Partnership representatives told us that they have not been able to have significant interaction with the cross-agency initiatives before they are published in the Federal Register to obtain comments from the public. They feel that, at that point, they can have little influence. They believe to better represent the grantee community it is necessary to have greater communication with the cross-agency work groups on streamlining issues before proposals are published in the Federal Register for comment.

Although no concrete plans had been made as of March 2006, the Grants Policy Committee has recognized the need for grantee feedback and discussed how to obtain it. Committee members told us that they may hold meetings in multiple geographical locations with specific topics for discussion. The National Grants Partnership representatives told us they would like to be consulted on how the Grants Policy Committee plans to conduct these meetings to ensure that their members' views are expressed on a wide variety of issues. As of January 2006, the Grants Management Line of Business, which is currently in development, had not solicited states' or other grantees' feedback on capabilities that they would like to see used by the consortia service centers.

Grantees Are Unsure of Plans and Time Lines

Plans and time lines for the P.L. 106-107 initiatives have not all been provided to grantees, leaving grantees unsure of what changes will be made and when. The initial cross-agency plan for implementing the act included some short-term time lines, but these were not explicitly updated in later governmentwide annual reports to Congress and OMB, which describe the cross-agency work groups' progress and update their initial plan. Similarly, most of the federal grant-making agency annual reports to Congress, which describe the progress of each agency, do not contain goals and time lines. These annual reports have listed any upcoming activities as "future plans" but have not provided time frames for completion. The lack of a publicly available schedule reduces both the individual agency and the cross-agency initiatives' accountability for making progress. In 2005, we recommended that OMB ensure that agency annual progress reports to Congress and OMB on implementation of P.L. 106-107 are prepared and contain information on their progress towards goals. However, 12 of the 26 annual reports for the period ending May 2005 were not finalized and posted on the Web site for the public until after March 28, 2006. In the same report, we also stated that the lack of clear goals and time lines for cross-agency work groups to complete tasks and for agencies to implement systems undoubtedly has contributed to the lack of progress in implementing these proposals. An OMB official told us that it has been challenging to develop a comprehensive schedule but they do have individual schedules for various initiatives coordinated through the Grants Executive Board.

In some cases for which project time lines were provided, the goals set for the cross-agency initiatives are not being met or extend beyond P.L. 106-107's sunset date. For example, the goal of reducing payment systems was not achieved by the Chief Financial Officers Council's deadline and a workgroup chairman said that not all agencies will be using these systems before November 2007. As mentioned previously, the Grants Management Line of Business initiative plans for the consortia service centers indicate that all agencies will not complete migration to the centers until 2011. As of May 2006, the lead agencies were reaching out to other grant-making agencies to discuss an approach and time line for consortia partnering. While this may be an appropriate time line for implementing these complicated electronic systems, it appears the lack of early attention placed on this initiative will prevent its completion by the law's 2007 sunset date. In addition, the milestones that the Grants Policy Committee provided to us in March 2006 indicate that some tasks may not be completed by the act's sunset date.

Conclusions

When Congress passed P.L. 106-107 in 1999, it was concerned that federal grant administration requirements could be duplicative, burdensome, and conflicting, and that this prevents the cost-effective delivery of services at the local level. Since then, individuals from many agencies have begun to work together to meet the act's goals of simplifying grant administration and improving the effectiveness of grants. They organized into work groups, proposed changes, and implemented some of them. Their job has not been a simple one; it involves reaching consensus and obtaining conformity among 26 agencies whose procedures have evolved independently to address varying program goals, agency systems, management styles, and individual initiatives over the years. Given the complexity of the P.L. 106-107 initiatives, it is vital to continue to integrate and coordinate their various components. However, despite all these efforts, estimates for completing these initiatives indicate that the goals of P.L. 106-107 will not be met by the act's sunset in November 2007. Because of this, grantees will continue to need to work with different systems that often have different processes and procedures.

Because additional work still needs to be done, it is important that the momentum established under P.L. 106-107 initiatives continues past the law's sunset and that agencies understand the importance of being active participants in the grants administration streamlining process. As a result of P.L. 106-107, agencies have begun to work together to develop common systems and processes. However, without the continued congressional oversight and accountability that the law brings, implementation of these initiatives may lose momentum when the act sunsets. As a result, opportunities to simplify grant administration for the grantee, and thus to deliver services more cost-effectively, could be missed.

As we spoke with grantees, it was apparent that closer involvement with all types of grantees as policies and technologies have been developed may have both reduced the negative effect on grantees from some technological changes and could have identified other areas that are critical to grantees. The cross-agency teams are just beginning to establish a mechanism to get grantees' views through forums held across the nation. Grants.gov's ongoing systematic efforts to get system users' comments have helped keep it informed of grantees' concerns about its systems in place. However, it has no systematic way to get grantees' views as it develops and proposes changes. Plans to involve grantees as the newer Grants Management Line of Business initiative evolves have not yet been developed. It is particularly important that states, with large grant management systems of their own, be able to have input into, and knowledge of, potential changes at the federal level. If grantees remain

isolated from the development of systems and policies that they will use or be affected by daily, the system and policies will remain ineffective and require more resources to use. As a result, grantees will direct resources from implementing programs to completing administrative duties.

In our previous report, we recommended several areas in which OMB should take action to augment progress toward meeting the goals of P.L. 106-107.[16] Action is still needed to ensure that adequate progress is made on streamlining grant administration. For example,

- clear goals with time lines for all the initiatives have not been set;
- efforts toward common grant-reporting systems are moving slowly;
- although most agencies have submitted their 2005 annual progress reports, many were not finalized and posted on the Web site until after March 2006; and
- grantees do not seem to be having adequate input early in the development of solutions.

It appears that without additional oversight, P.L. 106-107's goals are not likely to be met in the short term.

Matter for Congressional Consideration

Given that the goals in P.L. 106-107 are not likely to be met by the sunset date of November 2007, Congress should consider reauthorizing the law to make certain that federal agencies have clear requirements to continue these efforts and the momentum for progress in streamlining grant administration continues. As part of the reauthorization process, Congress should consider ensuring that agencies and cross-agency teams are setting goals and making progress toward P.L. 106-107's objectives.

Recommendation for Executive Action

OMB should ensure that the Grants Executive Board and the Grants Policy Committee identify and implement approaches to obtaining grantees' input as policies and procedures are being developed by these lead groups.

Agency Comments and Our Evaluation

We provided a draft of this report to OMB for comment. OMB responded in an e-mail that it will continue working with agencies to streamline grants administration and to make further progress toward achieving the

[16] GAO-05-335, 27.

P.L. 106-107 goals. OMB added that it will also continue to seek input from the grant community, such as at regular stakeholder meetings, webcasts, and other methods as policies are developed.

We are sending copies of this report to the Director of OMB. We will also make copies available to others on request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you have any questions about this report, please contact me at (202) 512-6520. I can also be reached by e-mail at czerwinskis@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

Stanley J. Czerwinski
Director
Strategic Issues

Appendix I: Detailed Scope and Methodology

To address our objectives, we reviewed P.L. 106-107 to identify requirements and criteria for evaluating the effectiveness of grant administration reform efforts. We also reviewed (1) the initial plan developed by teams with representation from grant-making agencies across the federal government in 2001 and its annual updates and (2) the individual agency progress reports on P.L. 106-107-related activities for 2005. We interviewed officials from OMB and from the various initiatives that are addressing P.L. 106-107 requirements—the Grants.gov Program Management Office, the Grants Management Line of Business leaders, and leadership from the Grants Policy Committee and its cross-agency teams. These officials updated us on the status of their initiatives.

To obtain information on grantees' views on the streamlining that has occurred and additional efforts that they believe should be done, we used several approaches. We reviewed testimony related to deliberation of streamlining legislation. We also analyzed comments submitted by grantees on the initial plan. We interviewed representatives from several associations representing various sectors of grantees, such as states, counties, small municipalities, tribal governments, universities, and nonprofit organizations. We obtained information from them on their constituents' concerns regarding grant administration and the P.L. 106-107 initiatives, and on states that were undertaking grant management reforms of their own.

To obtain a better understanding of how grantees implement grants from multiple sources, and how they are affected by grant administration initiatives (including those responding to P.L. 106-107), we purposefully selected a set of grantees who received federal funds from three or more different federal agencies. Our objective in selecting grantees was to obtain a diverse mix of grant recipients from grantee communities of different sizes[1] and geographical areas of the United States. We used the Single Audit data for 2003, which included recipients of federal assistance who received more than $300,000 in that year, to develop a list of potential grantees from which to select.[2] In addition, when determining which states

[1]For governmental entities, we categorized size by their population. For nongovernmental entities, we categorized size by the amount of their federal funds received as reported in Single Audit data.

[2]Nonfederal entities that expend $500,000 or more ($300,000 or more in 2003) of federal awards in a year are required to obtain an annual audit. The Federal Audit Clearinghouse maintains data reported in the audit reports on federal funds received. We used this data to guide in selecting grantees for our visits.

to select, we focused on those states that had projects underway or implemented to improve their grant management and potentially reduce administrative burden on their grantees. We contacted grantee candidates who fit our selection criteria to learn more about their operations and their willingness to participate in our review.

We then selected 17 grantees—4 state governments, 3 tribal governments, 2 county governments, 3 municipal governments, 2 nonprofit organizations, 2 higher education institutions, and a nonacademic research institution. Table 1 shows the mix of nonstate grantees selected by size and geographical area.

Table 1: Description of Nonstate Grantees from Site Visits

Grantee community	Organization size			U.S. geographic area		
	Small	Medium	Large	East	Central	West
City/town	X			X		
		X			X	
			X			X
County	X					X
			X		X	
Nonprofit (nonacademic)	X			X		
			X	X		
Tribal	X					X
		X			X	
			X			X
College/university	X				X	
			X	X		
Other research institution		X		X		
Category totals	**5**	**3**	**5**	**5**	**4**	**4**

Source: GAO.

We visited each grantee and interviewed staff involved in grant administration. At the grantees, we met with individuals who prepared grant applications, financial and performance reports, and requests for payment. These included program, financial, and grant management staff. We obtained descriptions of their processes to administer grants, including the following steps:

- identifying relevant grant opportunities, including using Grants.gov's find capability;
- applying for grants, including using Grants.gov's apply capability and specific electronic application processes;
- being notified of grant awards;
- reviewing agencies' grant award documents and submitting necessary grant acceptance documents to agencies;
- submitting progress and financial reports;
- requesting payments;
- preparing for and undergoing the annual Single Audit to meet OMB's A-133 circular requirements; and
- closing out grant awards.

In addition to their procedures, we discussed the effect of streamlining initiatives that have been implemented and are planned, as well as other aspects of grant administration where grantees would like to see improvements. While the views obtained from these grantees are not generalizable to the grantee community at large or grantees with multiple funding sources, their views do encompass the range of concerns that grantees obtaining funds from multiple sources have with regard to standardizing and streamlining the process and are generally in accord with the information obtained from other sources such as association representatives.

To further examine grantee perspectives with regard to Grants.gov, we also obtained and analyzed response data to an online survey which was presented to a random sample of those viewing Grants.gov Web pages during the period from June 2005 to early March 2006. The survey contained items designed to obtain site visitors' views and satisfaction with different elements of the Web site, such as navigation, functionality, and quality of content. This period encompasses the time in December 2005 when updates to the site's functionality were performed. The timing of the presentation of the survey was designed to ensure that visitors receiving the survey varied in the number of Grants.gov Web pages they had viewed before the survey appeared.

In order to examine the responses of visitors who were similar to those in the grantee communities we visited, we restricted our analyses to only those surveys where the respondents indicated on the survey that they

were from the grant community with a specific sector affiliation.[3] In all, there were 6,432 surveys included in our analyses. The response rate for the online survey (i.e., the proportion of visitors who completed the survey relative to the total number of times it was presented to visitors) generally ranged from 7 to 9 percent on average over the time period we examined. We compared the average ratings of survey respondents on selected survey items before and after the changes to the site in December 2005 to assess whether there had been any significant[4] shifts in users' views of the site. These survey respondents constitute a self-selected group whose grantee status is unverified. While their responses are sufficiently reliable for use as a supplemental source of information concerning grantee views of the Grants.gov Web site, they cannot be generalized to all those who were presented with the survey, all visitors to Grants.gov, or the grantee community at large.

[3]The respondents included in our analyses chose one of the following as the organization they represented: city government, county government, state government, tribal organization, research institution (nonacademic), academic institution (such as a college or university), faith-based organization, nonprofit organization, public housing authority, or for profit organization. We did not include respondents who chose the "other" category or who indicated that they were representing themselves.

[4]p-value $\leq$ .05.

Appendix II: Examples of Specific Areas Grantees Identified As Needing Standardization and Streamlining

Grant phase	Area identified as needing standardization or streamlining
Find	Need advance information on grant opportunities to allow more time to prepare application.
	Current grant finding tools do not filter out irrelevant grants well.
	Access to information on previous awardees and past accepted abstracts would be helpful.
	Eligibility requirements are unclear in the grant announcement.
Apply	Registration process on Grants.gov is difficult and time-consuming.
	Application time lines are too short and do not give the grantee enough time to adequately establish partnerships and get applications internally approved.
	Applications are not completely electronic; some still submitted in paper copy.
	Unclear which Data Universal Numbering System (DUNS) number to use if the institution has multiple DUNS numbers.
	Application forms are not standardized across agencies.
Notification of grant award	Late or delayed award notifications create more work for grantees, and cause problems with implementing the program and setting up the budget.
	Would like information on rejections as soon as possible.
	No ability to check the status of applications online.
	Would like to receive application comments and review if rejected to better prepare future applications.
	Would like standard definitions for materials within award documents.
	There are substantial differences in the terms and conditions for different grants and they should be standardized.
	Certifications and assurances are required to be submitted too frequently. Grantees would prefer to submit once per year since these forms are generally the same.
Payment	There are multiple payment systems used by the various grant-making federal agencies.
	Prefer electronic systems with payment tracking abilities.
	Wire transfers are difficult to identify because they contain complicated transaction codes that do not relate to the grant.
Reporting	Report and budget definitions differ from agency to agency making it difficult to create budgets and reports.
	Some agencies do not have an ability to track the status of reports. This includes the ability to see when they are due and if the agency has accepted the report.
	Report forms, formats, and instructions differ substantially from agency to agency, which causes confusion to grantees.

Source: GAO data.

Appendix III: Some States Have Taken Actions That Address Their Grant Administration Issues

In addition to identifying federal grant-making agencies' processes that can be administratively burdensome, the nonstate grantees we interviewed identified many of the same issues related to the state agencies that provide them with federal funds through state grants. A significant amount of federal grant funds is passed through the states to nonprofits and other levels of government. Similar to the federal government, states' different agencies can have different procedures and systems in use. For example, some have developed electronic systems while others continue to use paper processes.

Grantees mentioned several specific areas in which state agencies lacked consistency in their administrative requirements. For example, grantees said application and reporting forms sometimes varied. They pointed out the need to use different systems to submit reports for different state grants. Some programs are managed through online systems, but sophistication of the systems varies within a state. One grantee cited a state agency system that allowed the grantees to access, complete, and submit reports online, but not save the form, meaning that later changes required them to complete the whole form again. Another said it would be helpful to have the forms mirror federal forms as the federal forms are standardized. They also said that terms and conditions vary across state agencies; and a few grant coordinators pointed out the difficulty of ensuring that their various program departments are complying because of the variations in the administrative requirements laid out in the terms and conditions. Further, payments are sometimes requested online and sometimes with mailed-in requests. Some grantees also noted that their state takes considerably longer than federal agencies to send out payments, in fact, as long as 4 months.

Some states have established central policies and procedures that provide consistent grants management procedures across all state agencies awarding funds to local governments and nonprofit organizations. For example, Tennessee has a policy to streamline the reporting requirements for selected subrecipients of federal and state grant monies and to achieve cost savings to both subrecipients and state funding agencies.[1] Prior to this

[1]State of Tennessee, Department of Finance and Administration, Policy 03, "Uniform Reporting Requirements and Cost Allocation Plans for Subrecipients of Federal and State Grant Monies." (Nashville, Tennessee: December 1997) The policy applies to all private not-for-profit entities subject to accounting and financial reporting standards promulgated by the Financial Accounting Standards Board, and governmental not-for-profit entities that are subject to Governmental Accounting Standards Board standards.

policy, subrecipients were required to submit revenue, expenditure, and budget reports that were individualized and tailor-made to the needs of the various state agencies, causing subrecipients to prepare a variety of reports for each state agency to which it reported. In another example, Texas has established statewide Uniform Grant Management Standards. These standards were established to promote the efficient use of public funds by providing awarding agencies and grantees a standardized set of financial management procedures and definitions, by requiring consistency among state grantor agencies in their dealings with grantees, and by ensuring accountability for the expenditure of public funds. State agencies are required to adhere to these standards when administering grants and other financial assistance agreements with cities, counties, and other political subdivisions of the state.

Several states have also established or are considering central offices that can provide mechanisms for statewide oversight of grants management. The Director of the Governor's Grants Office in Maryland chairs a committee of state agency representatives from each cabinet agency that meets several times during the year to improve inter-agency grants management coordination and to help manage the work of the Grants Office. This committee met in early February 2006 to discuss effects on state grants management operations from filing electronic grant applications on Grants.gov. In 2005, the Grants Office and local officials also identified as problems with state awards grantee requirements for more information on amount of funding, award criteria, eligibility, match requirements, and contact information in state notices of funding availability; a lack of standardized terminology, forms, and processes on state application forms; and inconsistent communication of federal, state, and local legal requirements. Texas established a State Grants Team in the Office of the Governor that coordinates statewide discussions of grants management issues. Other states are exploring establishment of similar central grants management offices or committees. In 2005, the Maryland Governor's Grants Office said nine states have contacted it to obtain more information about the office.

Several states are also developing and implementing new streamlined and standardized grants management systems which are similar in intent to the electronic system required by P.L. 106-107. Michigan, for example, awarded a 3-year contract in October 2005 to build a statewide electronic grants management system which will streamline all phases of the process from notification of the state grant opportunity, application for state grants, processing of these applications, managing resulting grant awards, and closing out grants. The system will provide a portal that provides a

single source for grant posting and grant searching across all state agencies and comprehensive information about all phases of the grants process. Applicants will be able to obtain information about the eligibility requirements of a grant, apply online, and check the status of their application. State staff will be able to manage the grant process electronically.

Texas has also begun development of a Grants.gov type project. The state legislature directed in 2005 that the Department of Information Resources, in cooperation with the Office of the Governor's State Grants Team, develop an electronic system for state agency grants. Objectives of the project include (1) providing a single location for state agencies to post electronic summaries of state grant assistance opportunities with the state agencies; (2) enabling a person to search for state grant assistance programs provided by state agencies; (3) allowing, when feasible, electronic submission of state grant assistance applications; and (4) improving the effectiveness and performance of state grant assistance programs. Texas anticipates the project will streamline and simplify state grant assistance application and reporting processes through standard data elements and a common application form. A state official said the project database will include information on federal, state, and private funding opportunities.

Appendix IV: GAO Contact and Staff Acknowledgments

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