United States Agency for
International Development

Annual Report to Congress On Grant Streamlining

ANNUAL PROGRESS REPORT ON IMPLEMENTATION OF PUBLIC LAW 106-107

I. PURPOSE

This is the second annual progress report, based on the original plan submitted to the Congress and the Office of Management and Budget (OMB) in May 2001, on the collaborative efforts of 26 Federal agencies to streamline and simplify the award and administration of Federal grants.[1] This report covers interagency activities between May 2002 and May 2003. The submission of this annual progress report to the Congress and OMB is required by Section 5 of the Federal Financial Assistance Management Improvement Act of 1999 (Public Law [P.L.] 106-107, "the Act").

II. THE YEAR IN REVIEW

This year, we accomplished a number of the objectives detailed in our original plan, which we updated in last year's annual progress report. These accomplishments are the result of sustained efforts by the Federal grant-making agencies, working side-by-side in interagency work groups and within their own agencies, to develop alternate approaches, educate and train staff in new ways of doing business, and ready their systems to implement the changes. We have had significant input from the affected constituencies as we developed and refined our proposals for change.

We are pleased to report progress in all phases of the grants life cycle. As described in section III. B of this report, we have realized our objectives to:

- Establish a single website to house synopses of Federal grant funding opportunities (section III.B.1),
- Develop a standard format for communicating the details of those funding opportunities (section III.B.2), and
- Enable electronic receipt of applications (section III.B.3).

These exciting changes, several of which are currently in use on a pilot or other limited basis, will be generally available for the Federal agencies' Fiscal Year (FY) 2004 funding cycles. In anticipation of these changes, we are reaching out to the affected constituencies--Federal and non-Federal--to explain these changes and their benefits.

As described in section III.C.2, we have reviewed reporting requirements and

[1] The term "grant" as used in this report includes cooperative agreements.

proposed changes in financial and invention reporting to reduce redundancy and standardize the information provided. We also have made proposals, described in sections III.C.1 and III.C.4, to standardize language in the OMB cost principles circulars and improve the audit process. These proposals are intended to reduce the administrative burden on recipients of Federal grants and make the single audit a more effective monitoring tool for Federal agencies and recipients.

Our work does not stop here. We will continue efforts to meet our other objectives, by completing our activities on the initiatives already underway and developing new ones, as appropriate.

III. PROGRESS REPORTS BY AREA

A. Improving the Government-wide Policy Framework

At the request of OMB, the Pre-Award Work Group developed a proposal to simplify the government-wide framework for grants and agreements. The simplification will make the framework easier to use and understand, not only for applicants for and recipients of Federal grants and agreements, but also for Federal agency officials who make and administer the awards. The proposal would make two changes to the framework of government-wide guidance and Federal agency rules. The changes will provide a good foundation for additional streamlining and simplification of the policy framework that we expect to do in the future through the implementation of P.L. 106-107.

The first change is to establish a single title--Title 2--of the Code of Federal Regulations (CFR) in which OMB would publish its current guidance to Federal agencies for grants and some other nonprocurement agreements. That guidance currently is in seven OMB Circulars that are accessible at OMB's Internet site and in two other policy documents that are less easily found.[2] Co-locating the nine separate documents in a single CFR subtitle will help make all of the guidance easier for applicants and recipients to find and use. Although located in the CFR, the OMB circulars and policy documents still will be guidance to Federal agencies and Federal agencies still will implement the guidance through their own regulations.

The second change is to create a subtitle within Title 2 in which Federal agencies will co-locate with the OMB guidance their regulations for the award and

[2] The seven OMB Circulars are the administrative requirements in Circulars A-102 and A-110; the cost principles in Circulars A-21, A-87, and A-122; the audit requirements in Circular A-133; and the implementation of the Federal Program Information Act, in OMB Circular A-89. The two separate policy documents are the (1) combined OMB guidance on nonprocurement debarment and suspension, issued under Section 6 of Executive Order 12549 and last amended on June 26, 1995 (60 FR 33036) and on drug-free workplace, issued under the Drug-Free Workplace Act of 1988 (41 U.S.C. 701 *et seq*.), and (2) OMB guidance to Federal agencies on lobbying restrictions, to implement the requirements of 31 U.S.C. 1352, that was last amended on January 19, 1996 (61 FR 1412).

administration of grants and agreements. Most Federal agencies that award grants and agreements issue regulations related to some or all of the nine OMB guidance documents. Because each agency's rules currently are located in its own title in the CFR, a recipient of awards from more than one Federal agency must go to multiple CFR locations. Co-locating agency implementing rules with the OMB guidance in the newly established Title 2 of the CFR would reduce this burden. An applicant or recipient then will be able to more easily find the agencies' implementing rules, as well as the OMB guidance.

Summary of This Year's Progress

- The Pre-Award Work Group prepared a *Federal Register* notice to obtain public comment on the changes to the Federal grants and agreements policy framework. OMB published this notice on June 6, 2003 [68 FR 33883].

Future Plans

- After OMB receives public comments on the *Federal Register* proposal, the Pre-Award Work Group will prepare a final notice for OMB with recommendations for resolving the comments.

- OMB will establish Title 2 of the CFR and locate its current guidance documents in a single chapter in Title 2.

- Each Federal agency with regulations implementing OMB guidance will establish a chapter in a second subtitle within the new Title 2 of the CFR. Agencies may re-issue their current regulations in that chapter once established and will be required to do so when OMB issues final changes to its guidance resulting from P.L. 106-107 initiatives.

B. Streamlining Pre-Award Actions

Last year we reported on the partnership between Grants.gov (formerly known as E-Grants), one of the 24 E-Gov initiatives recognized in the President's Management Agenda, and the interagency Work Groups responsible for streamlining activities under P.L. 106-107. That partnership has made it possible for the public to find Federal agencies discretionary grant funding opportunities and, beginning in FY 2004, to apply for them online through a common website. These accomplishments are the first in a longer-term effort to develop a single electronic grant portal--the "storefront." Full implementation of the storefront will enable us to eliminate redundant or disparate electronic and paper-based data collection requirements throughout the grants life cycle and define and implement simplified standard processes and standard data definitions for Federal and applicant/recipient interactions. As part of the storefront-related activity, we have created an Electronic Standards Work Group, which, among other things, will develop the data standards to be used in electronic implementation of our streamlining and simplification initiatives. In addition, the Inter-Agency Electronic Grants Committee (IAEGC), operating under the auspices of the Grants.gov

Program Management Office (PMO), continues its outreach, collaboration, and data maintenance work across agencies and with constituents to facilitate the implementation of electronic grant processes. This work is carried out through the IAEGC's three subcommittees—the State, Local, Non-Profit and Other Subcommittee, the Research and Related Subcommittee, and the Electronic Standards Working Group.

1. Synopses of Funding Opportunities

The objective of this initiative is to make it easier for potential applicants to learn about announcements of funding opportunities for discretionary grant awards. We are establishing Grants.gov, a central Internet source with synopses of Federal agencies' announcements of funding opportunities for grants and access to the agencies' full announcements. This government-wide "FIND" function, which uses a common set of data elements providing summary information about funding opportunities and a unified view/search capability, is maintained by the General Services Administration (GSA). GSA also maintains FedBizOpps, which is the central source of information about Federal procurement opportunities. Although we originally referred to the grants segment as FedBizOpps, the grants site is now known as "Grants.gov" to distinguish it from that for acquisition. We are widely broadcasting this change to the public.

<u>Summary of This Year's Progress</u>

- The Grants.gov PMO and GSA completed a pilot test of the Grants.gov FIND segment, with a total of 250 synopses posted by 21 Federal agencies. With the benefit of lessons learned in the pilot test, the Grants.gov PMO and GSA completed the design of the initial website, which became operational in August 2002.

- The Grants.gov PMO trained agency staff in using the Grants.gov FIND website, and, in February 2003, some Federal agencies began posting their synopses.

- The Grants.gov PMO, working with GSA, developed the capability in the Grants.gov FIND segment to automatically notify users by e-mail when agencies post new opportunities meeting user-identified criteria.

- Following a review of comments received on the elements proposed in the *Federal Register* [67 FR 52554, August 12, 2002], the Pre-Award Work Group recommended a final set of Grants.gov[3] FIND data elements for synopses of discretionary grant funding opportunities. The comments were very supportive of the Grants.gov FIND concept, reaffirming that this initiative is a priority for the affected public. OMB published the final data elements on June 23, 2003 [68 FR 37379].

[3] At the time of the August 12, 2002 proposal, we still were referring to the site as FedBizOpps.

- The Grants.gov PMO developed, for OMB issuance, a proposed directive to require Federal agency use of the new Grants.gov FIND segment for discretionary grant opportunities. This proposal was published in the *Federal Register* for public comment on June 23, 2003 [68 FR 37385]. The comment period closes on July 23, 2003.

- The Grants.gov PMO collaborated with the E-Authentication PMO, responsible for another of the 24 E-Gov initiatives, on issues related to privacy and integrity of data to be submitted through the storefront. This collaboration will result in systematic checking and certification that allows Federal agencies to accept incoming transactions with confidence in the authenticity of the data submitted.

Future Plans

- GSA will fully deploy the Grants.gov FIND segment, using the final set of FIND data elements.

- After resolution by the Grants.gov PMO of any public comments received on the June 23, 2003 *Federal Register* notice, OMB will issue the final policy directive to require Federal agency use of the Grants.gov FIND segment for discretionary grant opportunities.

- By October 2003, all 26 Federal grant-making agencies will be posting synopses of their discretionary grant funding opportunities on the Grants.gov website.

- The Pre-Award Mandatory Programs Subgroup will complete a review of the potential use of the Grants.gov FIND segment for mandatory grant programs and, as appropriate, make recommendations concerning the circumstances for use and applicable data elements.

- The Grants.gov PMO will work with GSA to establish links between individual synopses on Grants.gov FIND and the *Catalog of Federal Domestic Assistance* (CFDA) entries for the pertinent program. The CFDA contains general descriptions of Federal domestic programs that use assistance instruments. The links would allow users to directly access the CFDA from the Grants.gov website.

2. Full Announcements of Funding Opportunities

The purpose of this objective is to help potential applicants for discretionary grant awards by making Federal agencies' announcements of funding opportunities more uniform and reducing differences in related business practices. An announcement gives potential applicants the information they need, such as the types of activity the agency will support, who is eligible to apply, and when and how to apply.

Public commenters noted that Federal agencies organize the information in their announcements in many different ways, making it hard for potential applicants to quickly find specific information. They also raised issues about business practices related to the application process, such as the amount of time that applicants are given to prepare applications and varying criteria that different Federal agencies use in determining that an application is late.

We continued this year to carry out the two-phase plan described in last year's report on the status of P.L. 106-107 implementation. The first phase is to issue a standard format for organizing information in agencies' announcements, so that potential applicants could benefit from its use in the near term. The second phase is to develop guidance on business practices related to the application process—such as Federal agencies' criteria for determining that applications are late—that could be added into subsequent revisions of the standard announcement format.

Summary of This Year's Progress

- The Pre-Award Work Group resolved public comments on the standard announcement format and the associated OMB policy directive for its use, two work group products that OMB proposed on August 12, 2002 [67 FR 52548]. The public comments supported the concept of a standard format for organizing agencies' announcements and suggested specific improvements.

- OMB published the final announcement format for announcements of discretionary grant funding opportunities on June 23, 2003 [68 FR 37370] and issued the associated policy directive. The policy directive requires Federal agencies to complete their implementing actions by October 2003.

Future Plans

- The Pre-Award Work Group will recommend guidance on business practices related to the application process for inclusion in subsequent OMB updates of the announcement format.

3. Applications

Our goal is to streamline the process for all applicants, whether they choose to submit electronic or paper applications. Two major initiatives were described in last year's P.L. 106-107 status report and we have added two new initiatives. The previously described initiatives are to set government-wide data standards for information included in applications for discretionary grants and to create an electronic portal to let applicants submit information during the application process in the same way with any Federal agency. The new initiatives are to create a consolidated assurance of compliance with Federal requirements and to adopt a universal identifier as a means to track the receipt and expenditure of Federal funds.

Consolidated assurance

The consolidated assurance addresses public concerns with current requirements for multiple separate assurances, which are intended to signify applicants' compliance with--or intent to comply with--specified statutory, regulatory, or administrative requirements. The Standard Form (SF)-424 application presently is a suite of forms with two forms, the SF-424B and SF-424D, which applicants use to submit assurances that they will comply with the separately identified national policies and administrative requirements. We propose to eliminate those forms at time of application and replace them with a single consolidated statement that the applicant will comply with award terms and conditions if its application is successful. Agencies using other paper forms also are expected to work toward adopting this approach and a corresponding approach will be taken for electronic applications to eliminate the need for multiple separate electronic data elements to provide assurances for individual requirements.

This simpler approach will better integrate the pre-award process from the time of announcement (when a Federal agency informs potential applicants about national policy and administrative requirements with which they will have to comply if they receive awards[4]) through the time of award (when the recipient accepts the award terms and conditions as a prerequisite to receiving Federal support). It also will eliminate the need for Federal agencies and applicants to periodically reprogram application software to accommodate changes in requirements for which assurances are provided.

Data Universal Numbering System (DUNS) Number and Central Contractor Registration (CCR)

The DUNS number, assigned by Dun and Bradstreet, has been proposed as the universal identifier. The universal identifier will facilitate tracking the award and expenditure of Federal dollars throughout the grants life cycle. The DUNS number also will enable identification of related organizations. Effective October 1, 2003, applicants (with limited exceptions) will be required to provide a DUNS number as part of the application. The DUNS number is one of the proposed new data elements for the updated SF-424 and the core electronic data elements to be used in the storefront. Subsequently we plan to require DUNS number use in agency reporting of award data, post-award reporting by recipients, and in the payment and audit processes.

The DUNS number will be one of the data elements stored in the CCR. CCR currently serves as a central repository of business information for procurement

[4] The requirement for Federal agencies/programs to include this information (or reference to a website where this information may be found) in their funding opportunity announcements is included in the announcement format issued on June 23, 2003.

contractors and will be used in a similar manner for grant applicants and recipients. Registering organizational profiles in CCR will eliminate an applicant's need to submit the same or similar information in each application.

Summary of This Year's Progress

- The Grants.gov PMO proposed a standard core set of data elements for cover, budgetary, and project information based on the SF-424.

- On October 30, 2002, OMB published in the *Federal Register* [67 FR 66177] a notice seeking public comment on the proposed requirement for use of the DUNS number. Commenters generally pointed out the need for exceptions, e.g., for individuals, and asked if other existing numbering systems had been considered. OMB published the final policy directive on use of the DUNS number in the *Federal Register* on June 27, 2003 [68 FR 38402].

- On April 8, 2003, OMB published in the *Federal Register* [68 FR 17090] a notice proposing to update the SF-424 and establish a standard set of data elements and definitions for both electronic and paper applications for discretionary grants. As recommended by the Pre-Award Work Group, the proposed changes to the SF-424 also would use the consolidated assurance described above to eliminate two SF-424 forms and multiple application data elements, thereby streamlining both paper and electronic applications.

- The IAEGC's Research and Related Subcommittee developed a proposed set of electronic application data elements—in addition to those based on the SF-424—that could be used as a means of fostering commonality among agencies funding research. The agencies currently are reviewing the proposed data elements.

- The Grants.gov PMO began a pilot of the application mechanism using the core data elements and involving 14 Federal agencies and 21 applicants.

Future Plans

- The Grants.gov PMO will fully deploy, through the storefront, the application system (Grants.gov APPLY) to accept electronic applications for discretionary grants across the Federal government. Grants.gov APPLY will use E-Authentication and web-based technologies.

- The Grants.gov PMO, working with CCR, will determine the type of information about grantees that CCR might store. Once operational, applicant registration will be accomplished through the storefront's grant application component, which the Grants.gov PMO will integrate with CCR.

- The Grants.gov PMO will develop system interfaces to assist Federal agencies in integrating the Grants.gov APPLY functionality with their existing systems, permitting Federal agencies to conduct their electronic grant

business through the storefront.

- The Pre-Award Mandatory Programs Subgroup will examine data elements used to apply for mandatory grants (including block and formula grants) in conjunction with the Grants.gov PMO.

4. Non-procurement Debarment and Suspension

The Interagency Committee on Debarment and Suspension, which is associated with the Pre-Award Work Group, is updating two government-wide common rules—the rule on non-procurement debarment and suspension and the rule on drug-free workplace requirements. The debarment and suspension rule helps to prevent poor performance, waste, fraud, and abuse in Federal programs by ensuring that federally funded activities are conducted with responsible entities. The drug-free workplace rule implements the Drug-Free Workplace Act of 1988, as it applies to grants. The objectives of the updating effort are to provide better protection for Federal programs and to streamline and to simplify the rules by making them clearer and easier to use and by reducing unnecessary requirements for applicants and recipients.

Among the anticipated benefits of the revised rules is eliminating the current requirement to obtain a certification from each applicant with each application it submits, whether the application ultimately is successful or unsuccessful. This change allows agencies to use less burdensome methods for communicating these requirements to recipients while still providing the same recipient compliance and protection of Federal programs.

<u>Summary of This Year's Progress</u>

- The Interagency Committee on Debarment and Suspension has resolved the comments received in response to the *Federal Register* notice [67 FR 3266, January 23, 2002] proposing updates to the debarment and suspension and drug-free workplace rules.

<u>Future Plans</u>

- The agencies will work with the OMB to publish the final version of the debarment and suspension and drug-free workplace common rules in the fall of 2003.

5. Awards

The overarching purpose of this objective is to reduce unnecessary burdens on recipients by making Federal agencies' awards as alike as practicable. As described in last year's P.L. 106-107 status report, we are focusing on the three major components of award documents—cover information; terms and conditions addressing administrative requirements, many of which implement the requirements of OMB Circulars A-102 and A-110; and terms and conditions for

national policy requirements in statutes, Executive orders, and other mandates separate from the OMB circulars. We are developing standard data elements for use in either paper or electronic awards and standard organization of and language for terms and conditions that are common to different Federal agencies' awards.

We have three guiding principles in this effort. First, we want the terms and conditions to speak clearly to award recipients. Second, we want to streamline and simplify award requirements as much as is possible, while continuing to maintain responsible stewardship of Federal funds. Third, we are seeking to eliminate unnecessary differences between administrative requirements in Circulars A-102 and A-110 and the Federal agencies' implementation of those requirements in award terms and conditions.

Summary of This Year's Progress

- The Pre-Award Work Group began to develop standard award terms and conditions, and related OMB guidance to Federal agencies, for:
  - Administrative requirements in OMB Circulars A-102 and A-110; and
  - National policy requirements common to multiple agencies' grants.

Future Plans

- The Pre-Award Work Group will recommend a government-wide standard organization and content, to the extent practicable, for cover information and terms and conditions of discretionary grants. The Work Group also will recommend the associated OMB guidance for Federal agencies, including any changes to OMB Circulars A-102 and A-110 that would promote uniformity in award terms and conditions addressing administrative requirements.

- The Pre-Award Mandatory Programs Subgroup will determine the extent to which the government-wide standard organization and content for discretionary grant awards also can be used in awards under mandatory grant programs. They will recommend to OMB any modifications that are needed to establish a government-wide standard for mandatory grant awards.

- The Grants.gov PMO, working with the Pre-Award Work Group, as appropriate, will develop the electronic implementation of the award standard data elements.

C. Simplifying Post-Award Requirements

1. Cost Principles—Eliminating Needless Differences

OMB issues cost principles that define allowable costs under federally supported programs and projects. Different sets of cost principles, developed at different times, apply to different types of grantees. The OMB cost principles are OMB Circular A-21, "Cost Principles for Educational Institutions," A-87, "Cost Principles for State, Local, and Indian Tribal Governments," and A-122, "Cost Principles for Non-Profit Organizations." All three sets of cost principles share the same purpose but, in some cases, use different language to describe similar cost items. This sometimes results in different interpretations by Federal staff, recipients, and auditors. Our objective is to ensure that, where appropriate, the sets of OMB cost principles are consistent when describing similar cost items, while maintaining needed differences by type of entity. This objective was echoed in public comments asking that, in any effort to clarify the cost principles or make them more consistent, OMB should not change policy.

Summary of This Year's Progress

- The Cost Principles Subgroup of the Post-Award Work Group analyzed the comments received in response to the August 12, 2002 *Federal Register* [67 FR 52558-52560] notice that proposed adopting common language for 46 cost items, deleting 12 cost items, and leaving 17 cost items unchanged. Those comments supported the overall objective but, in some cases, disagreed that the proposed changes simply made the language consistent among the different cost principles.

Future Plans

- The Cost Principles Subgroup will prepare, for OMB issuance, a final *Federal Register* notice reflecting those changes to the OMB cost principles that make them more consistent with each other.

- After evaluating the comments and recommendations submitted on the August 12, 2002 *Federal Register* notice, the Cost Principles Subgroup will determine if additional changes to the cost principles—considered beyond the scope of the original proposal—are warranted to further streamline administration of the cost principles. If so, the Cost Principles Subgroup will develop a separate *Federal Register* notice for OMB issuance.

- The Cost Principles Subgroup will evaluate the feasibility of consolidating Federal guidance for preparing and reviewing indirect cost proposals. Currently, although governed by the applicable OMB cost principle circulars, Federal agencies/offices issue their own guidance addressing the same requirements with differing language, level of detail, and, sometimes, interpretation.

2. Post-Award Reporting—Improving the Quality of Information While Reducing Duplication

Post-award reports are a primary tool used by Federal agencies for monitoring recipient progress and activities under grants. At a minimum, grants require financial and performance reporting although the form, format, or level of detail vary. There are government-wide forms for financial reporting; although other approved financial reporting forms also are in use. Agencies generally define their own requirements for performance reporting, including information required of grantees for agency compliance with the Government Performance and Results Act and their program authorizations. Some agencies or programs also require other reports, e.g., invention reports and federally owned property reports, for which they have established their own content and submission requirements in the absence of government-wide standards.

Public comments expressed concerns with the number of forms and formats required by the agencies for reporting purposes, the level of detail required, and the frequency and means of submission. The Reporting Subgroup of the Post-Award Work Group has reviewed the different types of reports required under grants to develop standard data elements, where appropriate, and common business processes for their use.

The Post-Award Reporting Subgroup has developed proposals for financial reporting (pursuant to OMB Circulars A-102 and A-110) and summary reporting of inventions (under 37 CFR 401 which implements the Bayh-Dole Act) that will streamline and standardize these reports, while retaining flexibility for agencies to determine whether to impose a reporting requirement at all or whether they need only a portion of the authorized information, and the frequency of submission. The financial reporting proposal is intended to consolidate the Financial Status Report (SF-269) and the Federal Cash Transactions Report (SF-272) in a single report, the Federal Financial Report (FFR). Most grant recipients currently are required to submit at least one of these reports under each award, with many recipients required to submit both. The FFR would accomplish the same purposes with a single form, allowing agencies to require all or only that portion of the information they need for their programs.

As we develop simplified and streamlined reporting formats, we will be working with the Grants.gov PMO to implement them through the storefront. As with applications, this will result in common sets of data standards and electronic submission of reports. Because an interagency system--*i*Edison--already is dedicated to Bayh-Dole reporting compliance and is used by most Federal agencies for invention reporting and tracking, electronic submission of summary reports of inventions may be through that system.

Summary of This Year's Progress

- On October 30, 2002, OMB issued a *Federal Register* notice [67 FR 66178] proposing a policy directive that would establish standard data elements for a summary report of inventions to replace numerous, agency-unique reporting forms, and an interactive Internet web form of these elements to facilitate submittal.

- OMB distributed to the agencies for comment the proposed FFR, instructions, and associated business process developed by the Post-Award Reporting Subgroup. The team analyzed the comments and revised the reporting form and the instructions in anticipation of *Federal Register* publication and public comment. The proposed FFR, instructions, and business process were published in the *Federal Register* on April 8, 2003 for public comment [68 FR 17097].

- The Post-Award Reporting Subgroup undertook an analysis of personal property reporting requirements and forms/formats used. As part of this effort, they presented a workshop at a seminar attended by Federal and non-Federal property managers. The attendees overwhelmingly supported the concept of a standard form or format for personal property reporting, provided suggestions for elements to be included or excluded, and validated the need for consistent personal property reporting requirements under grants.

- The Post-Award Reporting Subgroup analyzed the results of a survey of real property reporting requirements under grants and is considering how best to achieve a simplified government-wide approach.

- The Post-Award Reporting Subgroup conducted an analysis of a sample of the performance-reporting forms used by the Federal grant-making agencies and determined that it would be feasible to develop common reporting elements for grants with similar or common purposes. The Subgroup has begun a more complete inventory in order to establish the baseline from which it will develop its proposal for a set(s) of core performance reporting data elements.

Future Plans

- Following resolution of comments on the invention reporting format and business process by the Post-Award Reporting Subgroup, OMB will publish the final notice in the *Federal Register* and issue final agency guidance on summary reporting of inventions.

- The Post-Award Reporting Subgroup will review public comments on the April 8, 2003 *Federal Register* notice for the FFR and will work with OMB to issue final guidance to the agencies on its implementation.

- The Post-Award Reporting Subgroup will ensure that the revised business process for financial reporting are included in the administrative requirements being developed by the Pre-Award Work Group.

- The Grants.gov PMO will provide for electronic implementation of the final version of the consolidated FFR through the storefront.

- The Post-Award Reporting Subgroup will propose standard reporting methods and/or data elements for recipient reporting on real property and on personal property.

- The Post-Award Reporting Subgroup will coordinate with the Pre-Award Work Group to clarify property reporting requirements in award terms and conditions.

- The Post-Award Reporting Subgroup will complete its analysis and propose one or more core sets of performance reporting data elements, as appropriate. The result may be different sets based on the type of grant (discretionary or mandatory) and grant purpose (e.g., research, services, construction).

3. Grant Payments—Making Differences Transparent

Several years ago, those agencies subject to the Chief Financial Officers' Act were directed to use one of three specified payments systems for their grant payments. For civilian agencies, those systems are the Automated Standard Applications for Payment System (ASAP), operated by the Department of the Treasury's (Treasury) Financial Management Service and the Federal Reserve Bank of Richmond, and the Payment Management System (PMS), operated by the Department of Health and Human Services. The third system is the payment system used by the Department of Defense (DoD) components. All of the agencies needing to convert have chosen one of the designated systems.

The different payment systems should appear identical to recipients (i.e., it should be transparent to the recipient whether payment is being requested through ASAP, PMS, or DoD). The need for a common front-end was identified in public comments. To accomplish this objective, Treasury, HHS, and DoD are working with their respective customer agencies and recipients to create a common front-end.

<u>Summary of This Year's Progress</u>

- A team, comprised of representatives of the three payment systems, has begun the analysis required to establish common data elements for a common-front end.

Future Plans

- Agencies that are converting to a different payment system will be working toward full implementation in FY 2004. This includes several agencies that are waiting for Treasury to implement its new web-based system.

4. Audits—Increasing Accountability While Decreasing Burden

Audits are an important means of providing reasonable assurance that grant recipients are managing Federal awards in compliance with applicable laws and regulations and the terms and conditions of the agreement. OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" establishes the policies for audit of non-profit entities, including governmental entities and institutions of higher education. The audit process involves both Federal and non-Federal constituencies. They include OMB, the Federal grant-awarding agencies, the Federal Audit Clearinghouse (FAC), non-Federal auditors, and recipients.

Our efforts in the audit area, through the Audit Oversight Work Group and its Subgroups, are focused on increasing awareness of audit requirements, communicating them in a manner that everyone involved can understand, and improving the quality of audits and audit services. We want to make audit results a more useful tool for Federal agencies to monitor recipient compliance, for recipients to monitor subrecipient compliance, and for cognizant agencies to negotiate and approve indirect cost rates and cost allocation plans. To achieve these objectives, we continue to look for opportunities to improve OMB Circular A-133 Compliance Supplement, the quality of audits, the FAC Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations, the FAC website.

Summary of This Year's Progress

- Following resolution of public comments on the proposed changes to OMB Circular A-133 [67 FR 52545], including an increase in the single audit threshold from $300,000 to $500,000, OMB published the final notice on June 27, 2003 [68 FR 38401].

- The OMB Circular A-133 Single Audit Compliance Supplement Core Team produced the 2003 version of the OMB Circular A-133 Compliance Supplement, an annual publication designed to provide auditors with accurate and up-to-date information for the conduct of single audits. This included training to assist Federal agencies in updating existing program information and adding new programs to the Compliance Supplement, bringing the total number of programs it includes to 160.

- The OMB Circular A-133 Audits and Indirect Cost Rates Subgroup analyzed the section of the Compliance Supplement addressing allowable costs and

cost principles and recommended a substantial revision, which will make the information easier to understand and use. The recommendations, which included reorganizing the section into a general discussion on allowable costs followed by separate, specific compliance guidance for each of the three OMB cost principles circulars, were adopted and are included in the 2003 Compliance Supplement.

- Following completion of review by the Federal agencies and the audit community, OMB published in the *Federal Register* on April 17, 2003 (68 FR 19039) the notice indicating the availability of the 2003 Compliance Supplement. The Compliance Supplement also is posted on OMB's website (http://www.omb.gov).

- To assist Federal agencies, recipients, and their auditors, the Single Audit Users Subgroup developed procedures to address changes to the cognizant agency assignment listing, including a standard Federal cognizant or oversight agency letter template.

- In collaboration with the FAC, the Single Audit Users Subgroup developed, for Federal agency use, several special reports based on data available in the FAC warehouse. These reports, including information that can be used to determine whether certain grantees are delinquent in submitting their audits, will allow agencies to make better use of the FAC data in managing their grant programs and awards. The reports are available on the FAC website.

- The Recipient/Subrecipient Monitoring Subgroup collected and began analyzing current agency monitoring requirements and practices to determine best practices and possible approaches to improving monitoring. This may include the need for new or revised government-wide guidance.

Future Plans

- The Single Audit Users Subgroup will assist in the review and revision of the Data Collection Form in order to obtain renewal of OMB's approval under the Paperwork Reduction Act.

- The Indirect Cost Rates Subgroup will continue to improve the Compliance Supplement section addressing allowable costs and cost principles by providing guidance for auditing the different types of indirect cost rates and plans.

IV. THE ROAD AHEAD

Last year, we characterized our efforts to streamline and simplify the award and administration of Federal grants—by making transactions with Federal agencies easier, cheaper, quicker, and more understandable for the many thousands of grant applicants and recipients—as a long journey. This year we have reached

or are about to reach several of our planned destinations—completion of Phase I of the Grants.gov initiative (FIND and APPLY) and issuance of the standard format for announcing funding opportunities. We believe we are on course to successfully continue our journey due to the combined talent, dedication, and enthusiasm of Federal agency participants and the active efforts of our counterparts in the applicant and recipient communities. We know that much remains to be done but the way has been paved for continued progress.

United States Agency for International Development

Participation in the Government-wide Streamlining and Grants.gov Efforts

USAID has actively participated in the accomplishments described in the Government-wide report. Because USAID is a small agency, limited personnel resources have prevented our full participation in all of the interagency work groups. We have representation on the Pre-Award Work Group and the Electronic Standards Working Group of the Inter-Agency Electronic Grants Committee, which we have perceived as the most important of the P.L. 106-107 work groups.

Together with the State Department, we met with representatives of the Office of Management and Budget to discuss the impact of the changes in grant policies on non-U.S. recipients, especially on small, indigenous organizations, who lack English language skills and have limited access to the communication technology necessary to fully benefit from them. These discussions will continue as the P.L. 106-107 initiatives are implemented.

Internal Efforts to Create an Environment Conducive to Grants Streamlining and Simplification

USAID has taken a number of steps in advising agency personnel and partners on streamlining efforts. Internally, this is primarily done through Agency notices, policy documents, and e-mail transmissions to people involved in the award of assistance agreements. We have met with Interaction and with the Association of PVO Financial Managers, two trade groups who represent non-governmental organizations involved in international development, to inform them of developments, and have solicited their comments on policy changes.

In March, 2002, USAID sponsored a conference for its contracting officers stationed in Washington and overseas. At this conference, the Policy Division of the Office of Procurement (OP/POL) presented an overview of Public Law 106-107 and its objectives of streamlining and simplifying the grant award and administration processes. As OMB issues drafts of new policy, such as the government-wide policy framework, or the standard format for announcements of funding opportunities, they are disseminated to USAID contracting officers and to the recipient community for their information and comments.

The Director of Procurement, Timothy Beans, the Agency Ombudsman, and OP/POL continue to meet with partner organizations to discuss the status of grant process changes.

Preparing for the Recent and Coming Changes Affecting the Pre-Award Process

Electronic Synopsis

USAID has actively participated in the Grants.gov FIND process. We published our first notice in FedGrants on November 27, 2001, and currently have 159 actions posted on that web site. Since May 13, it has been agency policy that unless competition is limited to foreign organizations, all agency assistance opportunities must be publicized on the FedGrants site. Funding opportunities are no longer posted to the USAID web site. The public is provided a link to the FedGrants site instead.

USAID has an employee who devotes approximately one half of her time as systems administrator for FedGrants. In the run-up to implementation, she provided training to Agency procurement staff in preparing synopses. She conducted 25 formal training sessions for 68 participants, primarily Washington-based staff, and has provided informal training for overseas staff passing through Washington and assistance through telephone and e-mail for overseas staff.

Announcement Template

USAID has laid the groundwork for using the uniform announcement format. We are working with the developer of our contract/grant writing software to modify our announcement template to use the uniform format. It will become effective early in FY 2004, and will apply to all USAID announcements to the private sector. When the template is incorporated into our automated system, we will issue a General Notice to the Agency requiring its use for all funding announcements.

The Grants.gov Portal and Electronic Applications

USAID has been participating and collaborating with the E-Grants Program Management Office during phases of the design and piloting of Grants.gov:

1. We are Posting funding opportunities at Fedgrants.gov, the “Find” segment of Grants.gov.
2. We assisted the Electronic Standards Working Group in developing electronic data standards for electronic data interchange.
3. We participated in a focus group to validate the requirements of the Find and Apply functionality of Grants.gov.
4. We participated in the Test of the Edges, testing the basic functionality of the planned Grants.gov system.
5. We currently are participating in the Apply pilot, helping to test the basic functionality of the submission of grant application.

USAID participation in the E-Grants initiative has given us insight into the value of having a unified website for our grants community.

Other

USAID has taken other steps that are necessary before it can participate in E-grants. On May 2, we established a procedure for entering USAID grant programs into the

Catalog of Federal Domestic Assistance, and designated an Agency liaison in the Bureau of Policy and Planning Coordination. We are actively working to fully implement the policy and assign CFDA numbers to our programs.

We are also exploring linking descriptions of USAID's programs on its website to the Grants.gov storefront.

Other streamlining and simplification efforts include a revision to Agency policy guidance on financial reporting by grant recipients to clarify that Agency personnel must use information it already has on hand in preparing accrual reports, and not require additional financial reports from recipients.

In an effort to strengthen the use of competitive procedures in the award of assistance agreements, we issued a policy notice requiring the approval of the Director of Procurement, the General Counsel and the cognizant Assistant Administrator for non-competitive awards in excess of $10 million, and the Administrator or Deputy Administrator for awards in excess of $20 million when the award is based on continuing an assistance relationship with the recipient.

Our commitment to making the award and administration of grants a more efficient and effective process continues. Change continues at a rapid pace. We expect during the next year to fully implement the recent policy developments issued by OMB and to increase the use of electronic government in the award of grants and cooperative agreements.

Clearance:
M/OP, R Powell _____
M/OP, K O'Hara _____
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