Statement of

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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.

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

(in Billions of Constant FY2009 Dollars)
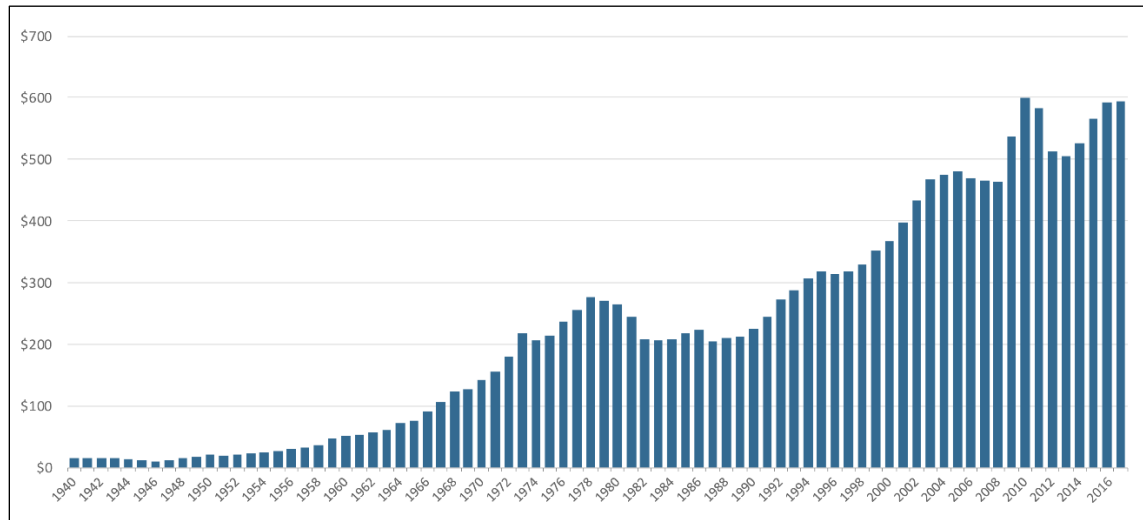
Source: CRS analysis of data obtained from the Office of Management and Budget, *Fiscal Year 2018 Historical Tables: Budget of the U.S. Government: Table 12.1 Summary Comparison of Total Outlays for Grants to State and Local Governments.*

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.

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 21st 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.

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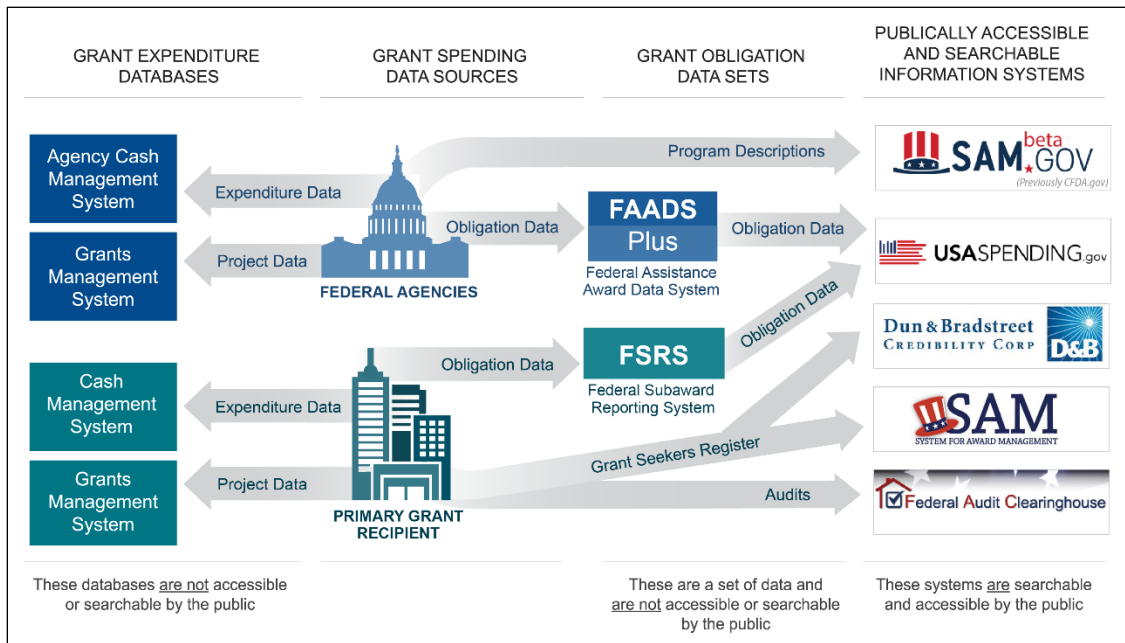
As shown across the top of **Figure 2**, there are four categories of federal grant management where silos exist: (1) grant expenditure databases; (2) grant spending data sources; (3) grant obligation datasets; and (4) publicly accessible and searchable information systems.

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

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.

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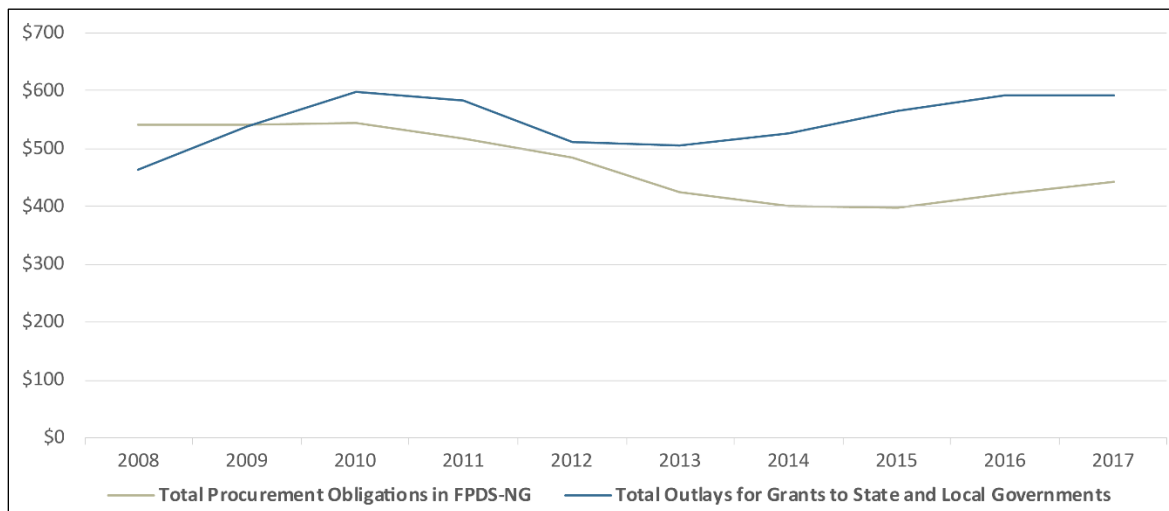
Source: CRS analysis of data obtained from the Office of Management and Budget, *Fiscal Year 2018 Historical Tables: Budget of the U.S. Government: Table 12.1 Summary Comparison of Total Outlays for Grants to State and Local Governments* and data obtained from the Federal Procurement Data System- Next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