



**STATEMENT OF
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**BEFORE THE
OVERSIGHT AND GOVERNMENT REFORM
COMMITTEE
SUBCOMMITTEE ON INTERGOVERNMENT AFFAIRS,
UNITED STATES
HOUSE OF REPRESENTATIVES**

JULY 25, 2018

Chairman Palmer, Ranking Member Fox, and Members of the Subcommittee, thank you for this opportunity to appear before you to discuss the Department of Health and Human Services' (HHS) grants policies and practices; and, in particular, the standardization and transparency of grant reporting, HHS' role in the President's Management Agenda Cross-Agency Priority (CAP) 8 goal, Results-Oriented Accountability for Grants; and the HHS results of grant closeouts and undisbursed balances as pertaining to the Grants Oversight and New Efficiency (GONE) Act. As the Deputy Assistant Secretary for HHS' Grants and Acquisition Policy and Accountability, I serve as the Department's lead executive responsible for the management, administration and oversight of the HHS grants and acquisition programs. I supervise the Department's Senior Grants Policy officials; and I also oversee and support eleven grants management offices within HHS.

HHS Office of Grants and Acquisition Policy and Accountability

My office, which is known as the Office of Grants and Acquisition Policy and Accountability, or OGAPA, provides Department-wide leadership in the areas of grants and acquisition management through policy development, performance measurement, oversight, and workforce training and development. HHS is the Federal government's largest grant-making organization awarding approximately \$500 billion annually. OGAPA is actively involved in Government-wide governance bodies involving grant management priorities, policies, and systems; such as the Financial Assistance Committee on E-Gov (FACE) and the Office of Management and Budget's (OMB), Office of Science, Technology, and Policy (OSTP), Research Business Models (RBM) Working Group; and the President's Management Agenda CAP 8 Goal working group. OGAPA also represents the Department in coordinating with the Office of Management and Budget, the Government Accountability Office (GAO), Congress, and other Federal agencies in the area of grants and acquisition policies and management.

Scope of HHS' Grants Programs

In fiscal year 2017, HHS' grants management offices awarded approximately \$500 billion in grants. HHS' mission is to enhance the health and well-being of Americans by providing for effective health and human services and by fostering sound, sustained advances in the sciences underlying medicine, public health, and social services. HHS accomplishes its mission through more than three hundred programs and initiatives that cover a wide spectrum of activities, serving the American public at every stage of life and ranging from researching life-saving new cancer therapies to supporting substance abuse grantees in providing prevention and treatment for the opioid crisis.

HHS ReImagine Initiative - Standardizing Grant Reporting and Transparency

Last year, HHS kicked off the *ReImagine HHS* transformation, which was prompted by OMB Memorandum M-17-22 and directed all Cabinet-level agencies to become more effective, efficient, and accountable. HHS has taken this as an opportunity to re-examine and improve how we deliver on our mission. Grants management was identified as one of ten priority initiatives under *ReImagine HHS*, and ReInvent Grants Management (RGM) was formed to identify and implement improvements to the grants management processes at HHS. HHS plans to improve or "reinvent" the grant Notice of Award, the Federal Financial Report, Grants Management Training and Certification, and the grants management IT business systems. Further, HHS plans to standardize data elements, eliminate forms while creating structured data sets, and provide a

single sign-on capability for our public facing systems. HHS is also looking at the newest technology in Artificial Intelligence, Process Robotics, and Blockchain for re-inventing how we do grant business at HHS.

Summary of HHS' DATA Act and PMA Cap Goal 8 Activities

The Digital Accountability and Transparency Act of 2014 (DATA Act) expands the Federal Funding Accountability and Transparency Act of 2006 (FFATA) to increase accountability and transparency in federal spending, making federal expenditure information more accessible to the public. It directs the federal government to use government-wide data standards for developing and publishing reports and to make more information available on USAspending.gov.

HHS was pleased to lead the grants work done under section 5 of the DATA Act. We believe that the results of the test models within that pilot provide the foundational elements of focus for the standardization and streamlining of reporting, and an overall decrease in recipient burden related to compliance. The recommendations contained within the [Report to Congress: DATA Act Pilot Report](#) have created government-wide interest to foster a collaborative approach to achieving results in these areas, where HHS is taking an active role:

Recommendation #1: Continue to standardize data elements, conditions, and attributes to meet the statutory, regulatory and business needs of the various communities;

Recommendation #2: Eliminate unnecessary duplication in reporting by leveraging opportunities to use information technology that can easily auto-populate from relevant existing Federal data sources; and,

Recommendation #3: Leverage information technology open standards to rapidly develop any new tools needed.

This work also allowed HHS to understand that the best way to reduce burden is to create efficiencies within the federal government that can be passed on and realized by the recipient communities. HHS believes strongly in furthering these efforts under the *ReImagine* initiative and is in the formative stages of outlining how we can use what was learned through the DATA Act section 5 Pilot to better fulfill our mission.

PMA CAP Goal 8, entitled Results-Oriented Accountability for Grants, challenges federal agencies to maximize the value of grant funding by applying a risk-based, data-driven framework that balances compliance requirements with demonstrating successful results for the American taxpayer. The strategy for implementing this goal has a three prong approach: (1) standardize grant data; (2) leverage existing data sources and processes; and (3) develop a risk-based framework for performance management. OMB has initiated three government-wide working groups in order to formalize the development and implementation of this CAP goal.

With the release of the PMA and CAP Goal 8, HHS is vested in providing guidance and leadership as our Deputy CFO is a designated Goal Co-leader; and several HHS staff are currently leading two of the three working groups identified above. These efforts are focused on working across government in establishing a governance structure to support progress and ensure

that all major grant making agencies participate and contribute to the accomplishment of this goal. HHS will coordinate our internal efforts such as ReInvent Grants Management with broader federal cross agency initiatives to further identify and execute strategies that will continue to address the various needs for improvement within this business line that is critical to the American people and relied upon worldwide.

Grants Oversight and New Efficiency (GONE) Act Report Activities

The GONE Act was signed into law on January 28, 2016, with the aim to facilitate the closing of expired grants and to improve government efficiency. The GONE Act requires agencies to submit annual reports to Congress that list each of their federal grant awards, the attributed dollar balances, and the challenges leading to delays in grant closeout. Agencies must also explain why, for the 30 oldest federal grant awards, each grant has not been closed out. Agency heads must annually report to Congress whether the agency has closed out the covered grants that were discussed in previous reports. Fiscal year 2017 marks HHS's first GONE Act report submission.

Challenges

Two primary challenges leading to delays in closing out grants and cooperative agreements relate to policy and system issues. HHS utilizes its Payment Management System (PMS) to disburse grant funding. HHS policy requires Operating and Staff Divisions to notify PMS when a grant should be closed; however, the Divisions are not required to monitor the action to ensure the grant is closed out. In addition, PMS does not close out a grant until three different financial reports have been reconciled. If the financial reports do not reconcile to the penny, the PMS system will not close out the grant. These reconciliation issues lead to a large number of expired grants with small, undisbursed balances remaining open.

The management of pooled accounts in PMS is a system-related issue affecting timely grants closeout, as identified in GAO report GAO-16-362, *Grants Management: Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues*. Pooled accounts are created when a grantee wins multiple awards and the funding is pooled into the same account rather than delineated by funding source or project. Pooling of funds allows recipients to withdraw funds from the account without citing the specific project for which the funding is needed. As a result, HHS is unable to close pooled accounts until all associated funding in the account is reconciled.

Corrective Actions

HHS implemented measures to reduce the number of open but expired awards. These measures focus on closing expired reconciled accounts with zero dollar balances, developing strategies for resolving complex closeout issues, and monitoring the Department's efforts to close expired awards.

In December 2016, HHS implemented the Clean Sweep exercise. The Clean Sweep exercise engaged HHS Operating and Staff Divisions and PMS in a large-scale effort to identify and close federal awards whose accounts were reconciled and held zero dollar balances. Clean Sweep resulted in the closure of over 30,000 federal awards across HHS.

In March 2017, HHS implemented the HHS GONE Act Monthly Reporting initiative. The initiative required all Operating and Staff Divisions to submit monthly reports to OGAPA on their 30 oldest federal awards that met the GONE Act reporting criteria. This monitoring encouraged Operating and Staff Divisions to continue reducing the number of expired federal awards with undisbursed balances or overdrawn accounts.

In spring 2017, HHS formed a Department-wide team to identify the issues preventing timely closeout. We learned that there are a number of factors contributing to this situation. The primary issue is pooling and a secondary issue is our complex reconciliation policy and business related processes which has contributed to a number of grants remaining open with minimal balances (e.g., less than one dollar). Since the resolution of these issues involve a number of business functions, such as grants policy, financial policy, and systems, we will be convening a multi-disciplinary workgroup to develop and implement strategies for closing these accounts and preventing future issues.

The efforts described above have culminated in the closure of over 17,000 open but expired awards to date. The GONE Act requires agencies to report grant and cooperative agreement data from their agency cash payment management system; however, some information is not practical to collect. HHS's PMS does not contain all of the data elements required for reporting (e.g., Federal Award Identification Number, Award Title, etc.). To improve our grant systems, HHS has completed a time-intensive, manual crosswalk between two complex data sets from HHS's PMS and the Tracking Accountability in Government Grants System, and is able to report all of its undisbursed and zero dollar balances in accordance with GONE Act reporting requirements. HHS plans to update its policy to require the Divisions to track the status of their submitted closeout requests. HHS is also striving to identify opportunities to eliminate the system-related issues in PMS that impede timely closeout of awards.

Conclusion

HHS strongly agrees with the need to protect taxpayer dollars and is committed to using its grants management practices to serve as a careful steward of these funds. HHS is actively working to ReInvent its grant management policies, procedures, and business systems; while standardizing data elements and closing out old grant accounts. We appreciate the work of this Subcommittee and GAO in highlighting areas of concern and challenges whereby HHS can lead the way government-wide in standardizing data, leveraging grant audit data as a strategic asset; while promoting oversight and transparency.

Thank you for the opportunity to testify before the Subcommittee about HHS' standardization and transparency of grant reporting, HHS' role in the President's Management Agenda Cross-Agency Priority (CAP) 8 goal, Results-Oriented Accountability for Grants; and the HHS results of grant closeouts and undisbursed balances as pertaining to the GONE Act. I am glad to answer any questions you may have.