# FEDERAL GRANT MANAGEMENT

# HEARING

BEFORE THE

SUBCOMMITTEE ON
INTERGOVERNMENTAL AFFAIRS

OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

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# C O N T E N T S

# FEDERAL GRANT MANAGEMENT

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**Wednesday, July 25, 2018**

House of Representatives
Subcommittee on Intergovernmental Affairs
Committee on Oversight and Government Reform
*Washington, D.C.*

The subcommittee met, pursuant to call, at 2:33 p.m., in Room 2247, Rayburn House Office Building, Hon. Gary Palmer [chairman of the subcommittee] presiding.

Present: Representatives Palmer, Foxx, Grothman, Raskin, and DeSaulnier.

Mr. PALMER. The Subcommittee on Intergovernmental Affairs will come to order. Without objection, the chair is authorized to declare a recess at any time. I will begin with my opening statement.

To determine what the American people value in society, you might start by following the money transferred from the Federal government to the public. To this end, the subcommittee is holding this hearing to examine the management of Federal grant awards. Since the earliest days of the republic, the Federal government has used grants to advance public policy. From veterans assistance in the aftermath of the War of 1812 to land grants for railroads after the Civil War, Federal grants have been part of our Nation's history for a long time. Today the Federal government awards over $700 billion in grants annually. Seven hundred billion.

Federal grants finance essential government programs, like infrastructure, by transferring Federal dollars to State and local governments, nonprofits, and individuals. However, different standards and reporting requirements scattered across Federal programs can pose a high cost. Federal grant managers spent 40 percent of their time monitoring compliance rather than monitoring results. According to a report by the Data Foundation, grant recipients are also burdened by the complexity of Federal grants. Grantees are required to submit duplicative reports and forms to multiple program officers spread across multiple agencies.

Congress and the executive branch have made several attempts to improve grant management and transparency. In 2014, Congress passed the DATA Act. The DATA Act was intended to standardize Federal spending data, improve accuracy and usability of the data, and make Federal spending data accessible to the public online. Section 5 of the DATA Act created a pilot program to explore standardizing recipient reporting to reduce burdens on awardees and improve the usability of the reported data. The Section 5 pilot wrapped up last year.

(1)

The final report offered three recommendations: continue to standardize data, leverage technology—excuse me—leverage technology to reduce compliance burden by auto populating forms with previously-provided data, and leverage open standards to rapidly develop new tools. My colleagues, Dr. Virginia Foxx from North Carolina and Congressman Jimmy Gomez from California, agreed with these recommendations. They introduced bipartisan legislation, The Grant Reform Efficiency and Agreements Transparency Act, the GREAT Act, to codify the pilot report's recommendations. The GREAT act would require HHS and OMB to create data standards for grant recipient reporting and require Federal grantmaking agencies to use those standards. The President's management agenda also calls for an integrated datacentric strategy to standardize grant reporting and reduce compliance burdens.

In addition to reducing waste and burdens from unnecessary compliance exercises, modernizing grant data will improve accountability at grantmaking agencies. Annually, the Federal government loses track of millions of dollars due to a failure to review and reconcile grantee reports in a timely manner. In 2016, the GAO found nearly $1 billion in expired grants with undisbursed balances and over 8,000 accounts contained in the HHS Payment Management System. To address this problem, Congress passed the Grants Oversight and New Efficiency, or GONE, Act. Among other things, the GONE Act requires agencies to report to Congress explaining delays in closing out certain grant awards that were past their performance end date.

The first report was sent to the committee in May. According to the report, one of the primary explanations for delayed closeout in expired grants cited by Federal agencies was disconnected IT systems for managing grants and for paying grants. Without a modern technological framework, we cannot expect agencies will improve their ability to track the administration of Federal grant awards. It is my hope that this Congress can continue to help in this effort with continued oversight of the grantmaking process. Fortunately, we have with us today a panel that can speak to the role Congress can play in reforming and modernizing the grant management process. I thank the witnesses for being here.

I now recognize the ranking member of the subcommittee, Mr. Raskin, for his opening statement.

Mr. RASKIN. Mr. Chairman, thank you very much, and thanks for those thoughtful opening remarks. Thanks also to the witnesses for coming to testify today on this important subject. Alas, I disagree with a lot of what is taking place right now with the Administration, and I want to say that President Trump has eliminated or undermined a host of Federal programs and grantmaking processes that he disagrees with, and this is a complete misunderstanding of his role as President. As President, his job is to take care that the laws are faithfully executed even if he disagrees with the laws. And if he does not like our laws and he does not like our programs, he can try to convince Congress to change them. He has got that authority and power or he can run for Congress himself, but he cannot just unilaterally decide to stop implementing our laws and our programs.

And this is the kind of sabotage he engaged in when his agents at the Department of Health and Human Services eliminated the Teen Pregnancy Prevention Program, which has helped to significantly lower the Nation's teen pregnancy rate, bringing it down to its all-time low I believe. This program has bipartisan support in Congress. It has trained more than 7,000 health professionals and supported more than 3,000 community-based groups that serve millions of young people in America. So, the decision to kill the Teen Pregnancy Prevention Program was so lawless and so extreme that a Federal judge reversed HHS' action, writing, and I quote, "HHS's failure to articulate any explanation for its action, much less a reasoned explanation, exemplifies arbitrary and capricious agency action meriting reversal." And that's what the Court did.

The Administration has also acted by way of godfather-style offers, too. It has illegally threatened to hold hostage Federal grant funds for public safety in order to coerce local governments into support of its anti-immigrant policies. Judges blocked that one, too. In April, a three-judge panel of all Republican appointees, I should add, ruled that the Administration exceeded its legal authority by imposing conditions that Congress simply had never authorized. The judges wrote, and I quote, "The Attorney General in this case used the sword of Federal funding to conscript State and local authorities to aid in Federal civil immigration enforcement. But the power of the purse rests with Congress," the court wrote, "which authorized the Federal funds at issue and did not impose any immigration enforcement conditions on the receipt of such Federal funds."

The Trump Administration has also destroyed best grantmaking practices employed to ensure that grant recipients use Federal funds as Congress intended. In June, OMB disbanded the Council on Financial Assistance Reform, an interagency group that was created under the Obama Administration specifically to improve Federal grantmaking practices. OMB also directed agencies to stop reporting key metrics and remove mandatory quarterly progress reporting.

I thought the President promised to run the government like a business, but I did not realize he meant businesses like Trump University, or Trump Mortgage, or Trump Steaks, where the various, now defunct, casinos that used his name. If you are going to run the government like a business, let us make it a good business, a solvent business, not a bankrupt entity which has been looted by its owner.

I do not see a lot of faithful execution of the laws. I see an Administration intent on picking winners and losers in Federal grantmaking based on ideology. The American people deserve better than this highly-politicized process. The American people deserve to know how billions of their dollars are being managed and how the Federal government is monitoring the effectiveness of grant programs.

Just 2 days ago, the GAO reported that only 15 percent of Federal agencies met their IG standards for completeness, timeless, and accuracy under the Digital Accountability Transparency Act, the DATA Act, the 2014 law that aims to make information on Federal expenditures accessible and transparent. Again, that means 85

percent of our agencies failed to meet the standards because of the tone that has been set at the top, and that has obvious results in terms of transparency and accuracy.

So, Mr. Chairman, I thank you for calling this hearing because there are some really important problems that we need to deal with, and I think the Administration has done a disservice to Americans with the policies it has engaged in, undermining Federal programs and Federal laws. And we should be able to work together in a bipartisan way in Congress to get back on track and to restore the coherence of legislative dictates. Thank you, Mr. Chairman. I yield back.

Mr. PALMER. I thank the gentleman. I am pleased to introduce our witnesses: Mr. Hudson Hollister, executive director of Data Coalition; Ms. Michelle Sager, director of strategic issues at the U.S. Government Accountability Office; Ms. Andrea L. Brandon, deputy assistant secretary of the Office of Grants and Acquisition Policy and Accountability at the U.S. Department of Health and Human Services; Mr. Peter Tyler, senior policy analyst at the Project on Government Oversight; and Ms. Natalie Keegan, analyst of American Federalism and Emergency Management at the Congressional Research Service. Welcome to you all.

Pursuant to committee rules, all witnesses will be sworn in before you testify. Please stand and raise your right hand.

Do you solemnly swear or affirm the testimony you are about to give is the truth, the whole truth, and nothing but the truth so help you God?

[A chorus of ayes.]

Mr. PALMER. The record will reflect that the witnesses answered in the affirmative. Please be seated.

In order to allow time for discussion, please limit your testimony to 5 minutes. Your entire written statement will be made part of the record. As a reminder, the clock in front of you shows your remaining time. The light will turn yellow when you have 30 seconds left and red when your time is up. Please also remember to press the button to turn your microphone on before speaking.

I now recognize Mr. Hollister for his testimony.

## WITNESS STATEMENTS

### STATEMENT OF HUDSON HOLLISTER

Mr. HOLLISTER. Thank you Mr. Chairman. Chairman Palmer, Ranking Member Raskin, thank you for inviting me to testify today.

If the Federal grant system were a business, as Mr. Raskin has suggested, it would be the world's largest with almost 50 percent more revenue than Walmart. The overwhelming majority of these funds go to State and local governments both directly and through subgrants issued by State agencies. And this whole enormous system is managed through a complex array of reporting requirements. The reporting requirements are spread across thousands of different grant program offices.

Here's our challenge. Grant reporting is a document-based affair. Grantees fill out forms and submit those forms to grantor agencies. Some agencies have implemented grant management systems that

collect these forms through electronic uploads, but even in those systems the forms are still PDF documents. They are electronic versions of the paper that they replaced.

Document-based reporting presents two basic problems. First, it does a very poor job of delivering transparency to agencies, to Congress, to taxpayers. There is no central repository of all the information that grantees report to grantor agencies, nor is there any feasible way to create one. Second, grantees sustain unacceptable compliance costs in both time and money. Grantees must manually fill out their reporting forms, often providing the same information multiple times. Document-based reporting prevents both the grantees and the grantors from tracking and comparing performance or from making data-driven decisions.

Here's our solution. By replacing document-based forms with standardized data, the Federal government can resolve both problems. First, standardized data will allow transparency and easy comparisons across programs and across government. And second, standardized data will allow grantees to compile and submit their information automatically and more cheaply.

Now, this is not the same thing as creating a single government-wide system or a single government-wide reporting portal. If we were to replace document-based forms with standardized data, the agencies and the program offices could still operate separate grant management systems if they so chose. But by adopting common data structures and formats, we can allow information to easily be pulled from all of those systems automatically and easily aggregated for agency-wide and even government-wide transparency.

Now, a transformation from document-based reporting to datacentric reporting requires three steps. First, the White House, working with grantor agencies and grantees, must define the data elements that are most commonly used in all these forms. Second, the White House must make this list of data fields or taxonomy mandatory for all grant programs. Third, all the grantor agencies must begin collecting grant reports as data instead of as documents.

In early 2018, this committee and the Administration both took major steps toward that transformation. First, on February 6, 2018, this committee favorably reported the Grant Reporting Efficiency and Agreements Transparency Act, or GREAT Act, which requires exactly the three steps I mentioned. Dr. Foxx and Mr. Gomez deserve credit for championing this critical reform. And second, on March 20th, as part of the President's management agenda, the White House announced a cross-agency priority goal, CAP goal, on results-oriented accountability for grants. Under that goal, the White House has committed to creating a taxonomy of the data elements that are most commonly used in grant reports with a deadline of the end of this Fiscal Year. Now that's the first of the necessary three steps. We eagerly await the publication of that data taxonomy.

Now, the Data Coalition represents 46 data companies all working together to make our government more efficient and transparent. Our companies' solutions can deliver transparency and can automate grantee reporting, but only if the Federal government undergoes this basic transformation from document-based to

datacentric. I'm also the president of the Data Foundation. Last month the Data Foundation issued our most recent report on transforming Federal grant reporting, explaining that Federal leaders are ready for this transition. Federal leaders are ready for the GREAT act and for the realization of the CAP goal.

Thank you, and I look forward to the subcommittee's questions.

[Prepared statement of Mr. Hollister follows:]

**DATA**
COALITION

July 25, 2018

Testimony of Hudson Hollister
Executive Director, Data Coalition

**Transforming Federal Grant Reporting:
Reducing Compliance Costs, Delivering Transparency[1]**

Chairman Palmer, Ranking Member Raskin, members of the Subcommittee: thank you for inviting me to testify.

The federal government awarded over $700 billion in grants in Fiscal Year 2017.[2] If the federal grant system were a private company, it would be the world's largest, with almost fifty percent more revenue than Wal-Mart. The overwhelming majority of these funds goes to state and local governments, both directly and through sub-grants by state agencies.

To ensure grantees' accountability for their use of taxpayers' money, grant awards trigger a complex array of reporting requirements. These reporting requirements are administered separately by thousands of grant program offices, spread across dozens of grantor agencies, and governed by hundreds of different laws.

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[1] This testimony incorporates excerpts from two research reports published by the Data Foundation, an independent nonprofit think tank, with the Data Foundation's permission:

- Jenata Spencer and Hudson Hollister, *Transforming Federal Grant Reporting: Open the Data, Reduce Compliance Costs, and Deliver Transparency*, Data Foundation, December 2017, www.datafoundation.org/transforming-federal-grant-reporting-2017.
- Priya Mhatre and Matt Rumsey, *Transforming Federal Grant Reporting: Current Challenge, Future Vision*, Data Foundation, June 2018, www.datafoundation.org/transforming-federal-grant-reporting-paper-2018.

[2] A search on USASpending.gov, the federal government's spending transparency portal, reveals an aggregate figure of $718,933,041,093 for grants awarded in FY2017. This figure excludes direct payments, loans, and other forms of assistance.

Grant reporting is a document-based affair. Grantees fill out forms and submit those forms to grantor agencies. Some agencies have implemented grant management systems that collect these forms via electronic upload. But even in electronic systems, the forms are still PDF documents--electronic versions of the paper forms that they replaced.

Document-based grant reporting has two basic problems. First, it does a poor job of delivering transparency to agencies, Congress, and taxpayers. There is no central repository of all the information that grantees report to grantor agencies, nor any feasible way to create one. There is way to aggregate the entire government's, or even an entire agency's, grant reports to ensure compliance, discover outliers, screen for fraud, or compare performance.

Second, grantees sustain unacceptable compliance costs. Grantees must manually fill out reporting forms, often providing the same information multiple times.

By replacing document-based forms with standardized data, the federal government can resolve both problems. First, standardized data would allow transparency: easy comparisons across programs and across government. Second, standardized data would allow grantees to compile and submit their information automatically and more cheaply.

This solution is not the same thing as creating a single, government-wide reporting system or portal. Even after replacing forms with standardized data, grantor agencies and program offices will still be able to operate separate grant management systems if they choose. But data standardization will allow information to be pulled from those systems automatically and easily aggregated for agency-wide and government-wide transparency. And data standardization will allow grantees' software to pre-populate required data fields and automatically deliver data to multiple grantor agencies' and program offices' systems, wherever it is needed. In other words, a transformation from document-based reporting to data-centric reporting will bring transparency and facilitate automation without centralizing all grant management.

A transformation from document-based to data-centric reporting requires three steps. First, the White House, working with grantor agencies and grantees, must clearly define the data elements that are most commonly used in grant reports, and publish these data elements as a *taxonomy*. Second, the White House must make the use of the taxonomy mandatory for all grant programs. Third, all grantor agencies must begin collecting grant reports as data, rather than documents, encoded using the taxonomy.

In early 2018, this Committee and the Administration both took major steps toward the documents-to-data transformation. First, on February 6th, 2018, this Committee favorably reported the Grant Reporting Efficiency and Agreements Transparency Act, or GREAT Act, H.R. 4887, which will require exactly the three steps I mentioned. Congresswoman Virginia Foxx and Congressman Jimmy Gomez deserve credit for championing this crucial reform. However, it is our understanding that the Congressional Budget Office has yet to conduct a final scoring. Without a CBO score, there has been no opportunity for consideration by the full House.

Second, on March 20th, 2018, as part of the President's Management Agenda, the White House announced a Cross-Agency Priority Goal, or CAP Goal, on "Results-Oriented Accountability for Grants." Under this CAP Goal, the White House Office of Management and Budget, working with the Departments of Health and Human Services and Education, has committed to creating a taxonomy of the data elements most commonly used in grant reports, with a deadline of the end of this fiscal year. That is the first of the necessary three steps in transforming grant reporting from document-based to data-centric. We eagerly await the publication of the first version of this taxonomy.

The Data Coalition represents 46 data companies all working to make our government more efficient and transparent. Our companies' solutions can deliver transparency in grant data and automate grantee reporting, but only if the federal government transforms the process from document-based to data-centric. Without (1) a government-wide taxonomy, (2) imposed on a mandatory basis and (3) used by every grantor agency, there is no way for data companies to create analytical tools or automation solutions that work for more than one grant program.

We applaud the White House and the Departments of Health and Human Services and Education for initiating the CAP Goal on Results-Oriented Accountability for Grants. But we nevertheless believe that a Congressional mandate is necessary to ensure that the transformation takes place. Without a Congressional mandate, it will be difficult for the federal government to take the remaining two steps: making the taxonomy mandatory and implementing it in every grant program. Therefore, we look forward to the House's consideration and passage of the GREAT Act, its ultimate passage by the Senate, and Presidential approval.

I look forward to the Subcommittee's questions.

Mr. PALMER. The chair now recognizes Ms. Sager for her testimony.

**STATEMENT OF MICHELLE SAGER**

Ms. SAGER. Chairman Palmer, Ranking Member Raskin, and Dr. Foxx, thank you so much for inviting me to participate in this very important hearing on Federal grants management.

As we have all heard, Federal grants are an important tool of government, representing hundreds of billions of dollars in Federal expenditures every year. They also vary in many ways, including how Federal agencies implement them, their size, the nature of their recipients, and the types of programs that they fund, everything from transportation, to disaster assistance, to child nutrition, and the list goes on and on. This diversity and complexity contributes to the challenge of any efforts to make crosscutting grants management reform across the government.

GAO has done a number of reports on Federal grants management spanning several decades. My oral statement today will focus on two key points: first, observations on longstanding grants management challenges, and, second, opportunities to address these challenges through some of the current grant modernization initiatives.

First, GAO's body of work on Federal grants has identified a number of crosscutting challenges, including streamlining, transparency, collaboration and consultation, overlap and duplication, and oversight. A couple of key examples illustrate these challenges. These examples are highlighted in my written statement, and, of course, the underlying GAO reports provide additional detail.

First, as we've heard about in terms of transparency, the DATA Act required agencies to increase the type of information that is available in a public way. Agencies have made great progress in providing standardized information and making that publicly available. But as GAO has reported a couple of times now, there is still additional progress that needs to continue, particularly with regard to data quality. Second, with regard to duplication and overlap, we have made a number of recommendations to agencies aimed at refining their grant management practices to check for duplication before they actually make grant awards. In response to these recommendations, agencies have taken action, and they are now checking for duplication.

GAO has also identified weaknesses related to grants oversight and internal controls in a number of areas. For example, as we've already heard, we've identified opportunities for agencies to more consistently close out grants when the grantee period of performance has ended. The GONE Act passed Congress, and we are grateful for that act, and we now are looking forward to following what agencies are doing in response to the GONE Act as they are taking action to close out their expired grant accounts.

As we go forward, the current grant management initiatives present opportunities to address these challenges. As the current Administration looks at the CAP goal that we just heard about, results-oriented accountability for grants, this goal needs to be integrated with other ongoing government-wide initiatives, for exam-

ple, with DATA Act implementation, as well as with other initiatives related to evidence-based policy.

We have made a number of recommendations about crosscutting government-wide initiatives and have focused on a couple of key features that those initiatives need to represent. So, for example, in any government-wide crosscutting initiative, you need to have a clear sense of what your goals are, and then follow up to make sure that those goals are in progress. You also need to have clear roles and responsibilities and have a sense of who's doing what. And finally you also need to have clear communication that is two way with the stakeholders involved in any of these initiatives.

As the CAP goal for grant goes forward, it's very important that it relates to these other government-wide initiatives and that it is an integrated approach to make sure that these initiatives work together. Otherwise, you run the risk of these initiatives operating in silos or even working at cross purposes. We have ongoing work related to the implementation of the CAP goals as well as implementation of the DATA Act and the infusion of evidence-based policy across the Federal government, including in Federal grants.

In conclusion, as we move forward, part of the challenge of any government-wide initiative is designing and implementing grants management policy that maintains accountability on the one hand, but at the same time is attuned to the potential administrative burden for grantors, agencies, and grantees. Meeting this challenge requires intergovernmental collaboration across the Federal government, intergovernmental collaboration with State and local governments and other partners, as well as the integration that I made reference to with other ongoing initiatives.

This concludes my prepared remarks, and I look forward to any questions that you may have. Thank you.

[Prepared statement of Ms. Sager follows:]

**United States Government Accountability Office**

## GAO

Testimony

Before the Subcommittee on Intergovernmental Affairs, Committee on Oversight and Government Reform, House of Representatives

For Release on Delivery
Expected at 2:00 p.m. ET
Wednesday, July 25, 2018

# GRANTS MANAGEMENT

## Observations on Challenges and Opportunities for Reform

Statement of Michelle Sager, Director
Strategic Issues

# GAO Highlights

## GRANTS MANAGEMENT

## Observations on Challenges and Opportunities for Reform

## Why GAO Did This Study

Federal outlays for grants to state and local governments totaled more than $674 billion in fiscal year 2017, equivalent to 3.5 percent of the gross domestic product in that year. GAO's previous work has found that growth in both the number of grant programs and level of funding has increased the diversity of federal grants to state and local governments.

GAO's work has also found that designing and implementing grants management policies that strike an appropriate balance between ensuring accountability for the proper use of federal funds without increasing the complexity and cost of grants administration for agencies and grantees presents a governance challenge. At the same time, several government-wide initiatives hold promise for advancing the transparency, efficiency, and effectiveness of federal grants.

This statement is based on GAO's prior reports on federal grants management and crosscutting issues related to managing for results across the federal government issued between 2005 and 2018. It addresses: (1) GAO's observations on long-standing challenges for federal grants management, and (2) opportunities to effectively advance current grant modernization initiatives.

## What GAO Found

GAO has identified challenges to federal grants management in its work spanning several decades. These challenges include:

- **Streamlining:** Grants management requirements that are duplicative, unnecessarily burdensome, and conflicting require agencies to direct resources toward meeting them and can burden recipients of federal grants. GAO has reported on initiatives to streamline these requirements and address challenges grantees encounter throughout the grants lifecycle.

- **Transparency:** The Digital Accountability and Transparency Act of 2014 (DATA Act) required the Office of Management and Budget, the Department of the Treasury, and other federal agencies to increase the types of information available on federal spending, including grants. GAO has reported on progress in standardizing and expanding reported data, but has found inconsistencies with the completeness and quality of the reported information.

- **Collaboration and consultation:** Collaboration, particularly information sharing, is an important factor in effective grants management. GAO's work on interagency grants management reform initiatives found that inadequate ongoing communication with grantees sometimes resulted in poor implementation and prioritization of initiatives.

- **Duplication, overlap, and fragmentation:** Agencies' grants management practices, such as requirements to avoid duplication and overlap among grants before awarding them, can help agencies achieve cost savings and result in greater efficiencies in grant programs.

- **Internal controls and oversight:** GAO's work has identified weaknesses in grants oversight and accountability. For example, GAO has identified opportunities for agencies to more consistently close out grants when the grantee's period of performance has ended to ensure that grantees have met all requirements and identified opportunities to redirect or return unused funds.

Recent and proposed initiatives aimed at grants management reform present opportunities to improve the efficiency, effectiveness, and transparency of federal grants. GAO's work on federal grants management and managing for results has highlighted a number of key features for effectively implementing such crosscutting initiatives, which include: (1) establishing implementation goals and tracking progress, (2) identifying and agreeing on leadership roles and responsibilities, and (3) developing an effective communication strategy.

Further, given the number and diversity of grantor agencies and grant programs, it is important that any grant reform initiative integrate with other government-wide reform efforts on related issues across government, such as the grants-related Cross-Agency Priority goal, implementation of the DATA Act, and initiatives related to evidence-based policy. These efforts can be effective if they complement each other rather than run the risk of operating independently and potentially duplicating effort or working at cross-purposes.

_____ United States Government Accountability Office

Chairman Palmer, Ranking Member Raskin, and Members of the Subcommittee:

Thank you for the opportunity to join you today to discuss issues related to federal grants management. GAO's previous work has found that growth in both the number of grant programs and level of funding has increased the diversity of federal grants to state and local governments and complexity in federal grants management processes. At the same time, several government-wide initiatives hold great promise for advancing the transparency, efficiency, and effectiveness of federal grants. These are important and challenging issues and I am pleased to have the opportunity to share observations from our large body of work on federal grants management as well as suggestions for moving forward with grant reform initiatives.

As we have previously reported, federal grants to state and local governments are an important tool of government. This policy tool provides funding for national priorities in many areas including health care, transportation, education, and social services. Federal outlays for grants to state and local governments totaled more than $674 billion in fiscal year 2017, equivalent to 3.5 percent of the gross domestic product (GDP) in that year.[1] Grants vary greatly in numerous ways including size, the nature of their recipients, and the type of programs they fund. In addition, substantial variation in the way federal agencies administer these programs has further increased their complexity. This diversity and complexity contributes to the challenge of government-wide efforts to address crosscutting grants management reforms.

Recent initiatives—including the administration's establishment of the Results-Oriented Accountability for Grants Cross-Agency Priority (CAP) goal through the President's Management Agenda (PMA)—present an opportunity for the federal government to help address long-standing grants management challenges. Congress has often asked us to evaluate grants management issues to inform efforts that focus on accountability, while maximizing the investment of billions of dollars in federal grant funding. Our work also reflects the intergovernmental perspectives inherent in the administration of these grants and includes insights from

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[1] Office of Management and Budget, *Analytical Perspectives, Budget of the United States Government for Fiscal Year 2019* (Washington, D.C.: 2018).

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reviews of federal government agencies as grantors as well as the perspectives of grantees in their role as implementers of these grants.

Drawing on our prior federal grants management work as well as our work on managing for results across the federal government, my remarks today address: (1) observations on long-standing challenges for federal grants management and (2) opportunities to effectively advance current grant modernization initiatives. My testimony is based on our prior reports and testimonies on federal grants management, fiscal controls, and grant reporting as well as crosscutting work on government performance and transparency issued between 2005 and 2018. We used multiple methodologies to develop the findings, conclusions, and recommendations for the prior products serving as the foundation for this statement. A more detailed discussion of the prior reports' objectives, scope, and methodologies, including our assessment of data reliability, is available in the reports cited throughout this statement.[2]

The work upon which this testimony is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Observations on Grants Management Challenges

We have reviewed numerous aspects of federal grants management spanning several decades. A number of common themes repeatedly arise in this work and contribute to observations on long-standing challenges. These observations include aspects of:

- Streamlining
- Transparency
- Collaboration and consultation
- Fragmentation, overlap, and duplication
- Internal controls and oversight

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[2]See appendix I for more information on related reports.

## Streamlined Grants Management is Critical to Effective Use of Federal Funds

Our work has shown that when grants management requirements are duplicative, unnecessarily burdensome, and conflicting, agencies must direct resources toward meeting them—which can make the agency's programs and services less cost effective and increase burden for grant recipients. For example, in 2016, we reviewed administrative requirements for federal research grants.[3] Officials from universities and stakeholder organizations we interviewed identified common factors that added to their administrative workload and costs for complying with selected requirements. These factors included:

- variation in agencies' implementation of requirements,

- pre-award requirements for applicants to develop and submit detailed documentation for grant proposals, and

- increased prescriptiveness of certain requirements.

We have also reported on a number of initiatives intended to address the challenges grantees encounter throughout the grants lifecycle. These initiatives include consolidating and revising grants management circulars, simplifying the pre-award phase, promoting shared information technology solutions for grants management, and improving the timeliness of grant closeout and reducing undisbursed balances.[4] Our work includes reviews of efforts to submit the Consolidated Federal Financial Report through a single system and to standardize notices of award to reduce reporting burden. In addition, the Digital Accountability and Transparency Act of 2014 (DATA Act) required the Office of Management and Budget (OMB) to establish a pilot program to develop recommendations for reducing reporting burden for recipients of federal awards.[5] In 2016 and 2017, we reported on the design and implementation of the OMB pilot program, known as the Section 5 Pilot, aimed at developing recommendations for reducing reporting burden for

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[3]GAO, *Federal Research Grants: Opportunities Remain for Agencies to Streamline Administrative Requirements*, GAO-16-573 (Washington, D.C.: June 22, 2016).

[4]GAO, *Grants Management: Improved Planning, Coordination, and Communication Needed to Strengthen Reform Efforts*, GAO-13-383 (Washington, D.C.: May 23, 2013); *Grants Management: Additional Actions Needed to Streamline and Simplify Processes*, GAO-05-335 (Washington, D.C.: Apr. 18, 2005).

[5]Pub. L. No. 113-101, § 3, 128 Stat. 1146, 1149–1151 (May 9, 2014) (*codified at* 31 U.S.C. § 6101 note). The DATA Act amended the Federal Funding Accountability and Transparency Act of 2006 (FFATA).

grant recipients and contractors.[6] We made a number of recommendations to improve the design of the Section 5 Pilot to ensure its consistency with leading practices for pilot design, which OMB has implemented. We continue to monitor implementation of the Section 5 Pilot through ongoing work and look forward to keeping the subcommittee informed about our findings.

## Transparency of Grant Spending Can Inform Decision Making

To provide increased transparency to agencies, Congress, and the public, the DATA Act required OMB, the Department of the Treasury (Treasury), and other federal agencies to increase the types of information available on the more than $3.7 trillion in annual federal spending, including federal spending on grants. The law requires OMB and Treasury to establish data standards to enable the reporting and tracking of agency spending at multiple points in the spending lifecycle. Since enactment, OMB, Treasury, and federal agencies have addressed many of the policy and technical challenges presented by the act's requirements, including standardizing data elements across the federal government, linking data contained in agencies' financial and award systems, and expanding the types of data reported. However, in a 2017 report, we found inconsistencies in key award data elements and issues with the completeness and quality of the information reported. We made a number of recommendations to OMB and Treasury to clarify guidance to help agencies fully comply with DATA Act requirements and report accurate data and to disclose known data quality issues.[7] OMB and Treasury generally agreed with our recommendations. Once the accuracy of these data are improved, federal managers should be better able to make data driven decisions to address ongoing government management challenges and improve the effectiveness and efficiency of government programs.

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[6]GAO, DATA Act: *OMB, Treasury, and Agencies Need to Improve Completeness and Accuracy of Spending Data and Disclose Limitations,* GAO-18-138 (Washington, D.C.: Nov. 8, 2017) and *DATA Act: Section 5 Pilot Design Issues Need to Be Addressed to Meet Goal of Reducing Recipient Reporting Burden,* GAO-16-438 (Washington, D.C.: Apr. 19, 2016).

[7]GAO-18-138.

## Effective Grants Management Benefits from Collaboration and Consultation

The process of distributing federal assistance through grants is complicated and involves many different parties—both public and private—with different organizational structures, sizes, and missions.[8] A lack of collaboration among and between federal agencies, state and local governments, and nongovernmental grant participants presents a challenge to effective grants implementation. Given the complexity of managing intergovernmental grants, collaboration among the grant participants, particularly with regard to information sharing, is an important factor in effective grants management. For example, one of the lessons learned in our work on the American Recovery and Reinvestment Act of 2009 (Recovery Act)[9] is that increased accountability requirements and aggressive timelines require coordination—both vertically among levels of government and horizontally within the same level of government—to share information and work toward common goals during implementation.[10] Intra- and intergovernmental networks facilitated efforts to achieve the purposes of the act in an effort to efficiently and effectively spend the grant funds.

Our work on interagency grants management reform initiatives also found that inadequate ongoing communication with grantees sometimes resulted in poor implementation and prioritization of initiatives.[11] Our 2014 work on the Recovery Act illustrated how agencies can effectively approach ongoing communication. For example, the developers of Recovery.gov used input from user forums, focus groups, and usability testing with interested citizens to collect feedback and recommendations.[12] This information then informed the development of

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[8]GAO, *Grants to State and Local Governments: An Overview of Federal Funding Levels and Selected Challenges*, GAO-12-1016 (Washington, D.C.: Sept. 25, 2012).

[9]Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

[10]GAO, *Recovery Act: Grant Implementation Experiences Offer Lessons for Accountability and Transparency*, GAO-14-219 (Washington, D.C.: Jan. 24, 2014).

[11]GAO, *Grants Management: Grantees' Concerns with Efforts to Streamline and Simplify Processes*, GAO-06-566 (Washington, D.C.: July 28, 2006).

[12]As we previously reported, the Recovery Act provided about $812 billion to states, localities, and other entities; as well as to individuals through tax benefits and cuts; entitlements; and loans, contracts, and grants. Of that amount, about $219 billion was distributed as grants for use in states and localities (excluding Medicaid). The act required that funding recipients' reports on award and spending data be made available on a website. For additional information, see GAO-14-219.

the website from its initial stages. More recently, in our 2014 work on the DATA Act, we have noted OMB and Treasury efforts to allow the public to share their views and comment on the development of federal data standards.[13]

## Identifying Fragmentation, Overlap and Duplication Could Result in Greater Efficiencies

Our prior work has shown that numerous federal grant programs created over time without coordinated purposes and scope can result in grants management challenges. Addressing these challenges may achieve cost savings and result in greater efficiencies in grant programs. Our work has underscored the importance of identifying fragmentation, overlap, or duplication in a number of federal programs, including grants management practices.[14] For example, in January 2017, we found that the National Park Service, Fish and Wildlife Service, Food and Nutrition Service, and Centers for Disease Control and Prevention had not established guidance and formal processes to avoid duplication and overlap among grants in their agencies before awarding grants. We recommended that these agencies do so, and they agreed.[15] In response, these agencies have taken a number of actions to address the recommendation. For example, the Department of the Interior provided us documentation showing that the Fish and Wildlife Service now requires that discretionary grant applicants provide a statement that addresses whether there is any overlap or duplication of proposed projects or activities to be funded by the grant. The Fish and Wildlife Service also updated its guidance to grant awarding offices instructing them to perform a potential overlap and duplication review of all selected applicants prior to making grant awards.

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[13]GAO, *Federal Data Transparency: Effective Implementation of the DATA Act Would Help Address Government-wide Management Challenges and Improve Oversight,* GAO-15-241T (Washington, D.C.: Dec. 3, 2014).

[14]GAO, *2018 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits,* GAO-18-371SP (Washington, D.C.: Apr. 26, 2018) and GAO's Action Tracker https://www.gao.gov/duplication/action_tracker/all_areas an online tool for monitoring the progress federal agencies and Congress have made in addressing the actions identified in GAO's annual Duplication and Cost Savings reports.

[15]GAO, *Grants Management: Selected Agencies Should Clarify Merit-Based Award Criteria and Provide Guidance for Reviewing Potentially Duplicative Awards,* GAO-17-113 (Washington, D.C.: Jan. 12, 2017).

## Strong Internal Controls and Oversight Facilitate Effective Use of Grant Funds

Our prior work has shown that when awarding and managing federal grants, effective oversight and internal control is important to provide reasonable assurance to federal managers and taxpayers that grants are awarded properly, recipients are eligible, and federal grant funds are used as intended and in accordance with applicable laws and regulations. Internal control comprises the plans, methods, and procedures agencies use to be reasonably assured that their missions, goals, and objectives can be met. In numerous reviews, we and agency inspectors general identified weaknesses in agencies' internal controls for managing and overseeing grants. Specifically, we found that when such controls are weak, federal grant-making agencies face challenges in achieving grant program goals and assuring the proper and effective use of federal funds to help avoid improper payments. Our work has identified weaknesses in grants oversight and accountability issues that span the government including undisbursed grant award balances, single audit submissions that are late, and significant levels of improper payments in grant programs. Key grants management challenges related to internal controls and oversight that we have identified include:

- **Timeliness of grant closeouts.** Federal grant-making agencies must close out grants when the grantee's period of performance has ended in order to ensure that grantees have met all financial requirements and provide final reports as required. Closing out grants also allows agencies to identify and redirect unused funds to other projects and priorities as authorized or to return unspent balances to the Treasury. These accounts, and, in some cases, the undisbursed balances associated with them, persisted as an issue for agencies, as we reported in 2008, 2012, and 2016.[16] In January 2016, the Grants Oversight and New Efficiency Act (GONE Act) was signed into law.[17]

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[16]See GAO, *Grants Management: Attention Needed to Address Undisbursed Balances in Expired Grant Accounts*, GAO-08-432 (Washington, D.C: Aug. 29, 2008); *Grants Management: Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies*, GAO-12-360 (Washington, D.C.: Apr. 16, 2012); and *Grants Management: Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues*, GAO-16-362 (Washington, D.C.: Apr. 14, 2016).

[17]Pub. L. 114-117, 130 Stat. 6 (Jan. 28, 2016).

The act, passed in part in response to our work, required government-wide reporting of undisbursed balances in expired grant accounts.[18]

The GONE Act requires that agencies report on the grants for which the grantee's period of performance had expired for more than 2 years, including those with undisbursed balances and with zero dollar balances remaining in the accounts. In the fall of 2017, many agencies included in their annual Agency Financial Reports an appendix providing information required by the GONE Act. For example, the Department of Health and Human Services (HHS) reported almost $2 billion in undisbursed funds remaining in 16,603 grant accounts that were two years or more past their periods of performance and 6,512 grant accounts that had no funds remaining in them. HHS grant officials told us that they intend to close as many of these grant accounts as possible during this fiscal year.

- **Timely submission of single audits.** As we have previously reported, one key way that federal agencies oversee nonfederal grantees is through an audit of their expenditures of federal awards, referred to as a single audit. The single audit is an audit of the award recipient's expenditure of federal awards and of its financial statements. A single audit can identify deficiencies in the award recipient's compliance with the provisions of laws, regulations, contracts, or grant agreements and in its financial management and internal control systems. Correcting such deficiencies can help reasonably assure the effective use of federal funds and reduce federal improper payments. In 2017, we reported that of the five departments we reviewed—the Departments of Agriculture, Education, HHS, Housing and Urban Development, and Transportation—some of the departments' subagencies did not effectively design policies and procedures to reasonably assure the timely submission of single audit reports by award recipients.[19] In this report, we made 21 recommendations to these departments. Some action has been taken to date in response to these recommendations.

- **Avoiding improper payments of federal grants.** As we have previously reported, improper payments—payments that should not have been made or that were made in an incorrect amount—have

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[18]See Committee on Homeland Security and Governmental Affairs, United States Senate, *Grants Oversight And New Efficiency Act Report to Accompany S. 1115 to Close Out Expired, Empty Grant Accounts* (Washington, D.C.: Nov. 15, 2015).

[19]GAO, *Single Audits: Improvements Needed in Selected Agencies' Oversight of Federal Awards*, GAO-17-159 (Washington, D.C.: Feb. 16, 2017).

consistently been a government-wide issue. Since fiscal year 2003—when certain agencies were required by statute to begin reporting estimated improper payments for certain programs and activities—cumulative improper payment estimates have totaled about $1.4 trillion. Our reviews of Medicaid, a joint federal-state health care program and significant source of federal grant funding to state governments, have shown that the program is particularly vulnerable to improper payments, given its size, diversity, and complexity.[20] For example, Medicaid accounted for more than 26 percent ($36.7 billion) of the nearly $141 billion government-wide improper payment estimate in fiscal year 2017. We have also reported that federal spending for Medicaid is expected to significantly increase, so it is especially critical that appropriate measures be taken to reduce improper payments in this program.[21]

## Opportunities to Effectively Advance Current Grants Management Initiatives

Recent and proposed legislative- and executive-sponsored initiatives aimed at grants management reform, present opportunities to improve the efficiency, effectiveness, and transparency of federal grants. Our work on the design and implementation of merit-based grant award selection and initiatives to manage for results across the federal government has highlighted a number of key features necessary to effectively implement such crosscutting initiatives.[22] Those features include:

- **Establishing implementation goals and tracking progress.** Our work highlighted the importance of establishing an implementation schedule and tracking progress toward priorities to help pinpoint performance shortfalls and suggest midcourse corrections, including any needed adjustments to future priorities and milestones.

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[20]Since 2003, Medicaid has been on our high-risk list, in part, because of concerns about the adequacy of fiscal oversight and the program's improper payments—including payments made for people not eligible for Medicaid or services not actually provided, For additional information, see GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, GAO-17-317 (Washington, D.C.: Feb. 15, 2017) and *Improper Payments: Actions and Guidance Could Help Address Issues and Inconsistencies in Estimation Processes*, GAO-18-377 (Washington, D.C.: May 31, 2018).

[21]GAO, *The Nation's Fiscal Health: Action Is Needed to Address the Federal Government's Fiscal Future*, GAO-18-299SP (Washington, D.C.: June 21, 2018).

[22]GAO-17-113, GAO, *Managing for Results: Further Progress Made in Implementing the GPRA Modernization Act, but Additional Actions Needed to Address Pressing Governance Challenges*, GAO-17-775 (Washington, D.C.: Sept. 29, 2017), and *Managing for Results: Implementation Approaches Used to Enhance Collaboration in Interagency Groups*, GAO-14-220 (Washington, D.C.: Feb. 14, 2014).

- **Identifying and agreeing on leadership roles and responsibilities.** Our work has shown that when interagency councils clarify who will do what, identify how to organize their joint and individual efforts, and articulate steps for decision making, they enhance their ability to work together and achieve results.

- **Developing an effective communication strategy.** We reported on the importance of two-way communication that allows for feedback from relevant stakeholders. For example, our work showed that grantees felt that a lack of opportunities to provide timely feedback resulted in poor implementation and prioritization of streamlining initiatives and limited grantees' use and understanding of new functionality of electronic systems.

In addition, given the number and diversity of grantor agencies and grantmaking programs, we believe it is important that any grant reform initiative integrate with other government-wide reform efforts on related issues. One such reform initiative is the PMA, which lays out a long-term vision for modernizing the federal government and improving the ability of agencies to achieve results. The PMA identified a set of CAP goals to target areas where multiple agencies must collaborate to effect change and report progress in a manner the public can easily track.[23] According to the PMA, one of the goals included in the agenda—the Results-Oriented Accountability for Grants CAP goal—is intended to maximize the value of grant funding by applying a risk-based data-driven framework that balances compliance requirements with demonstrating successful results for taxpayers. The PMA further states that this CAP goal seeks to standardize grant reporting data and improve data collection in ways that will increase efficiency, promote evaluation, and reduce reporting burden. Effectively advancing results-oriented accountability for grants will require that implementation of this CAP goal moves forward in tandem with related efforts to implement the DATA Act and advance the use of evidence to inform grant policy, highlighted below:

- **DATA Act implementation.** As our work has shown, the DATA Act will continue to be a critical driver of grants management change and reform. When fully implemented, the act will improve the accountability and transparency of federal spending data by (1) establishing government-wide financial data standards so that data are comparable across agencies and (2) holding federal agencies

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[23]See OMB, *President's Management Agenda* (Washington, D.C.: Mar. 20, 2018).

more accountable for the quality of the information disclosed. Such increased transparency provides opportunities for improving the efficiency and effectiveness of federal spending; increasing the accessibility of data to benefit the public and the business community; and improving oversight to prevent and detect fraud, waste, and abuse of federal funds. As efforts to implement the DATA Act move forward, we will continue to monitor implementation efforts and coordinate our efforts with agency inspectors general.

- **Evidence-based policy.** To better integrate evidence and rigorous evaluation in budget, management, operational, and policy decisions, OMB has encouraged federal agencies to expand or improve the use of grant program designs that focus federal dollars on effective practices while encouraging innovation in service delivery.[24] For example, OMB's efforts to foster a culture of evidence-based policy resulted in several federal agencies' implementation of tiered evidence grant programs.[25] Under this approach, agencies establish tiers of grant funding based on the level of evidence of effectiveness provided for a grantee's service model. Agencies award smaller amounts to promising service models with a smaller evidence base, while providing larger amounts to those with more supporting evidence. In our 2016 report, we recommended that OMB establish a formal means for federal agencies to collaborate on tiered evidence grants. In response, in 2017, OMB launched the Tiered Evidence Grants Working Group to collaborate and share lessons learned, for example, on the use and dissemination of evaluation results.[26]

These efforts should complement each other. A lack of integration could result in duplication of effort or run the risk of working at cross-purposes. For example, the integration of the Results-Oriented Accountability for Grants CAP goal with ongoing DATA Act implementation and efforts to advance evidence-based approaches to federal grant funding and administration presents a complex governance challenge.

In conclusion, designing and implementing grants management policies that strike an appropriate balance between ensuring accountability for the

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[24]GAO-17-775.

[25]GAO, *Tiered Evidence Grants: Opportunities Exist to Share Lessons from Early Implementation and Inform Future Federal Efforts,* GAO-16-818 (Washington, D.C.: Sept. 21, 2016).

[26]GAO-16-818.

proper use of federal funds without increasing the complexity and cost of grants administration for agencies and grantees is a longstanding governance challenge. As the initiatives above demonstrate, meeting this challenge and successfully implementing grants management reforms will require intragovernmental coordination at the federal level, intergovernmental collaboration with state and local governments and other partners, and ongoing integration to ensure that grants management reforms and related DATA Act and evidence-based policy implementation efforts are complementary and do not exist in separate silos.

We look forward to continuing our ongoing work to review implementation of the CAP goals, the DATA Act, and the infusion of evidence-based policy in federal grant programs. We also look forward to working with this and other committees as we assist Congress in identifying additional opportunities to advance grants management reform through reviews of individual grant programs and crosscutting analysis of grant implementation and grants management reform efforts.

Chairman Palmer, Ranking Member Raskin, and members of the Subcommittee, this concludes my prepared remarks. I look forward to answering any questions you may have.

## GAO Contact and Staff Acknowledgments

For questions about this statement, please contact me at (202) 512-6806 or sagerm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony were Brenda Rabinowitz and Tom James, Assistant Directors, Alexandra Edwards, Julie Miller, Andrew J. Stephens, and Walter Vance.

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# Related GAO Products

*The Nation's Fiscal Health: Action Is Needed to Address the Federal Government's Fiscal Future.* GAO-18-299SP. Washington, D.C.: June 21, 2018.

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*2018 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits.* GAO-18-371SP. Washington, D.C.: Apr. 26, 2018.

*DATA Act: OMB, Treasury, and Agencies Need to Improve Completeness and Accuracy of Spending Data and Disclose Limitations.* GAO-18-138. Washington, D.C.: Nov. 8, 2017.

*Managing for Results: Further Progress Made in Implementing the GPRA Modernization Act, but Additional Actions Needed to Address Pressing Governance Challenges.* GAO-17-775 Washington, D.C.: Sept. 29, 2017.

*Single Audits: Improvements Needed in Selected Agencies' Oversight of Federal Awards.* GAO-17-159. Washington, D.C.: Feb. 16, 2017.

*High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others.* GAO-17-317. Washington, D.C.: Feb. 15, 2017.

*Grants Management: Selected Agencies Should Clarify Merit-Based Award Criteria and Provide Guidance for Reviewing Potentially Duplicative Awards.* GAO-17-113. Washington, D.C.: Jan. 12, 2017.

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*Federal Research Grants: Opportunities Remain for Agencies to Streamline Administrative Requirements.* GAO-16-573. Washington, D.C.: June 22, 2016.

*Managing for Results: OMB Improved Implementation of Cross-Agency Priority Goals, But Could Be More Transparent about Measuring Progress.* GAO-16-509. Washington, D.C.: May 20, 2016.

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*Grants Management: Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues.* GAO-16-362. Washington, D.C.: Apr. 14, 2016.

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*Managing for Results: Implementation Approaches Used to Enhance Collaboration in Interagency Groups.* GAO-14-220. Washington, D.C.: Feb, 14, 2014.

*Recovery Act: Grant Implementation Experiences Offer Lessons for Accountability and Transparency.* GAO-14-219. Washington, D.C.: Jan. 24, 2014.

*Grant Workforce: Agency Training Practices Should Inform Future Government-wide Efforts.* GAO-13-591. Washington, D.C.: June 28, 2013).

*Grants Management: Oversight of Selected States' Disbursement of Federal Funds Addresses Timeliness and Administrative Allowances.* GAO-13-392. Washington, D.C.: Apr. 16, 2013.

*Grants Management: Improved Planning, Coordination, and Communication Needed to Strengthen Reform Efforts.* GAO-13-383. Washington, D.C.: May 23, 2013.

*Grants to State and Local Governments: An Overview of Federal Funding Levels and Selected Challenges.* GAO-12-1016. Washington, D.C.: Sept. 25, 2012.

*Grants Management: Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies.* GAO-12-360. Washington, D.C.: Apr. 16, 2012.

GAO-18-676T Grants Management

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*Grants Management: Attention Needed to Address Undisbursed Balances in Expired Grant Accounts.* GAO-08-432. Washington, D.C: Aug. 29, 2008.

*Grants Management: Grantees' Concerns with Efforts to Streamline and Simplify Processes.* GAO-06-566. Washington, D.C.: July 28, 2006.

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Mr. PALMER. Thank you.

The chair recognizes Ms. Brandon for her testimony.

## STATEMENT OF ANDREA L. BRANDON, M.P.A.

Ms. BRANDON. Chairman Palmer, Ranking Member Raskin, and Dr. Foxx, thank you for the opportunity to appear before you to discuss the Department of Health and Human Services' grants policies and practices, in particular the standardization and transparency of grant reporting, HHS' role in the President's management agenda across agency priorities, CAP Goal 8, and HHS results of grant closeouts and undisbursed balances as required by the Grants Oversight and New Efficiency Act, also known as the GONE Act.

As the deputy assistant secretary for HHS' Grants and Acquisition Policy and Accountability Office, I serve as the Department's lead executive responsible for the management, administration, and oversight of HHS' grants and acquisition programs. HHS is the Federal government's largest grantmaking organization, awarding approximately $500 billion in discretionary grants annually.

Last year, HHS kicked off the ReImagine HHS Transformation, which was prompted by OMB Memorandum M–17–22. 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 10 priority initiatives under ReImagine HHS, and ReInvent Grants Management was formed to identify and implement improvements to the grants management processes.

HHS plans to improve, or reinvent, the grant notice of award, the Federal financial report, grants management training and certification, and the grants management information technology 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 block chain for reinventing how we do grant business at HHS.

The Digital Accountability and Transparency Act of 2014 expanded the Federal Funding Accountability and Transparency Act of 2006 to increase accountability and transparency in Federal spending, making Federal expenditure information more accessible to the public. HHS was pleased to have led the grants work done under Section 5 of the DATA Act, and HHS believes strongly in furthering DATA Act Section 5 grants' pilot efforts under its ReImagine initiative.

The PMA CAP Goal 8 challenges Federal agencies to maximize the value of grant funding by applying a risk-based, data-driven framework that balances compliance with current requirements with demonstrating successful results. The strategy is three pronged: number one, standardize the grant data; number two, leverage existing data sources and processes; and three, 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. HHS is vested in providing guidance and leadership for the CAP 8 Goal as our deputy CFO is designated Colle leader of

the goal, and several HHS staff are currently leading several of those work groups. HHS will coordinate our internal efforts via Re-Invent Grants Management to coordinate with the PMA CAP Goal 8.

The GONE Act was signed into law on January 28, 2016 with the aim to facilitate the closing of expired grants. HHS, via all GONE Act compliance activities, found two primary challenges leading to delays in closing out grants and cooperative agreements in the HHS Payment Management System. Number one was policy and number two was system issues. Under policy, reconciliation issues led to a large number of expired grants with small undisbursed balances remaining open. Under system issues, management pooled accounts in PMS also affected the timeliness of grant closeouts.

HHS has implemented several measures to reduce the number of open, but expired, awards. Operation Clean Sweep resulted in the closure of over 30,000 Federal awards across HHS, and the GONE Act monthly reporting initiative resulted in an additional 17,000 grants being closed. The resolution of the remaining award balances involve a number of business functions, such as grants policy, financial policy, and IT systems. Therefore, we have convened a multidisciplinary work group to develop and implement strategies for closing these accounts and preventing future issues.

In conclusion, HHS strongly agrees with the need to protect taxpayers' dollars and is committed to using its ReInvent Grants Management initiative to standardize and/or eliminate duplicative processes in order to serve as careful stewards of these funds. Thank you for the opportunity to testify, and I am glad to answer any questions.

[Prepared statement of Ms. Brandon follows:]

**STATEMENT OF
ANDREA L. BRANDON
DEPARTMENT OF HEALTH
AND HUMAN SERVICES**

**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 undispersed 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.

Mr. PALMER. I thank the witness.

The chair now recognizes Mr. Tyler for his testimony.

## STATEMENT OF PETER TYLER

Mr. TYLER. Chairman Palmer, Ranking Member Raskin, and Dr. Foxx, I appreciate the opportunity to testify before the subcommittee about grant management improvement. This is a critical topic of government reform, and successful efforts would result in better accountability of Federal grants and a more effective use of grant money. I am a senior policy analyst for the Project on Government Oversight, or POGO, where I focus my efforts on a range of government accountability initiatives. Founded in 1981, we are a nonpartisan, independent watchdog that champions good government reforms.

The subcommittee has my written testimony, so I would like to highlight just a couple of points at this time. First, Congress has an important role in helping the Administration and agencies to move forward with the President's management agenda goal on Federal grant reform. This laudable initiative will need much more specific plans to achieve its goals. Second, there are many lessons we learned from the recent successes and challenges of the Digital Accountability and Transparency Act, the DATA Act, implementation that are directly applicable to grant management reform.

The President's management agenda released earlier this year correctly included grants management as a major goal in outlining the challenges and strategies for improvement. Currently, Federal agencies simply do not perform adequate levels of oversight and are too often unable to detect problematic or even fraudulent grants. Further, each Federal agency or even each Federal program can have its own process and standards for awarding and managing grants.

The President's agenda proposes several solutions, one of which is to standardize grant reporting data, especially financial data. This could lead to improved grant evaluations and increase the understanding of performance. However, success will depend on the thoughtful development and implementation of specific and well-defined steps. The President's management agenda needs further articulation, and all the milestone dates must be set.

Currently, for example, the Administration's public document outlining implementation steps has four milestones for data standardization. The first milestone was completed in 2017. The next two are due by the end of the current Fiscal Year. Unfortunately, the final and most important data standardization goal lacks specificity or even a time frame for completion. The Administration must create specific plans for data standardization and other key implementation goals. This should include more detailed implementation steps, reporting procedures for agencies, and quarterly milestones over multiple years. Further, these steps should be developed in a transparent manner with the input of stakeholder and civil society groups.

Will implementation of the Administration's grant management reforms prove successful? Perhaps. The recent history of a related Federal data transparency plan offers important lessons. The DATA Act, enacted in 2014 with the strong support and work of

this committee, has the goal of significantly improving the quality and scope of government spending data made available to the public. Treasury and the Office of Management and Budget smartly engage in a collaborative and transparent process. They established a multiagency working group and involved outside stakeholders, which successfully identified potential pitfalls well before committing to an approach. POGO recommends that grant management follow a similar approach, especially including stakeholder and civil society dialogue and input.

The Federal government spends about $2.5 trillion annually through grants, contracts, direct assistance loans, insurance, and other financial awards. While each type of spending might need specialized requirements, we should ideally move forward with improvements in all of these major fiscal vehicles at the same time rather than breaking them apart and addressing them only one at a time. For example, the Administration and Congress should work together to curb improper payments in grants and other types of spending. Federal spending through government contracts also pose ongoing challenges for accuracy and transparency.

In conclusion, the coming years could see great progress. These efforts should include increased specificity in the President's Federal grant reform initiative, learn from the successes and challenges of DATA Act implementation as well as ongoing implementation of the DATA Act, and finally, pursuing other Federal spending reform initiatives, such as new improper payments legislation and oversight of Federal contracting.

Thank you once again for the opportunity to provide our testimony to the subcommittee, and I look forward to your questions.

[Prepared statement of Mr. Tyler follows:]

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**Testimony of Peter Tyler, Senior Policy Analyst,
Project On Government Oversight,
before the House Subcommittee on Intergovernmental Affairs
on "Federal Grant Management"**

July 25, 2018

Chairman Palmer, Ranking Member Raskin, and Members of the Subcommittee:

I appreciate the opportunity to testify before the Subcommittee about grant management improvement. This is a critical topic of government reform, and successful efforts would result in better accountability of federal grants and more effective use of grant money.

I am a Senior Policy Analyst for the Project On Government Oversight (POGO), where I focus my efforts on a range of government accountability initiatives. Founded in 1981, the Project On Government Oversight is a nonpartisan independent watchdog that champions good government reforms. POGO's investigations into corruption, misconduct, and conflicts of interest achieve a more effective, accountable, open, and ethical federal government. POGO's mission has long included working to strengthen the effectiveness and accountability of federal government agencies through bipartisan, fact-based policy analysis.

When first looking at the issue of federal spending through grants, two points become immediately apparent.

First, federal spending through grants is now more than through contracts. In fiscal year 2017, federal grant spending was $719 billion, having risen dramatically over the past few years. In fiscal year 2013 total grant spending was $524 billion. Total federal spending for contracts in fiscal year 2017 was $509 billion.[1]

Second, federal grants represent critical aspects of federal spending, impacting Americans in many vital and positive ways, from funding education improvements to disease research; from assistance to firefighters to fighting hunger; from improving roads to providing disaster recovery. These are life and death issues that demand effective management to ensure federal dollars are well-spent and achieve the right results.

**Administration's Grants Reform Initiative**

The President's Management Agenda released earlier this year correctly included grants management as a major goal. "CAP Goal 8, Results-Oriented Accountability for Grants" outlines the challenges and strategies for improving grants management.[2]

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[1] POGO analysis of data from USAspending.gov
[2] White House, *President's Management Agenda*, 20 March 2018, *pp.36-37*. https://www.whitehouse.gov/wp-content/uploads/2018/03/Presidents-Management-Agenda.pdf (Downloaded July 24, 2018)

1

Currently, federal agencies simply do not perform adequate levels of oversight, and are too often unable to detect problematic or even fraudulent grants. Further, each federal agency, or even each federal program, has its own process for awarding and managing grants, which proves confusing for applicants. The President's agenda proposes several solutions. For example, one proposed solution is to standardize grant-reporting data, especially financial data. This would benefit accountability, and lead to less confusion and burden on those applying for and receiving grants. It could also lead to improved grant evaluations and increase the understanding of grant performance. Given the approximately $700 billion we spend annually through grants, one could certainly make the case that grants deserve the effort required to standardize reporting and improve data collection.

POGO applauds the inclusion of the grant management goal within the President's initiative.

However, success will depend on the thoughtful development and implementation of specific, well-defined steps. Grantmaking is an enormous, complex world, and involves most federal departments and agencies. Implementation steps for the President's Management Agenda need further articulation and all the milestones need to be set. Currently, for example, the Administration's public document "CAP Goal Action Plan: Results Oriented Accountability for Grants" outlines implementation steps and four milestones for data standardization.[3] The first milestone was completed in 2017; the next two are due by the end of the current fiscal year.

However, the final and most important data standardization goal lacks specificity: "Develop and execute long-term plan for implementing data standards government-wide." Equally important, the milestone due date was listed as "TBD." This is hardly the level of specificity required for success. Other grantmaking goals in the document also lack adequate specification and milestones.

The Administration should create more specific plans for data standardization and other key implementation goals. This would include more detailed implementation steps, reporting procedures for agencies, and quarterly milestones for initiative steps over multiple years. Further, these steps should be developed in a transparent manner with the input of stakeholder and civil society groups.

**Comparison to DATA Act**

Will implementation of the Administration's grant management reforms prove successful? Perhaps. The recent history of a related federal data transparency plan shows likely challenges that grant management reform efforts will need to overcome.

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[3] White House, "Results Oriented Accountability for Grants."
https://www.performance.gov/CAP/action_plans/FY2018_Q1_Results-Oriented_Accountability_for_Grants.pdf
(Downloaded July 24, 2018)

The Digital Accountability and Transparency Act (DATA Act)[4] passed in 2014 with the goal of significantly improving the quality and scope of government spending data made available to the public. The law tasked the Department of the Treasury and the Office and Management and Budget with establishing uniform government-wide data standards for spending information including grants, contracts, direct assistance, loans, and other assistance. These data standards are important to address long-standing data quality problems that have persisted in federal spending data.[5] The data standards, properly implemented, would ensure that agencies are reporting complete and reliable information that would match up across the government and allow the data to be merged, broken down, and analyzed.

Treasury and the Office of Management and Budget shared responsibility for overseeing the DATA Act. The offices smartly engaged in a collaborative process to evaluate the current spending data process, identify key data fields, and develop uniform reporting standards. They worked with a multi-agency working group and involved outside stakeholders, which resulted in a process that identified potential pitfalls well before committing to an approach.

However, once the new data standards were established and reporting to USAspending began, it was time to begin implementation, which became the responsibility of individual agencies. Unfortunately, the performance by individual agencies has been inconsistent.

In exploring USAspending data we have come across major gaps, including major grant programs involving billions of dollars with either no spending records reported or records that have such major errors that they aren't usable.[6]

One example from the Department of Agriculture grant program is the School Breakfast Program. It should have records for approximately $4.5 billion in FY 2017, but searches for this program return no records.

Of course, program data gaps are not limited to the Department of Agriculture. For example, we found that the Department of Transportation oversees the Federal Transit Capital Investment Grants program, which spent approximately $4.6 billion in FY 2017, but USAspending records only show $1.6 billion of that—less than half.

Given these mistakes in the data for these and other high-profile programs, we are certain there are significant data gaps for many other programs. This problem should be a major focus of grant oversight initiatives.

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[4] U.S. Congress, "DATA Act" (Public Law 113-101), Introduced May 09, 2014, by Senator Mark Warner. https://www.congress.gov/bill/113th-congress/senate-bill/994

[5] Government Accountability Office, *Effective Implementation of the DATA Act Would Help Address Government-wide Management Challenges and Improve Oversight* (GAO-15-241T), December 3, 2014. https://www.gao.gov/assets/670/667268.pdf (Downloaded July 24, 2018)

[6] Sean Moulton, "Government Earns Poor Grades for Spending Data Accuracy," Project On Government Oversight, December 1, 2017. http://www.pogo.org/our-work/articles/2017/government-earns-poor-grades-for-spending-data-accuracy.html

POGO sent Treasury and OMB a detailed letter describing a number of issues including a number of data quality problems that seem relevant to this hearing, as they underscore current problems with the latest effort to standardize reporting of grants and other awards.[7] This would be a useful topic for oversight.

**Improving Grants Reporting and Accountability: Part of Broader Goals**

The data reported to USAspending under the DATA Act is critical to ensuring robust and effective oversight for grants and other spending. Congress, researchers, reporters, academics, state offices, and many others use the USAspending data to understand the flow of money from the federal government. Standardized reporting elements that agencies report accurately and completely allow users to track and evaluate spending—trends in programs over time, geographic distribution, comparing different programs. The DATA Act standards remain an important first step to improving the utility of spending data. However, as evidenced above, agencies still have work to do to finish implementing the DATA Act. Any new requirements for data standards and reporting should build on the foundations established by the DATA Act.

The federal government spends almost $2.5 trillion annually through grants, contracts, direct assistance, loans, insurance, and other awards.[8] Each of these mechanisms would benefit from reporting and data collection improvements. While each type of spending might need specialized requirements, we should ideally move forward with improvements on all of these major fiscal vehicles at the same time rather than breaking them apart and addressing only one at a time.

For example, the Administration and Congress should work together to implement the goals and requirements of federal improper payments laws in order to curb waste in grants, as well as in all other types of spending. Improper payments occur when a payment is made in the wrong amount, to the wrong people, or for the wrong reason. These improper payments result from insufficient financial accountability, and divert dollars from where they are needed.[9] While significant progress by Congress and some federal agencies has been made in curbing improper payments during the past decade, more needs to be done to stop this wasteful and ineffective practice, including additional legislation. There are proposals currently before Congress that would help prevent improper payments from grants and other types of federal spending.[10]

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[7] Letter from Sean Moulton, Project On Government Oversight, to Amy Edwards, U.S Treasury Department, to Victoria Collin, Office of Management and Budget, on how to improve USAspending, June 28, 2018. http://www.pogo.org/our-work/letters/2018/pogo-offers-recommendations-to-improve-usaspending-gov.html?print=t

[8] POGO analysis of USAspending.

[9] Project On Government Oversight, *Federal Improper Payments Are Significant, Costing Taxpayers Billions,* July 12, 2016. http://www.pogo.org/our-work/reports/2016/introduction-to-improper-payments.html

[10] U.S. Congress, "Payments Integrity Information Act of 2018" (S.2948), Introduced May 24, 2018, by Senator Claire McCaskill. https://www.congress.gov/bill/115th-congress/senate-bill/2948; U.S. Congress, "Stopping Improper Payments to Deceased People Act" (S. 2374/H.R. 4929), Cheri Bustos. https://www.congress.gov/bill/115th-congress/senate-bill/2374/text (All downloaded July 24, 2018)

Similarly, federal spending through contracts also poses challenges for accuracy and transparency. POGO has researched these issues for years, noting, for example, the need for a stronger system for auditing contracts. Currently, contract audits are performed by numerous federal offices, including the Defense Contract Audit Agency, small auditing offices in other agencies, contracted auditors, and various inspectors general. Considering that $509 billion was spent through federal contracts just in fiscal year 2017, Congress should explore opportunities for an independent, central auditor rather than sticking with our current sprawling system. A central contract audit agency could save more money than it would cost to run by uncovering waste and fraud across the federal government, and by providing all federal agencies with a needed check on contractors, ensuring the government is not being overcharged for goods and services.

**Conclusion**

Grant reform initiatives are clearly needed. With leadership from the executive branch, and bipartisan oversight and legislation from Congress, the coming years could see great progress. These efforts should include:

- Creating through the President's Management Agenda's federal grant reform initiative more specific plans for data standardization and other key implementation goals. This should be accomplished in a transparent manner;

- Learning from the successes and challenges of DATA Act implementation as agencies move forward with grant management reforms;

- Implementing DATA Act requirements as they relate to grant spending data; and

- Pursuing other federal spending reform initiatives such as new improper payments legislation and oversight of federal contracting.

Thank you, once again, for the opportunity to provide our testimony to the Subcommittee. I look forward to your questions.

Mr. PALMER. This has been a great panel of witnesses so far. Everybody has finished early.

[Laughter.]

Mr. PALMER. So, it puts a huge burden on the next witness. Ms. Keegan, we look forward to your 5-minute testimony.

## STATEMENT OF NATALIE KEEGAN

Ms. KEEGAN. Chairman Palmer, Ranking Member Raskin, and members of the subcommittee, thank you for the invitation to testify.

As requested, my testimony focuses on a selection of issues relating to grant modernization priorities outlined in the President's management agenda and standardizing Federal grant reporting and transparency. The written statement goes into more detail, but I will touch upon the key points.

First, it may be helpful to provide some context. While Congress enacts legislation authorizing grant programs and providing funding, grant recipients must apply for the funds, and Federal agencies establish policies and procedures to award and manage those funds. Congress is, therefore, directing grant funding towards policies. The Federal agencies and grant recipients play a key role in how Federal grants are distributed and managed.

In constant dollar terms, Federal grant funding has grown substantially over the last 75 years from about the equivalent of $17 billion in 1942 to over $674 in Fiscal Year 2017. OMB provides overall guidance to Federal agencies for grant management, and Federal agencies may choose how to promulgate that guidance into regulations for individual grant programs, which may result in inconsistencies across Federal agencies.

The President's management agenda discusses IT modernization, data accountability and transparency, and the workforce. When assessing these topics in terms of Federal grant management, one of the emerging themes is how silos in grant management have created challenges to effective and efficient program management. Generally, Federal agencies separate grant management functions into three categories: financial management, program management, and grant oversight. These functions are usually assigned to different parts of the agency with the financial management done by the chief financial officer shop, program management by the program shop, and grant oversight by the agency's inspector general.

Financial management includes, among other things, reporting award information and dispersing funds. Program management involves reviewing and processing grant applications and approving changes in the scope of work. And grant oversight includes investigating allegations of waste, fraud, and abuse. Although some functions are shared, there is often limited communication between grant management components, which can impede effective grant management and limit oversight.

There are also silos within each grant management function. This is particularly true in the context of IT modernization. For example, the financial management function of Federal agencies often contains multiple cash management systems within a single agency, and these systems may not be interoperable. The program management function has separate grant management databases,

and like cash management systems, there may be multiple grant management databases within a single agency. Additionally, the cash management systems and the grant management systems are not interoperable. Both types of systems contain information that informs program evaluation, but evaluating a grant program would require drawing from multiple databases across multiple Federal agencies.

Grant data transparency is also hindered by silos due to different types of data, such as financial data and performance data. These silos exist in part because of the division of grant management functions between financial managers and program managers. Because of the silos of grant management functions, it is difficult to define who comprises the grant management workforce, which may explain why there's no mandatory training requirements. As a result Federal agencies established their own grant management training which may lead to variation in job skills of grant management personnel across the government.

Consequently, standardizing Federal grant reporting faces challenges. When evaluating options, Congress may wish to consider the following questions. Can Federal Acquisition Regulation inform the development of government-wide grant management regulations? If so, what are the potential limitations and benefits of using Federal acquisition regulation as a model for grant regulation? What are the current limitations on evaluating grant management practices across Federal agencies and among Federal grant recipients? What challenges are facing Federal agencies and grant recipients in implementing current grant management standardization and transparency measures such as the DATA Act and the GONE Act? How would Federal agencies and grantees prioritize standardization and transparency requirements should additional standardization measures be enacted? While Federal grant management faces challenges on many fronts, greater transparency can improve ways to overcome those challenges and improve Congress' ability to exercise oversight.

This concludes my statement. I'd be happy to answer any questions.

[Prepared statement of Ms. Keegan follows:]

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Statement of

## Natalie Keegan
Analyst in American Federalism and Emergency Management Policy

Before

Committee on Oversight and Government Reform
Subcommittee on Intergovernmental Affairs
U.S. House of Representatives

Hearing on

# "Federal Grant Management"

July 25, 2018

# Introduction

Chairman Palmer, Ranking Member Raskin, and distinguished members of the subcommittee, my name is Natalie Keegan. I am an Analyst in American Federalism and Emergency Management Policy at the Congressional Research Service (CRS). Thank you for inviting CRS to testify on the topic of "Federal Grant Management."

As requested, this statement focuses on the subjects of grant modernization priorities outlined in the President's Management Agenda and opportunities to standardize federal grant reporting and transparency. This statement provides a brief background of federal grant spending levels and an explanation of how federal grants are regulated, followed by a discussion of selected themes contained in the President's Management Agenda and issues related to standardizing federal grant reporting and transparency.

In serving Congress with nonpartisan and objective analysis and research, CRS does not make recommendations or take positions on the advisability of particular options. Rather, CRS is available to assist the subcommittee in its evaluation of these topics and the strengths and weaknesses of related options for legislation, oversight, and study.

# Background

## Overview of Federal Grant Administration

Federal grant programs provide a mechanism for Congress to direct funding to achieve national objectives across a wide variety of policy areas. While Congress enacts legislation authorizing grant programs and provides funding, federal grant recipients must apply for the funds and federal agencies establish policies and procedures for awarding and managing those funds. Congress is therefore directing grant funding towards policies, but federal agencies and grant recipients play a key role in how federal grants are managed. Federal grant awards are used to provide services and complete projects that directly benefit communities and individuals. For example, grant funds can be used for a range of activities conducted by grant recipients at the state and local level, including services provided by child care centers, schools, law enforcement agencies, and health care facilities. Grant funds can also be used to undertake projects that enhance community prosperity, ensure public safety, and assist with disaster recovery. For example, grant funds can be used to construct affordable housing, equip law enforcement and fire service personnel, and rebuild critical infrastructure after a disaster.

Federal grant funding to state and local governments has grown substantially in the last 75 years. As detailed in **Figure 1**, the federal government provided over $15 billion in constant (FY2009) dollars in grant funding to state and local governments in FY1942.[1] In FY2017, that amount increased to over $593 billion.[2]

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[1] Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2018*, Table 12.1, Summary Comparison of Total Outlays for Grants to State and Local Governments: 1940-2023.

[2] Ibid.

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**Figure 1.Total Grant Outlays to State and Local Governments: FY1940-FY2017**

(in Billions of Constant FY2009 Dollars)
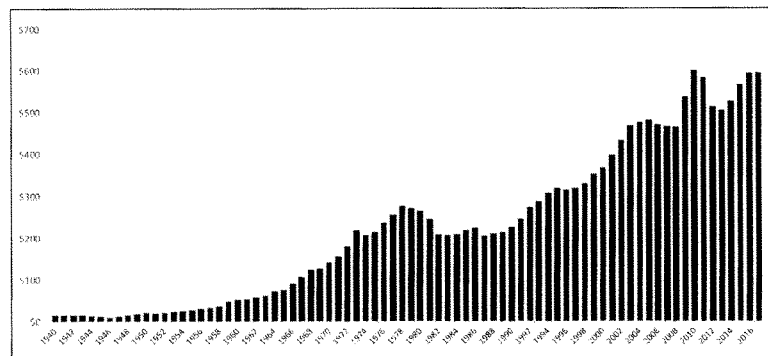


**Source:** CRS analysis of data obtained from the Office of Management and Budget, *Fiscal Year 2018 Historical Tables: Budget of the U.S. Government: Table 12.1 Summary Comparison of Total Outlays for Grants to State and Local Governments.*

Since FY2008, Congress has appropriated on average over $548 billion annually to federal grant programs that provide funding to state and local governments.[3] In FY2017, federal grant programs were administered by 34 federal awarding agencies, with the largest funds awarded by agencies administering programs for health, transportation, education, agriculture, and housing.[4]

## Grant Management Regulations

Though federal agencies have broad discretion in administering federal grant programs, the agencies generally follow government-wide guidance, as set forth in 2 CFR (commonly known as the grants supercircular), in managing grant programs. The guidance, which is issued by the Office of Management and Budget (OMB), sets standards for a range of administrative requirements governing grant management activities, including grant application forms, the timing of grant payments, financial reporting of expenditures made with grant funds, and auditing of grant awards. Federal agencies may choose to promulgate the guidance into regulations for individual grant programs and, as a result, there may be variation in the regulations for the same grant management activity across programs and agencies. For example, each federal agency may have differing processes for grant oversight activities. According to the Government Accountability Office (GAO), this results in inconsistencies across federal agencies in implementing guidance such as those pertaining to suspension and debarment.[5] While OMB guidance addresses government-wide financial reporting requirements, specific performance reporting requirements are usually determined by statutory and regulatory provisions for individual grant programs.

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[3] Ibid. The average is a calculation of grant outlays to state and local governments from 2008 to 2017.

[4] This information was obtained by doing an award search of USAspending.gov for FY2017 for grants as the award type. The ten largest agencies awarding funds for FY2017, in order of largest to smallest total award amounts, are the Department of Health and Human Services, Department of Transportation, Department of Education, Department of Agriculture, Department of Housing and Urban Development, U.S. Agency for International Development, Department of Labor, National Science Foundation, Department of Defense, and the Department of Homeland Security.

[5] U.S. Government Accountability Office, *Suspension and Debarment: Some Agency Programs Need Greater Attention, and Governmentwide Oversight Could Be Improved*, GAO-11-739, August 2011, p. 12. Nonprocurement guidance issued by OMB can be found at 2 C.F.R. Part 180.

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Performance reporting may include specific metrics such as the number of beneficiaries served by the grant-funded program, or the number of infant car seats distributed in the community.

## Grant Modernization Priorities in the President's Management Agenda

Federal grant management encompasses a broad array of functions and involves multiple stakeholders within a federal agency, across the federal government, and throughout the federal, state, and local grant community. The complexity and scope of federal grants contributes to the use of "silos" to manage federal grant funding and programs. While not specifically linked to federal grant management, the President's Management Agenda (PMA) includes a discussion of "working across silos" and "working across functional disciplines and across agencies rather than working in silos."[6] This statement will discuss grant administration silos and the challenges to overcoming those silos.

The PMA also discusses "three key drivers of transformation":[7]

- IT modernization;
- data, accountability and transparency; and
- people-workforce of the $21^{st}$ century.[8]

These themes are applied to federal grant management in the specific goal identified for federal grants. The PMA identifies several Cross-Agency Priority (CAP) Goals to "target those areas where multiple agencies must collaborate to effect change and report progress in a manner the public can easily track."[9] CAP Goal 8, *Results-Oriented Accountability for Grants*, addresses federal grant management and details the purpose of the goal and proposed strategies to reach that goal. The PMA states the purpose of CAP Goal 8:

- rebalance compliance efforts with a focus on results for the American taxpayer;
- standardize grant reporting data to improve data collection in ways that will increase efficiency, prioritize evaluation, reduce reporting burden, and benefit the American taxpayer;
- measure progress and share lessons learned and best practices; and
- support innovation to achieve results.[10]

The PMA identifies strategies for CAP Goal 8:

- standardize data;
- develop digital tools to manage risk, such as past performance and financial management; and
- implement a maturity model to encourage agencies to structure grant programs that balance program results and financial management.[11]

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[6] The White House, *President's Management Agenda*, 2018, at https://www.whitehouse.gov/wp-content/uploads/2018/03/Presidents-Management-Agenda.pdf, p. 23.

[7] Ibid, p. 10.

[8] Ibid, pp.10-19.

[9] Ibid, p. 9.

[10] Ibid, p. 36.

[11] Ibid.

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This statement discusses the silos in federal grant administration and federal grant management issues that arise for each of the three themes in the PMA: IT modernization; data, accountability and transparency; and people.

## Federal Grant Administration Silos

The increasing number, fragmentation, and complexity of federal grants have created challenges to oversight and transparency in federal grant spending. These challenges arise predominately because of the silos that exist within the current grant administration structure. Generally, federal agencies separate grant management functions into three categories: (1) financial management, (2) program administration, and (3) grant oversight. Federal agencies generally assign each of these functions to separate divisions, with the financial management function assigned to the chief financial officer (financial managers) of an agency, the program administration function assigned to program specialists (program managers), and the oversight functions shared between the financial managers, program managers, and the agency's inspector general. Although some functions are shared, there is often limited communication between various grant management components, which can impede effective grant management and limit oversight. These silos of grant management may result in increased risk of waste, fraud and abuse. For example, federal agencies have struggled with timely grant closeout.[12] Delays in closing out a federal grant award reduces the ability to conduct timely oversight of federal grant funds. One cause of delayed closeout is a lack of coordination between the financial managers and the program managers.[13] GAO noted that, "the separation of grant management and payment functions in different systems could make it possible for an agency to close a grant in a grant management system but not close the grant in a separate payment system."[14] **Figure 2** details the grant management silos at the federal agency level and the grant recipient level.

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[12] For more discussion of delayed federal grant closeout, see CRS Report R43726, *Delayed Federal Grant Closeout: Issues and Impact*, by Natalie Keegan.

[13] Ibid, p. 6.

[14] U.S. Government Accountability Office, *Grants Management: Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues*, GAO-16-362, April 2016, p. 26.

**Figure 2. Federal Grant Spending Data Sources**
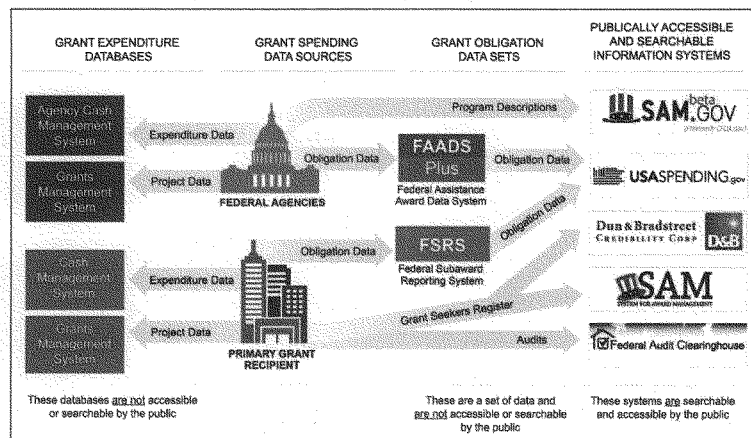
As shown across the top of **Figure 2**, there are four categories of federal grant management where silos exist: (1) grant expenditure databases; (2) grant spending data sources; (3) grant obligation datasets; and (4) publicly accessible and searchable information systems.

## Grant Expenditure Databases

Federal agencies and grantees use separate databases to track federal grant financial information and federal grant project information on the same grant award. The financial information about the grant award, such as award amount and payments made to grantees, is contained within a cash management system. Federal grant project information, such as the grant application, grant agreement details, performance reports, and requests for changes in the scope of work or extensions of the grant award period, are contained within the grant management systems. Database silos are created when cash management systems and grant management systems within the federal agency are not interoperable. In addition to the federal agency database silo, the grant recipients each have their own cash management systems and grant management systems which may not be interoperable at the grant recipient level or with federal agency databases. Additionally, the cash management systems are operated by financial managers while the grant management systems are operated by program managers at both the federal agency level and the grant recipient level. So essentially there can be silos within silos. The lack of interoperability between the grant expenditure databases results in the need to manually reconcile information about each individual grant award. Manual reconciliation can require additional resources at the federal agency and the grantee level. This practice can also lead to increased data errors, further delaying the process. Failure to manually reconcile the databases in an accurate and timely fashion could result in program inefficiencies and delayed oversight of federal grant spending.

## Grant Spending Data Sources and Grant Obligation Datasets

The second category of federal grant management where silos can exist is grant spending data sources. Grant program and award information such as grant program descriptions, grant obligations, and grant

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audits are reported by different stakeholders. For example, federal agencies provide grant program descriptions that are contained within information systems such as the System for Award Management (SAM). Federal agencies also report grant obligation information to databases such as the Federal Assistance Award Data System (FAADS-PLUS) that feeds data into publically accessible and searchable information systems such as USASpending.gov. Grant recipients report grant award information such as subgrantee award obligations to datasets such as the Federal Subaward Reporting System (FSRS). Grant recipients also submit audits to the Federal Audit Clearinghouse. Because grant award information is being reported by different sources and contained within different datasets, the data sources create silos for grant spending information. While federal agencies have responsibility for ensuring that grant spending data reported by the grant recipient is accurate and timely, the consistency and effectiveness of federal agency monitoring is unclear.

As discussed above, federal agencies and federal grant recipients report grant spending data into separate databases. FAADS and FSRS are not interoperable and are not publicly accessible, though both systems feed into USAspending.gov.

## Publicly Accessible and Searchable Information Systems

Federal grant management may require compiling information from a number of information systems to evaluate program efficiency and effectiveness. Several information systems contain federal grant-related data. While the federal grant management structure contains publicly accessible and searchable information systems, there are variations in the ability to search these systems. As shown in the far right column of **Figure 2**, grant information systems include Assistance Listings (previously the Catalog of Federal Domestic Assistance), USAspending.gov, Dun & Bradstreet, SAM, and the Federal Audit Clearinghouse. These information systems are not interoperable and contain different types of grant management information that is compiled and utilized by different grant management functions. For example, the Assistance Listings contain grant program information developed by the program managers, while USAspending.gov contains financial information reported by the financial managers at the federal agency and grant recipient level. The Federal Audit Clearinghouse contains financial information provided to auditors by the financial managers at the grant recipient level. Dun & Bradstreet contains information provided by the program managers at the grant recipient level but issues identification numbers (called DUNS Numbers) that are utilized by the federal agencies to track federal grant spending for both financial and programmatic purposes. SAM contains predominantly financial information provided by the financial managers at the federal agency and grant recipient level, though efforts are currently underway to integrate the grant program information contained within the Assistance Listings into SAM.

Information system silos may hinder the ability of stakeholders to compile a complete picture of grant management practices since each information system contains information about different grant management functions. For example, if a stakeholder wanted to evaluate whether a grant recipient was in compliance with federal grant reporting and performance requirements, the stakeholder may need to compile grant program authorization information from Assistance Listings, grant obligation data from USAspending.gov, grantee information from Dun & Bradstreet, award information from SAM, and audit findings on that grantee from the Federal Audit Clearinghouse.

## IT Modernization in Grant Management

Federal grant management is challenged by the silos of grant expenditure databases. As discussed above, federal agencies operate separate databases for cash management and grant management. Additionally, there are generally multiple grant management systems within the same agency. This is due in part to changes in the lead agency administering a grant program. When the program administration is moved

from one agency to another, or from one component within an agency to another, the grant management system is also moved. As a result, federal agencies are challenged with operating systems that were acquired and managed by other entities and are not interoperable with existing grant management systems within the agency and therefore cannot be merged to create a single grant management system.

## Data, Accountability and Transparency in Federal Grant Administration

Congress and federal agencies establish laws and regulations to provide oversight mechanisms that allow for accountability of, and transparency into, federal grant spending. Accountability provisions establish a foundation for ensuring appropriate management of grant funds to reduce the risk of waste, fraud, and abuse. Accountability and transparency measures can be challenged by the existence of silos within federal grant management. The two data silos are (1) financial data and (2) performance data. These silos exist, in part, because of the division of grant management functions between financial managers and program managers. The goals set forth in the grant management components of the PMA, such as balancing program results and financial management, would likely require increased transparency and accountability into both financial data and performance data.

### Financial Data Transparency

Twelve years ago, Congress sought greater accountability and transparency for federal grant spending with the enactment of the Federal Funding Accountability and Transparency Act of 2006 (FFATA).[15] FFATA required full disclosure of all entities and organizations receiving federal funds and established USAspending.gov, the primary government website containing federal grant spending data. While USAspending.gov contains some program data such as place of performance, the majority of the information is financial data.

Implementation of FFATA faced several challenges, including issues with the completeness, timeliness and accuracy of both the data in systems that feed into USASpending.gov and the data housed in USASpending.gov. These issues continue to limit federal grant spending transparency and accountability. Congress amended FFATA in 2008 to improve transparency and expand the data displayed by USASpending.gov.[16] Despite this amendment to FFATA, federal grant spending data continued to be incomplete and inaccurate. In 2014, Congress amended FFATA again to increase transparency and improve data quality with enactment of the Digital Accountability and Transparency Act of 2014 (DATA Act).[17]

### Performance Data Transparency

Unlike financial data, there is no uniform definition of what constitutes "performance data." Performance data can include information such as past performance of a grantee or successful achievement of set performance metrics. Past performance could include a variety of types of information, including previous audits of grantees, compliance with conditions of previous grant awards, timely submission of financial and performance reports, and appropriate monitoring of subgrantees.

Information that might be compiled to create performance data might be contained in both the cash management systems and the grant management systems. Additionally, the evaluation of performance data would involve every function of federal grant management. Consequently, efforts to increase

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[15] Federal Funding Accountability and Transparency Act of 2006. P.L. 109-282, September 26, 2006.

[16] Government Funding Transparency Act of 2008, Section 6202 of P.L. 110-252, June 30, 2008.

[17] Digital Accountability and Transparency Act of 2014, P.L. 113-101, May 9, 2014.

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transparency and accountability of federal grant performance data would likely necessitate increased coordination between multiple grant management functions within an agency and across federal agencies.

## People in the Federal Grant Management Workforce

The grant management workforce does not have a mandatory training requirement. GAO reported that identifying the federal grant workforce is challenged by the differences in how federal agencies manage grants and the range of different job series involved in federal grant management.[18] Additionally, as discussed above, the grant management functions are contained within different silos that require different skills. For example, training for financial managers would be different than training for program managers or the agency Office of Inspector General. Consequently, each federal agency develops its own training requirements unique to each silo of grant management within the agency.

# Issues Related to Standardizing Federal Grant Reporting and Transparency

Assessing federal grant management practices across agencies and federal grant recipients raises several issues and questions that Congress may consider when evaluating options for standardizing federal grant reporting and transparency. These challenges include the comparability of federal grant regulations to federal acquisition regulations, limited ability to evaluate current grant management practices, and varying agency and grantee capacity to implement standardization measures.

## Challenges of Comparing Federal Grant Regulations to Federal Acquisition Regulations[19]

Some federal agencies combine grant and acquisition management policy within the same office, which raises questions of whether one office can manage both grants and acquisitions and whether the needs of managing these two functions are compatible.[20] As detailed in **Figure 3**, federal grant outlays to state and local governments for FY2017 were $593.5 billion (in constant FY2009 dollars), compared to federal procurement obligations of $442.3 billion that same year, which means grant outlays were $150 billion more than procurement obligations in FY2017. On average, over the last ten years, grant outlays have exceeded procurement obligations by about $77 billion per year.

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[18] U.S. Government Accountability Office, *Grant Workforce: Agency Training Practices Should Inform Future Government-wide Efforts*, GAO-13-519, June 2013, p. 7.

[19] The federal acquisition system component of this section was developed in collaboration with other CRS analysts, including Elaine Halchin, Specialist in American National Government.

[20] For example, the Department of Health and Human Services has an Office of Grants and Acquisition Policy and Accountability (OGAPA) that provides department-wide leadership and management for grants and acquisitions through policy development, data systems operations and analysis, performance measurement, oversight, and workforce training. For additional information about OGAPA, see https://www.hhs.gov/about/agencies/asfr/ogapa/index.html.

**Figure 3.Comparison of Federal Grant Outlays to Procurement Obligations: FY2008-2017**

(In Billions of Constant FY2009 Dollars)
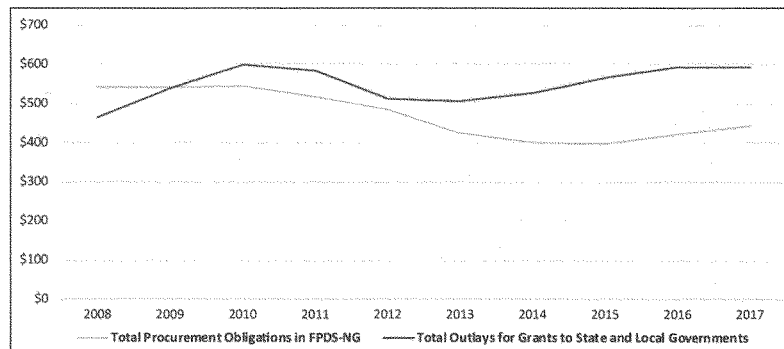


Source: CRS analysis of data obtained from the Office of Management and Budget, *Fiscal Year 2018 Historical Tables: Budget of the U.S. Government: Table 12.1 Summary Comparison of Total Outlays for Grants to State and Local Governments* and data obtained from the Federal Procurement Data System- Next Generation (FPDS-NG), July 2018.

Though not strictly comparable, examining various features of the federal acquisition system and federal grant management may highlight some attributes where differences can be seen. These attributes may include (1) authority and purpose, (2) potential parties involved, (3) regulations, and (4) federal agency personnel.

## Authority and Purpose

There are differences in the authority and purpose of the federal acquisition system and federal grants. While federal agencies generally do not need explicit statutory authority to make particular acquisitions of goods and services, federal agencies must have explicit statutory authority to award grants or enter into grant agreements. The purpose of the federal acquisition system is to buy goods and services for the government's use or benefit, while federal grants are to support a public purpose or national goal through the provision of funds as authorized in federal statue. Given the differing authorities and purposes, what are the limitations and benefits of using the Federal Acquisition Regulation (FAR) as a model for government-wide federal grant regulation?

## Potential Parties Involved

Although there is some overlap, the potential parties involved in the federal acquisition system and federal grants differs. The federal acquisitions system involves federal agencies, contractors, and subcontractors where contractors and subcontractors may be private persons, or foreign, state or local governments, or other entities. Federal grant parties may include federal agencies; states, local governments, and other public entities; private parties including non-profit, for-profit, and other organizations and individuals; and subgrantees. To what extent do the potential parties involved in grant management affect the selection of standardization and transparency measures?

## Regulations

There are differences in how the federal acquisition system and federal grants are regulated. The FAR generally applies to executive branch agencies. However, numerous other regulations also govern acquisitions by executive branch agencies (e.g., Titles 15 and 41 of the Code of Federal Regulations), or on an agency-specific basis (e.g., Defense Federal Acquisition Regulation Supplement, which supplements the FAR). Federal grants are regulated by incorporating guidance issued by OMB and by the Treasury Department mandating payment procedures into individual grant program regulations. How would enhancing government-wide grant regulations affect grant program management?

## Federal Agency Personnel

There are differences in the training of the acquisition workforce and the grant management workforce. The acquisition workforce has mandatory training requirements developed by the Office of Federal Procurement Policy (OFPP) in OMB. These training requirements are identified in memoranda issued by OFPP regarding certification in contracting.[21] The grant management workforce does not have a mandatory training requirement. How would establishing mandatory training requirements for the grant management workforce affect grant program efficiency and effectiveness?

## Evaluating Current Grant Management Practices

One of the challenges to assessing opportunities to standardize federal grant reporting and transparency measures is the limited ability to evaluate current grant management practices across federal agencies and federal grant recipients. As discussed above, grant reporting and transparency involves both financial data and performance data. While transparency measures such as the DATA Act seek to increase transparency and standardization of financial reporting data, it is unclear how existing transparency measures will address performance reporting requirements. Performance reporting requirements may vary significantly across federal grant programs, and there is limited transparency into what those requirements are and how federal agencies and individual grantees administer and oversee performance reporting. How would evaluating current grant management practices for performance reporting affect strategies to meet the CAP Goal 8 to improve data collection in ways that will "rebalance compliance efforts with a focus on results"?

## Agency and Grantee Capacity to Implement Standardization Measures

Federal agency and grantee capacity affects the implementation of standardization and transparency measures. For example, a GAO report indicated that federal agency implementation of the DATA Act was challenged by lack of resources.[22] If federal agencies and grantees are already struggling to implement existing standardization and transparency requirements, it is unclear to what extent that limited capacity would affect implementation of additional requirements. How would federal agencies and grantees prioritize standardization and transparency requirements?

This concludes my statement. Thank you again for the opportunity to testify, and I will be pleased to respond to any questions the subcommittee may have.

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[21] For example, see https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/procurement/memo/revisions-to-federal-acquisition-certification-in-contracting.pdf.

[22] U.S. Government Accountability Office, *DATA Act: OMB and Treasury Have Issued Additional Guidance and Have Improved Pilot Design But Implementation Challenges Remain*, GAO-17-156, Dec. 2016, p. 9.

Mr. PALMER. Thank you. I thank the witnesses for the testimony. The chair now recognizes Dr. Foxx for her questions.

Ms. FOXX. Thank you very much, Mr. Chairman, and I thank our witnesses for being here today. You know, there are very few people who get excited about this issue. It is talking about data, and standardization is not something that is going to bring smiles to a lot of people's faces, but it brings a smile to my face to hear you all talking about this. And if the people involved with applying for grants and reporting on grants knew a little bit more about it, they would be smiling too. So, thank you all very much for being here. I have actually been a grant writer for a long, long time. I go back, way back, and I have actually dealt with the kinds of issues you are talking about.

Mr. Hollister, the Federal government tends to impose policy on State governments—excuse me—by assigning conditions to grants that it awards. As we work to modernize grant management, how can we protect State sovereignty?

Mr. HOLLISTER. Thank you, Dr. Foxx, and thank you for championing the GREAT Act. I had the opportunity a few years ago to sit with the staff of then Governor Patrick of the Commonwealth of Massachusetts, and they told me that Governor Patrick, when Congress imposed sequestration, wanted to figure out the cumulative impact of sequestration on Massachusetts. Could not do it because grants were separately administered between each grantor agency and the corresponding grantee agency of the State. There was no way to understand the full picture of grant funding for Massachusetts.

In order to try to address that, 11 States and Puerto Rico have set up grant offices that seek to get a handle on the entire picture of all of the grants that the State is receiving. However, this is still almost prohibitively difficult because of the multiplicity of the reporting requirements. If your GREAT Act were enacted and if we had a common data structure for all those forms, it would be simple for a governor's office or grants office to understand the full picture of all grant funding received by the States. And as sovereign governments, the States could elect to comply in some places, perhaps refuse in others, while still maintaining all the requirements of the grants.

Ms. FOXX. Right. And, my feeling, again, about this legislation, it is a bipartisan piece of legislation. It is something that all of us who care about how money is being spent in the government should want to get done in a hurry. So, you have already talked about how the GREAT Act builds off of the DATA Act initiatives. Was there anything else you wanted to say in that area that you did not get to say in your testimony goes on because time is so short?

Mr. HOLLISTER. As a matter of fact, there is, Dr. Foxx, and I thank you. Some of the other witnesses have pointed out how the DATA Act set up a single unified data set of all the information that Federal agencies report on their spending. If your GREAT Act were enacted and implemented, we would also have a single unified data set of all the information that grantees are reporting. And because of the requirements in your bill, those two data sets would be interoperable. That means it would be possible to take a par-

ticular grant, see all of the aspects of congressional appropriations and individual payments coming from the agency, and also see what the grantee is saying about that grant. That means 360-degree transparency.

Ms. FOXX. Wow. Again, having more information can only be good, and having information that you can compare can only be good in my opinion. Are there some other areas of grant reform that Congress should be aware of that are going on or that folks are thinking about?

Mr. HOLLISTER. Dr. Foxx, we do have some interesting stories from overseas of how other developed countries have gone even farther, have set up a single portal to which all of the information flows. There might be some savings there because it means the individual agencies no longer have to collect information themselves. However, that is not necessary to get to the transparency. What is really essential is that step of adopting the data standards.

Ms. FOXX. Great. Thank you. Ms. Brandon, have you had a chance to review the GREAT Act, and if you have, how do you think it relates to the DATA Act pilot recommendations?

Ms. BRANDON. Thank you, Dr. Foxx, for that question. Yes, I have had the opportunity to review the GREAT Act bill. And with regard to the way that we implemented the DATA Act, we have 57 standard data elements that actually tie the financial management data elements for the Agency with the acquisition and grant data elements and the sub-award data elements. So, we standardized all those data elements across the financial acquisition and grants.

With regard to the GREAT Act, I think this is an awesome opportunity for us to continue to standardize those data elements across the entire lifecycle of the grants management process, so everything from pre-award aspects through the award, the monitoring, the audit resolution, and the close out. And so, definitely we are working currently within the President's management agenda CAP 8 Goal on something called the Federal Integrated Business Framework data elements that we have already started pulling together. We call it FIBF for short. And it is 417 at the current point where across the Federal government we are working in a collaborative working group to look at those data elements across the entire grants management lifecycle.

So, I think that that will actually tie in very nicely with the DATA Act data elements that were created, and we are looking forward to implementing it.

Ms. FOXX. Thank you. Thank you, Mr. Chairman. I yield back.

Mr. PALMER. The chair now recognizes the gentleman from Wisconsin, Mr. Grothman, for his questions.

Mr. GROTHMAN. We will start with Ms. Sager. We are talking about grants that should be closed out. What are some of the reasons the grants are not closed out in a timely manner at the end of the performance period?

Ms. SAGER. Thank you for the question. There are a number of reasons why grants may not be closed down in a timely manner, and we are delighted to see that they are now being tracked.

So, to just give you a couple of examples that appeared repeatedly in some of GAO's work, we did three reports on grant close out, and some of the reasons that we heard at one end of the spec-

trum, a grantee may no longer exist, thus making it very difficult to follow up and close out a grant. In other cases, you may have a grant system and a financial management system within an agency that need to be reconciled before the grant can be closed out. In other cases, you may have final deliverables that still need to come in before the final agreement can be closed out. And still another example could be when you have multiple entities within an agency that are all contributing to the grant, all of them need to contribute to the final close out.

So, all of those kinds of things are now being tracked, and we certainly would welcome additional requests to see where we are at this point in time now that the GONE Act has passed.

Mr. GROTHMAN. Okay. How are we going to recapture the expired grants?

Ms. SAGER. So, agencies, depending on the nature of their authorizing legislation, they may be able to redirect those funds. In other cases, those funds may be returned to the Treasury.

Mr. GROTHMAN. Okay. Would GAO consider another review of grant close-out issues?

Ms. SAGER. We absolutely would. We know that agency financial reports for 2017 are now in hand, and we soon will have another year in hand. That would then provide us with an opportunity to look at those 2 years and see the progress that we have made. And if there are opportunities to make additional recommendations, certainly look forward to working with this committee to do so.

Mr. GROTHMAN. Okay. We will move over to Ms. Brandon. You are familiar with the DATA Act?

Ms. BRANDON. Is that for me? Did you say "Ms. Brandon?"

Mr. GROTHMAN. Yes.

Ms. BRANDON. Thank you so much, sir. Yes, I am familiar with the DATA Act.

Mr. GROTHMAN. What lessons have been learned so far regarding standardized recipient reporting?

Ms. BRANDON. With regard to the DATA Act and standardized recipient reporting, we actually had to take a look at the actual business management data elements from the Federal Financial Report that come in, and actually work across our Department to look at standardization of how we implement those particular data elements and how we report out on those particular DATA Act data elements with regard to the DATA Act.

In addition to that, we actually had to look at the reconciliation across the Department with the financial data that came in from our financial systems, and we had to actually massage the data, if you will, to look at those anomalies, those types of data anomalies that fell out as we coagulated all the data together in order to report out on the DATA Act. So, we were able to look across our 11 operating divisions and staff divisions and make sure that we had better quality data. And so, it enabled us to help report in a more timely way and with the better data quality for the DATA Act.

Mr. GROTHMAN. Thanks. Does the huge number of data elements raise any concerns for HHS and other agencies?

Ms. BRANDON. With regard to the data elements, the concerns actually had to do with what we were using as standard data elements that were taken out of SAM.gov versus other data elements

that were required through the DATA Act portal, USAspending.gov that were not in SAM.gov. And we were not prepared for that actually, so we had to make some very quick adjustments and some data mapping to ensure that we could meet the new requirements and that we still would retain the quality of data necessary to report accurately.

Mr. GROTHMAN. Okay. Once HHS identifies duplicative data elements, is there an effort to standardize or consolidate the forms?

Ms. BRANDON. Actually, we are trying to get rid of the forms. We would like to come up with a specific set of structured data elements across our entire department and actually have them reported in the system, and not necessarily articulated or attached to a form per se. In addition to that, we are looking at having the recipients submit the information in a structured data way and not have to be tied to actual forms. As we look at all the forms that are currently in use, we are looking at the duplicative data elements, and we are snapping them down to address only those data elements that are required and only necessary for reporting, because we also did an analysis that reflected we were collecting data elements that we actually never use. And so, we are going to strip those away. But definitely, we want to use our systems more and actually get away from forms.

Mr. GROTHMAN. Okay. You finished that right on the button, so thank you.

Mr. PALMER. The chair recognizes my friend, the ranking member, Mr. Raskin, for his questions.

Mr. RASKIN. Thank you very much, Chairman Palmer. Mr. Tyler, what was the Council on Financial Assistance Reform?

Mr. TYLER. Thank you, Congressman. That is an important question about this issue. There may be some people here at the table who could answer the question better. But, in effect, COFAR was established to make sure that the then grant initiatives under the last Administration would go forward in an effective way.

Mr. RASKIN. Okay. But is there anybody else who wants to provide any insight on that?

[No response.]

Mr. RASKIN. I understand that the new director of the Office for Management and Budget disbanded the council, which was charged with trying to streamline and improve the policies. Can anybody tell me what was behind that decision?

[No response.]

Mr. RASKIN. Does anybody know? Ms. Brandon, do you not know?

Ms. BRANDON. I ——

Mr. RASKIN. Okay. But, you know, and I understand, hey, I am a politician. I understand politicians like to create their own councils and commissions and get rid of the last person's, but was this replaced with something new that was tasked with trying to improve the practices generally? Mr. Tyler, do you know?

Mr. TYLER. Congressman, that is a great question, and I actually have the same question. We definitely want to see movement forward on good reforms for the grant process. What I am asking is the same question. I am not 100 percent sure who is in charge. Recognizing the importance of Health and Human Services' work,

they are correctly taking a leadership role, but this is an interagency process. HHS, in effect, cannot tell the Department of Commerce what to do with their grant program, and that is why a council approach where people are brought to the table effectively and regularly is so important. I simply do not know who is convening those meetings.

Mr. RASKIN. Okay. Is that interagency process taking place to the knowledge of anybody on the panel? Does anyone know whether this Council on Financial Assistance Reform has been replaced with another interagency coordinating group?

Ms. BRANDON. I can actually tell you that the work that was done under the Council on Financial Assistance Reform has now been moved under the Chief Financial Officers Council at Office of Management and Budget. And while there is not a new committee that has been formed, the work is actually being addressed through that council. And that council actually has the co-lead on the new cross-agency of priority CAP Goal 8 in the President's management agenda. So, all the grant's work and activity has been moved under the CFOC Council.

Mr. RASKIN. Okay, great. Are you involved in that process?

Ms. BRANDON. I am a sub-leader, if you will, under our deputy CFO.

Mr. RASKIN. Were you involved in the COFAR, the Council on Financial ——

Ms. BRANDON. In prior years, yes.

Mr. RASKIN. You were?

Ms. BRANDON. Yes.

Mr. RASKIN. Okay. So, well, what has been the effect of dissolving that council?

Ms. BRANDON. Basically, we actually submit information to our chief financial officer council member, so that is our deputy CFO at HHS. And we submit any type of grant reform considerations and initiatives that we would like to see from the grants perspective, and she ensures that it is put on the agenda at the CFOC Council. And in addition to that, there is another committee that does not fall under the Chief Financial Officers Council. It's called the Financial Assistance Committee on e-Gov, and it actually falls under the Acquisition Committee for e-Gov and the integrated acquisition environment. And that committee is made up of the 26 Federal grantmaking agencies, and we do look at the standardization of the grant data elements and the business processes, and et cetera.

Mr. RASKIN. Okay. Let me stick with you then for a second. Can you tell me about USAspending.gov, the website? USAspending.gov.

Ms. BRANDON. In particular?

Mr. RASKIN. Well, it was created to try to build transparency, I think, into the process.

Ms. BRANDON. Yeah.

Mr. RASKIN. But it was plagued with a whole host of problems when it first started. Is that right?

Ms. BRANDON. It was actually created in results of the Federal Financial Assistance Transparency Act, the "Transparency Act" for short, and I think that was in 2010. And basically, it was to

produce the transparency, and grant obligation and acquisition obligation data elements, and the sub-award data elements. And while I think it did initially have issues, we actually were able to, I believe, overcome that and get probably about 90 percent of the data accurate across the Federal government. Prior to ——

Mr. RASKIN. But has there not been an attempt by this Administration to upgrade it and change it that failed?

Ms. BRANDON. It was upgraded during the DATA Act implementation.

Mr. RASKIN. I see. Okay.

Mr. HOLLISTER. Mr. Raskin, I can speak to that if you wish ——

Mr. RASKIN. Please.

Mr. HOLLISTER.—because I know when I was an Oversight Committee staffer here.

Mr. RASKIN. That is great.

Mr. HOLLISTER. The DATA Act of 2014 dramatically expanded the website. Previously, the website only carried information about award spending. That is about one-third of all Federal spending, the stuff that goes out in grants or in contracts, but there was no bigger picture. In 2014, Congress unanimously passed the DATA Act, which required Treasury and OMB to get together to set these data standards for all the information and then publish one unified data set of everything, not just what goes out in grants and contracts, but all spending by the executive branch. The reporting for that spanned Administrations. They did not finish the project under the law until May of 2017, and that is when the reporting began. We now have that unified data set.

Mr. RASKIN. Got you. All right. Thank you, Mr. Chairman. Thank you for your patience, and I yield back to you.

Mr. PALMER. Thank you. I now recognize myself for a few questions. Mr. Tyler, in your testimony, in your written testimony, you said one example from the Department of Agriculture grant program is the School Breakfast Program. It should have records for approximately $4.5 billion in Fiscal Year 2017, but searches for this program return no records. And then you go on to point out that the Department of Transportation oversees the Federal Transit Capital Investment Grants Program, which spent approximately $4.6 billion in 2017, but USAspending records only show $1.6 billion of that, and that is less than half, as you pointed out.

Did you or your organization attempt to research this further? And what I am trying to find out is has there been any—two things. Has there been any effort to try to determine why we do not have complete records, and then after that, what happened to the money?

Mr. TYLER. Mr. Chairman, your question goes to one of the key issues we are facing now with this website and the implementation of the DATA Act, and it also refers back to the question that Mr. Raskin asked. There is a lot of data missing and a lot of inaccurate data on the website, and this is a problem. The fact that ——

Mr. PALMER. And this is on USAspending records or just across the board?

Mr. TYLER. USAspending records I am referring to, sir, that is correct, and we want to see more data. We want see more complete data. We want to see more accurate data. The examples we gave

in my testimony showed some rather serious lags there. The Government Accountability Office is also doing some very good work detailing this and, in fact, looking at a lot of reports of the various inspectors general. Without complete data, we simply do not have a complete picture. Progress is being made.

One other aspect is making sure the data is accessible to the public and to Congress. We as POGO put together a letter, a very long one, pointing out many ways of improving not only the data, but access to the data, and we think that is an important thing to move forward. Its relevance to grants is twofold. First off, we want to make sure the grant data on USAspending is correct and complete, but secondly, as we move forward on grants reform, we should learn from some of the history of how to implement the DATA Act.

Mr. PALMER. Mr. Hollister, you, in response to the question raised by the ranking member, Mr. Raskin, seemed to know a great deal about USAspending. What expectations should we have that the data that they have now is up to date and accurate and could answer the question about the $4.5 billion in the Breakfast Program and the $3 billion that is unaccounted for in the Transportation?

Mr. HOLLISTER. Yes, sir. The law currently requires every agency to report all of its spending using this common format to the USAspending.gov system, which is maintained by the Treasury Department. The responsibility belongs to the agencies, not to the Treasury.

Of course there are challenges in taking the world's largest and most complex organization, the United States Federal government, all of disparate means of accounting that all those agencies use, all of the hundreds, thousands of different financial systems, putting all that information into one view, so there are some technical problems. However, if I could offer a suggestion, the fastest way for Congress to fix the quality of that data that is up there on that website for taxpayers is to appropriate based on it. Tell the agencies that if they do not report the spending to the USAspending.gov, you will assume that is all that they got, and you will only appropriate that much more. I think you will find a great deal of improvement in the quality if Congress appropriates based on what is there.

Mr. PALMER. Well, that brings me back, gets me to a point that I have been trying to make here for 3 years, 7 months, and 22 days. That is how long I have been in Congress. And that is you generally get what you expect to find and hold people accountable for, and that would apply to grantmaking. I think it is incumbent on the Federal government to make it very clear the expectations on performance and cost, but at the same time for people who apply for grants that we do a good job of evaluating their grant request that should have clearly defined objectives that are measurable, and that we should be exercising oversight over it to make sure that when we spend that money, we get what we paid for. I do not think we did that, and that is a problem across the board.

I hope what we are doing now, and particularly with the legislation that has been introduced by Dr. Foxx and Mr. Gomez, that we are much, much closer to that kind of accountability and oversight.

Ms. Sager, also in regard to the Breakfast Program, and the Department of Agriculture, and Department of Transportation, is this something that GAO would be able to answer, you know, where that money is?

Ms. SAGER. We certainly would be happy to assist. In addition to broad grant management reform engagements, we also do a number of specific projects looking at individual grant programs or individual aspects of grant programs. So, we certainly would be happy to assist. And, of course, "accountability" is our middle name at GAO, so we would be happy to help the committee.

Mr. PALMER. Well, GAO is one of my favorite agencies in the Federal government. I joke with people back home that a lot of people anticipate the latest novel from their favorite author. I anticipate the latest publication from GAO.

[Laughter.]

Mr. PALMER. I am going to go a little over. We are going to do another round, so I am going to exercise a little flexibility here as chairman. I want to stay on this line about this USAspending and GAO. Is there a working relationship between you and USAspending so there is an exchange of information and ability to cross reference?

Ms. SAGER. Absolutely. We are required under the DATA Act to produce reports looking at the implementation of the act. So, we just recently did a report that compiled some of the findings from the inspectors general, the CIGI community, that came out earlier this week. We had done our own report looking at the first quarter of data submitted last year in 2017. And although, as we have heard, there has been great progress, there are still opportunities to for continuous improvement.

It is to be expected given the size and breadth of the Federal government that this would be incremental, but particularly in terms of completeness, accuracy, and data quality, there are still great strides that remain. And so, we remain in touch on a couple of ways with OMB and Treasury looking at data governance following up on the Section 5 pilot that we heard about.

Mr. PALMER. Well, it was also mentioned by Mr. Hollister about what the law requires, and the law requires that all agencies report on their improper payments, and that includes Federal programs. And there were 18 programs that did not report, including Managed Care for Medicaid, which I think could be a significant addition to the—to the improper payments from last year, $141 billion, $36.3 of which was the non-managed care part of Medicaid. In regard to grants programs, I think Mr. Raskin mentioned 15 percent. Historically, what has that that rate been, and how well are we monitoring the improper payments on that end? And then, you know, that includes fraudulent grants.

Ms. SAGER. Right. Improper payments is something I know you have heard from our comptroller general. He cares deeply about it and for good reason. We spend billions of dollars on Federal programs, and you have appropriated them for a reason, to serve something you consider a public good. And so, it is something that we continue to plan to follow. It is, in many cases, waste, fraud, or abuse, and so we, of course, look forward to continuing that work for this committee. If there are particular areas that we have

not already looked at but you are interested in, we would certainly be happy to talk with you and your staff and determine how we could do that going forward.

Mr. PALMER. Well, it is an area that I am very focused on right now. But, again, the thing that I want to try to get to is to figure out a way not only to reduce improper payments, but to get the Federal agencies and Federal programs to comply with Federal law in their reporting. With that, I will yield and recognize again the ranking member, Mr. Raskin, for additional questions.

Mr. RASKIN. I have no additional questions, Mr. Chairman, and I just want to thank all the witnesses for their very insightful testimony today.

Mr. PALMER. I believe Dr. Foxx would like to ask some additional questions, and so I am happy to recognize her.

Ms. FOXX. Well, thank you very much, Mr. Chairman. I will, as you have, follow up a little bit on the issues you were talking about. And I will say to Ms. Sager, I am a big fan of the GAO also, and my middle initial is "A," and I have got you one better, Mr. Chairman. I tell everybody stands for "accountability." It used to stand for "Ann," but ——

[Laughter.]

Ms. FOXX.—since I came to Washington, it stands for "accountability" because I think that is all I talk about.

[Laughter.]

Ms. FOXX. We all know that trying to change any organization is difficult. I do not care if it is a big organization or a small organization. But do you guys, and Ms. Sager in particular, do you have any particular insights into why this grant reform that we are attempting to do has presented such a longstanding challenge? Any insights into that?

Ms. SAGER. A couple of things that I would mention, and it was interesting preparing for this hearing to look back at some of GAO's work literally spanning decades. The challenges that I mentioned, streamlining, transparency, et cetera, they are truly longstanding challenges. We have had a number of these reform initiatives that we have heard about today, and in spite of that, across Administrations, across people implementing these programs, these challenges remain for a lot of the reasons that you have already cited.

The Federal government is a huge entity spending hundreds of billions of dollars, and we are the nature of a democracy. We do have transitions from one Administration to the next, so you do have constant churn. At the same time, one of the things certainly that we have seen is this incremental progress. So, as these reform initiatives have occurred, we have been able to see progress.

In addition, certainly we are in an age where we have technological capabilities that we certainly did not have a decade ago or 2 decades ago. So, now we have this tremendous opportunity to take these reform initiatives in a new direction, not just for some of the standard grants management issues that we have talked about, but then also to tie it to some of the other initiatives that are happening that I mentioned in my statement. So, we are really looking at value for money and looking at outcomes as we have some of the evidence base, that we understand whether or not we

are actually achieving the goals that are in the legislation and the purpose statements, to tie that with the budget and performance information so that we can look more holistically, and you can then be better positioned to have decision making that is based on facts.

Mr. HOLLISTER. Dr. Foxx, if I may ——

Ms. FOXX. Sure.

Mr. HOLLISTER.—it is also true, Ms. Sager points out technological capabilities. Nobody has ever tried to do what you are trying to do, and that is separate the data itself from the forms and the filings that right now contain it.

Mr. TYLER. And to add one thing, Dr Foxx, the other aspect of this is the great opportunity here forcing bipartisan efforts by this committee and this Congress to move forward. Every example of reform that we have talked about has been bipartisan, and I think that is one of the powers we can see.

Ms. FOXX. Well, as I have said before, this should be totally bipartisan. I mean, we may disagree on policy, but once legislation is passed, it is going to be implemented. And the thing we all ought to care about is making sure that the money is being spent the way people said it was going to be spent, and that you get results.

I mean, again, there are a lot of programs around here I would love to get rid of. I know I am not going to be able to do that, so the best thing to do is to put in systems so everybody can see is that money being spent the way it should. Are you getting results? Are we helping people in the way that we said we were going to help people? That is my motivation right now, and I think everybody should want to do that and say money is scarce. I mean, there is never enough of it here. And so, everybody should want to know how to get the best out of it.

We just had an Innovation Forum in the Education Committee a few minutes ago, this morning, and amazing kinds of things going on to share about what is happening, how much better things are going in some places in terms of education and workforce development. And the whole idea, again, was to get this information out to people so other people could replicate it, and that is, again, the whole idea. But I am encouraged. I am very encouraged by a lot of the things that have been said today. So, I thank you, and I thank the chairman for his indulgence in allowing me to ask additional questions.

Mr. PALMER. Okay. I have just a couple other things that I want to bring up. Mr. Tyler, in your testimony you also talked about what the Administration is trying to do and that the final and most important data standardization goal lacks specificity, and this is for any of you. Have any of you taken a look at what the Administration tried to do and offered any recommendations to close that gap or to get the specificity that we need? And I will start with you, Mr. Tyler.

Mr. TYLER. Sure, and this is very straightforward. It may sound like common sense, but because that plan, and this is the only public climate we have access to, simply had "to be determined" in many, many locations, especially in the outyears, we really have no understanding at all, so very straightforward. I think I would be a good question for the Administration when we have more specificity, when we have milestones.

Mr. PALMER. Does the GREAT Act help provide some of that?

Mr. TYLER. I think one of the key things the GREAT Act, and I say this in respect for the legislation, probably the Administration and the agencies have the full authority to do that if they wanted to. What I think the GREAT Act does, like a lot of legislation, including the GONE Act, is put the stamp of importance from Congress to say let us get this done, as well as making sure that there are timelines in reporting back to Congress on a regular basis. That is key.

Mr. PALMER. Ms. Keegan, you were talking about the divisions between the Federal grant departments and databases contribute to issues for reporting and compliance, and I just had this thought, and you respond to it. But you mentioned grant management, and I wrote a note, "define grant management," because what I am thinking—"grant management workforce" I think is what you said—is if you are talking about grant management workforce, it seems to me, and, again, I ran a think tank for 24 years. Prior to that, I worked for two engineering companies.

It seems to me that those who approve the grants, who do the evaluations and approve them, should also be the ones who evaluate them, and we were talking about a single portal, eliminating the various silos. I would like for you to give me an explanation of what you meant by "a great management workforce."

Ms. KEEGAN. So, one of the challenges with having siloed grant management functions is that each function has different training needs. So, if you are dealing with financial information and disbursing grant awards, you are going to train that CFO program people differently than you would if you are dealing with grant program experts who are running, say, a FEMA hazard mitigation grant program who need much more training on specific regulations for those programs.

You mentioned the question about whether or not the folks that approve the grants would also be the folks that would evaluate the grants. The short answer is it depends on what you mean by "evaluate." The program workforce, the grant program specialists are the ones that run the review panels to review applications and to make awards. Those people are also the ones that manage the grants. So, theoretically, it would be the same workforce that would approve a grant that would then evaluate whether or not the grantee had met any kind of performance matrix that was required, or whether the grantee was in compliance with the regulations for the grant program.

Now, you might have the other shops, like the financial shop, review things like was the audit completed correctly, was the audit submitted to the Federal Audit Clearinghouse, et cetera, and the IG might get involved if there was some allegation of waste, fraud, and abuse by the grantee. But the grant program people do definitely have a key role in approving and then also evaluating that. So, if you were to look at developing training requirements, you could theoretically break it up where here is the training requirements for financial grant management, here are training requirements for program grant management.

Mr. PALMER. Here is the thing. We have the Federal acquisition regulations for procuring goods and services. And, you know, we

will put out specifications for what we need to buy, and then sup-
posedly we buy what we specified. And maybe this is a little sim-
plistic, but I would think that we should be doing something simi-
lar to that on grants, that if someone submitted a grant request
and they define the objective and the timeline, then they ought to
be. And I tend to think it should be the same people that then fol-
low up on that to make sure that the objective was achieved and
within the time frame.

I would literally go so far on some of the really big grants that
we send out the money similar to what you would do on an engi-
neering contract. If we had a $500 million facility we were going
to build, we would get so much on the design phase, so much, you
know, on breaking ground, and, you know, the construction phase,
and, you know, 50 percent, 75 percent complete, and then after
final inspection you get the balance of the payment. What I have
found is we do not do that a lot, and, consequently, we have cre-
ated a huge problem on the spending side.

And I guess the thing, and, again, going back with my meetings
with GAO and Inspector General Dodaro, is that every dollar that
we spend right now on this stuff that goes out improperly or is mis-
managed is a dollar we have to borrow. We are projecting deficits
next year of a trillion dollars. So, every grant dollar, if it is $700
billion, every grant dollar is a borrowed dollar that we are paying
interest on. I think we owe it to the taxpayers, we owe it to the
American public, and we owe it to our own future to make sure
that that we maximize whatever spending that we approve, and we
get what we are paying for, and that we eliminate as much as pos-
sible as we are trying to do on the improper payments so that we
can get better control of this.

I think I am going to conclude with that. I do not want to weary
the witnesses. You have given excellent testimony. I appreciate you
being here. It is insightful and helpful.

The hearing record will remain open for 2 weeks for any mem-
bers to submit a written opening statement or questions for the
record.

Mr. PALMER. If there is no further business, without objection,
the subcommittee stands adjourned.

[Whereupon, at 3:48 p.m., the subcommittee was adjourned.]

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