

## **MODERNIZE FEDERAL GRANT REPORTING**

The Federal Government awards over \$700 billion in grants each year. To ensure federal tax dollars are spent effectively, Congress must support thorough and transparent reporting of grant funding and results.

### **BACKGROUND**

Of the \$700 billion in federal grants awarded each year,<sup>1</sup> about \$550 billion is given to state and local governments.<sup>2</sup> Federal grants fund various policies or projects, including first responder equipment, low-income housing projects, disaster recovery assistance, infrastructure, and educational activities.<sup>3</sup> Due to the Federal Government's complex management structure and outdated recordkeeping practices, comprehensive and effective grant tracking is nearly impossible.

Federal grant reporting is separately administered by hundreds of grant programs, governed by hundreds of laws, and fulfilled using outdated documents.<sup>4</sup> Grant reporting forms are often highly duplicative with over half of data elements matching another form. The Office of Management and Budget (OMB) and Health and Human Services (HHS) have identified at least 15 different forms required for grant reporting that are entirely duplicative.<sup>5</sup>

A lack of data standardization hinders efforts to harmonize and consolidate offices and technology systems. Currently, award recipients submit different forms, at different times, and with different data requirements.<sup>6</sup> Often, agencies fail to define their terms or describe their data fields.<sup>7,8</sup>

### **Complexity of the Federal Grant Administration Structure**

Currently, more than 1,800 federal grant programs<sup>9</sup> are administered by 34 different agencies.<sup>10</sup> Federal grant managers reportedly spend 40 percent of their time using outdated processes to monitor compliance, rather than monitoring results.<sup>11</sup>

Federal agencies separate the grant management structure into two categories, which are assigned to separate divisions within each agency:<sup>12</sup>

- **Financial Management** - Assigned to Chief Financial Officers or Financial Managers; administered through cash management systems.

### **Quick Take**

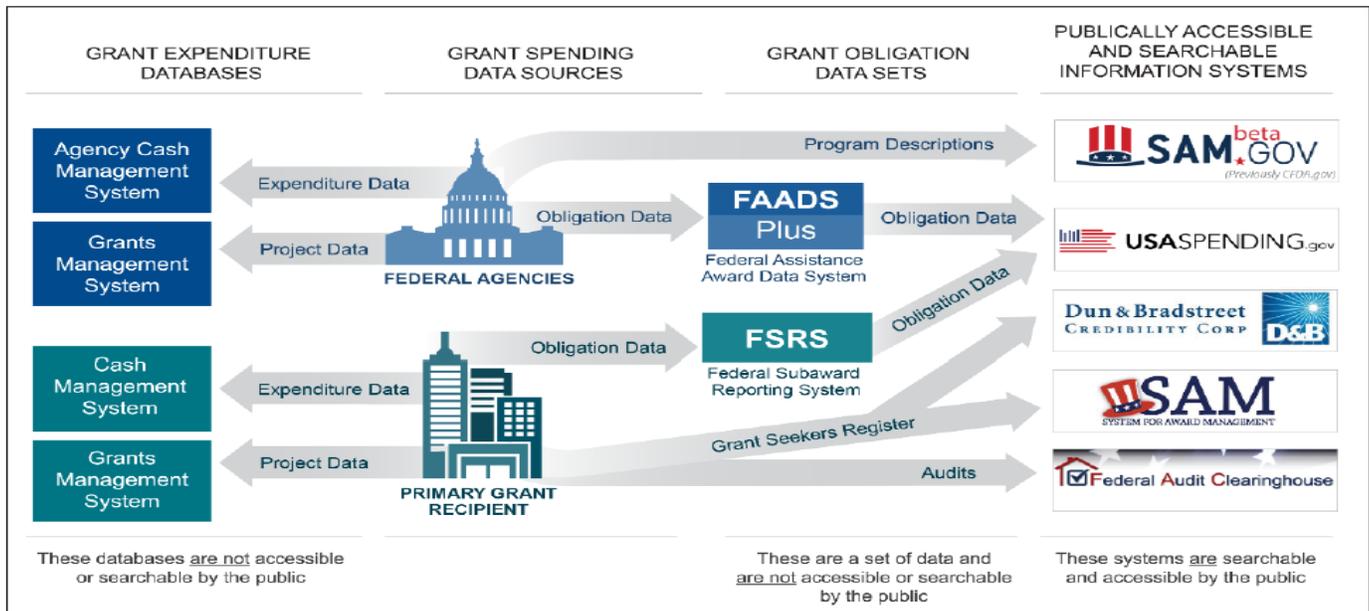
Due to the Federal Government's complex management structure and outdated recordkeeping practices, it is nearly impossible to track over \$700 billion in federal grant expenditures.

The GREAT Act, which creates data standards and a centralized, electronic repository for grant reporting, was signed into law in December 2019. Congress may consider drafting legislation to build off existing grant reporting laws.

- **Program Administration** - Assigned to the Program Manager; administered through grant management systems. Unlike financial data, there is no uniform definition of “performance data.”<sup>13</sup>

Agencies often manage grant award payments and grant project information in separate databases that are not interoperable. As shown in **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.

**Figure 2. Federal Grant Spending Data Sources**



**Source:** Congressional Research Service, July 2018.

Division between financial and programmatic management databases occurs both at the federal agency level and the grant recipient level, with each “report[ing] grant spending data into separate databases.”<sup>14</sup> Further, most federal grants are awarded to state governments, which then “pass through” funds to subgrantees at the local level.<sup>15</sup> This leaves states responsible for monitoring and reporting on the grant and further divides the organizational structure as oversight on the subgrantee level is limited.

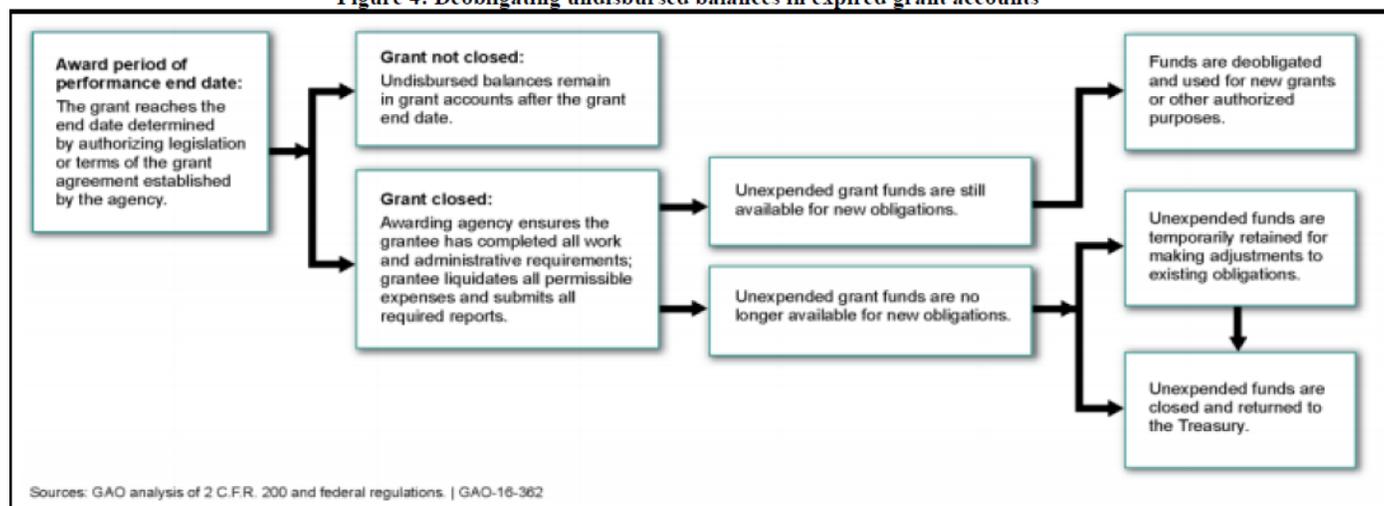
### **Closing Expired Grant Accounts**

The Federal Government has lost track of nearly a billion dollars of expired and unexpended grant awards due to operational and database silos. A 2016 report by the Government Accountability Office (GAO), for example, identified \$994 million in expired, undisbursed balances in over 8,832 grant accounts in HHS’s Payment Management System alone.<sup>16,17</sup> Agencies differ in their management of payment systems, with some agencies using their own systems to make payments directly to grantees. Other agencies use payment systems that serve multiple agencies, which requires agencies to close out a grant across multiple systems.<sup>18</sup>

A lack of coordination between financial and program managers within a single federal agency also contributes to delayed grant closeout.<sup>19</sup> According to GAO, “the separation of grant management and payment functions in different systems could [allow] an agency to close a grant in a grant management system but not close the grant in a separate payment system.”<sup>20</sup>

Closing out of grants at the time of the performance end date allows agencies “to redirect resources toward other projects and activities or return unspent funds to the Treasury.”<sup>21</sup> According to OMB guidance, grantees must finalize all reporting requirements and refund remaining balances within a 90-day period to successfully close out a grant award. Following receipt of the required reports, administering agencies must close out the grant within one year. When federal agencies fail to close grant accounts, undisbursed federal funds remain in the expired grant accounts. Failure to reduce undisbursed balances in expired grant accounts prevents the most effective allocation of federal resources and renders some grant program missions incomplete.<sup>22</sup>

**Figure 4: Deobligating undisbursed balances in expired grant accounts**



In 2016, Congress passed the Grants Oversight and New Efficiency (GONE) Act to address unclosed expired grant accounts.<sup>23</sup> The GONE Act requires federal agencies to provide three reports to Congress:

- The first report required federal agencies to provide Congress with a list of unclosed grants that have been expired for at least two years and an explanation of challenges in grant closeout and delays for each of the 30 oldest expired grants by 2017.<sup>24</sup>
- The second deadline was March 31, 2019 and required the Secretary of HHS to report to Congress indicating whether the expired grants identified in the first report were closed, and which grants were not closed out.
- The third and final deadline, on September 30, 2019, required the Director of OMB and the Secretary of HHS to report to Congress on recommendations for legislation to improve grant accountability.

### **The DATA Act: Transforming to “Open Data” Reporting**

In 2014, Congress enacted the Digital Accountability and Transparency Act (DATA Act)<sup>25</sup> which required OMB to conduct a pilot program to “explore the value of standardized data within grant and contract reporting.”<sup>26</sup> HHS led the pilot program, studying \$122 billion in grants. As part of the pilot, HHS built the Common Data Element Repository (CDER) Library, a federal online repository of data fields and definitions

used on federal grant forms. As of June 18, 2019, the CDER Library had over 35,000 data elements.<sup>27</sup> HHS also standardized forms, agency communications, and grant management processes and expanded *Grants.gov* to provide educational information about the lifecycle of grants and other relevant information.

Recommendations from the DATA Act pilot included reducing duplicative reporting, continued data standardization, and streamlining and leveraging information technology and communications.

## CONSTITUTIONAL AUTHORITY AND REPUBLICAN PRINCIPLES

The Constitution grants spending authority to Congress.<sup>28</sup> As a matter of principle, taxpayers should have access to a transparent account of federal expenditures.

## POLICY SOLUTIONS

H.R. 150, the Grant Reporting Efficiency and Agreements Transparency (GREAT) Act, was signed into law on December 30, 2019.<sup>29</sup> The GREAT Act builds off of the DATA Act pilot by creating data standards and a centralized, electronic location for grant reporting. The law would also require OMB, in conjunction with other executive branch agencies, to adopt a streamlined and standardized data structure for required information that is to be submitted to these agencies by grantees.<sup>30</sup> Congress must conduct rigorous oversight to ensure the effective implementation of the GREAT Act.

Congress must also continue oversight of the GONE Act. Congress may consider building off the GONE Act by developing legislation to require expedited closeout of expired grants.

Additionally, Congress should consider legislation to standardize regulations for federal grant management in a similar manner to the Federal Acquisition Regulation (FAR) for federal agency contracts and procurements.<sup>31</sup> On average, federal grant awards outpace procurement awards by about \$77 billion per year.<sup>32</sup> To date, there is no equivalent regulation applicable to grants.<sup>33</sup>

**Please contact Cameron Smith or Kelsey Wall with the Republican Policy Committee at (202) 225-4921 with any questions.**

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<sup>1</sup> U.S. Office of Management and Budget, *The President's Management Agenda* 36 (Mar. 19, 2018), <https://www.whitehouse.gov/wp-content/uploads/2018/04/ThePresidentsManagementAgenda.pdf>.

<sup>2</sup> *Federal Grant Management Before the H. Oversight and Gov't. Reform Comm.*, 115th Cong. (2018) (Statement of Natalie Keegan, Analyst, Cong. Research Serv.).

<sup>3</sup> There are two main types of federal grants: categorical grants and block grants. Categorical grants are limited to a specific purpose, and block grants give more flexibility in meeting objectives.

<sup>4</sup> Natalie Keegan, Cong. Research Serv., R44374, *Federal Grant Financial Reporting Requirements and Databases: Frequently Asked Questions* (2016).

<sup>5</sup> U.S. Office of Management and Budget, *Data Act Pilot Report* 56-57 (Aug. 10, 2017).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> See OMB, *supra*, note 1. The President's Management Agenda calls for an integrated, data-centric strategy to standardize grant reporting and alleviate compliance burdens. The Agenda also calls for the standardization of "data elements to inform [a] comprehensive taxonomy for core grants management data standards" by the end of Fiscal Year (FY) 2018.

<sup>9</sup> Matt Rumsey & Priya Mhatre, *Transforming Federal Grant Reporting: Current Challenge, Future Vision*, The Data Foundation (Jun. 2018),

<https://static1.squarespace.com/static/56534df0e4b0c2babdb6644d/t/5b292f6c758d4693297d0148/1529425775127/Grant-Innovation-Report-June-18.pdf>.

<sup>10</sup> *Federal Grant Management Before the H. Oversight and Gov't. Reform Comm.*, *supra*, note 2.

<sup>11</sup> OMB, *supra* note 1.

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<sup>12</sup> *Federal Grant Management Before the H. Oversight and Gov't. Reform Comm., supra*, note 2.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> Natalie Keegan, Cong. Research Serv., R42769, *Federal Grants-in-Aid Administration: A Primer* 6 (2012), <https://fas.org/sgp/crs/misc/R42769.pdf>.

<sup>16</sup> U.S. Gov't Accountability Office (GAO), GAO-16-362, *Grants Management: Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues* 13 (2016), <https://www.gao.gov/assets/680/676558.pdf>.

<sup>17</sup> According to GAO, HHS' Payment Management System is the largest civilian grant payment system in the federal government.

<sup>18</sup> GAO, *supra*, note 16.

<sup>19</sup> *Federal Grant Management Before the H. Oversight and Gov't. Reform Comm., supra*, note 2.

<sup>20</sup> GAO, *supra*, note 16.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> Grants Oversight and New Efficiency Act, Pub. L. No. 114-117, 130 Stat. 6 (2016).

<sup>24</sup> According to the first GONE Act report, HHS and HUD accounted for the top agencies with the oldest expired federal grants in the report. Federal agencies reported the following top explanations for grant closeout delays: 1) Disconnection between grants management and payment systems; 2) Manual report reconciliation process; 3) Delayed technical deliverable; and 4) Grant projects requirements that require multi-jurisdictional review.

<sup>25</sup> Pub. L. No. 113-101

<sup>26</sup> Matt Rumsey & Priya Mhatre, *supra* note 9.

<sup>27</sup> Department of Health and Human Services, *Common Data Element Repository Library*, [repository.usaspending.gov/cder\\_library/](https://repository.usaspending.gov/cder_library/), accessed June 18, 2019.

<sup>28</sup> U.S. Const. art. I, § 9.

<sup>29</sup> Pub. L. No. 116-103

<sup>30</sup> Grant Reporting Efficiency and Agreements Transparency Act of 2019, H.R. 150, 116<sup>th</sup> Cong. (2019).

<sup>31</sup> The federal government is the largest buyer of goods and services in the world, and federal agencies are the primary drivers of such expenditures. The Federal Acquisition Regulation (FAR) governs federal agency contracts and procurements of goods and services.

<sup>32</sup> *Federal Grant Management Before the H. Oversight and Gov't. Reform Comm., supra*, note 2.

<sup>33</sup> Generally, federal agencies have broad discretion in administering federal grant programs.