DOMESTIC WORKING GROUP

Grant Accountability Project

Guide to Opportunities for Improving Grant Accountability

Compiled by members of the Grant Accountability Project

A collection of Federal, State, and local audit organizations
tasked by the Comptroller General of the United States' Domestic Working Group
to offer suggestions for improving grant accountability

Guide Development

This project was initiated by the Domestic Working Group chaired by the Comptroller General of the United States. This group consists of 19 Federal, State, and local audit organizations. The purpose of the group is to identify current and emerging challenges of mutual interest and explore opportunities for greater collaboration within the intergovernmental audit community.

The group identified as a mutual concern the issue of grant accountability, and requested the Inspector General of the U.S. Environmental Protection Agency to lead a project to address this concern. The Federal, State, and local project members are listed below.

Federal Inspector General Offices	Agency for International Development
	Department of Agriculture
	Department of Commerce
	Department of Education
	Department of Energy
	Department of Health and Human Services
	Department of Homeland Security
	Department of Housing and Urban Development
	Department of the Interior
	Department of Justice
	Department of Labor
	Department of State
	Department of Transportation
	Environmental Protection Agency
	National Aeronautics and Space Administration
	National Archives and Records Administration
	National Endowment for the Humanities
	National Science Foundation
Other Federal Agency	Government Accountability Office
State Agencies	New York State, Office of State Comptroller
	Arizona Auditor General
	Kansas Legislative Division of Post Audit
	Texas State Auditor's Office
Local Agencies	City of Orlando, Florida
	Nashville and Davidson Counties, Tennessee

Preface

It is with great pleasure that I present this *Guide to Opportunities for Improving Grant Accountability*. My sincere thanks to David M. Walker, the Comptroller General of the United States and chairman of the Domestic Working Group, for providing a forum for audit organizations to look at ways to improve grant accountability. It is estimated that the Federal Government will spend approximately $450 billion in grants in 2006, so it is important to ensure that these funds are properly used and the desired results achieved.

This document is targeted to government executives at the Federal, State, and local levels for two reasons. First, grants are an increasing percentage of agency budgets and play a key role in agencies achieving their goals. Second, managers set the tone for their organizations; as managers recognize the importance of accountability for how funds are used and the results achieved, that emphasis will flow to others within their organizations.

My thanks to those who participated in this project, provided suggestions for promising practices, and commented on the draft. Your interest in this subject and willingness to discuss the issues and areas for improvement are what made this document possible. Your continued commitment to ensuring that grant funds are used efficiently and effectively is what will lead to lasting improvements.

Nikki L. Tinsley
Inspector General
U.S. Environmental Protection Agency

Executive Summary

Guide to Opportunities for Improving Grant Accountability

October 2005

Purpose of Guide

This guide is designed to provide government executives at the Federal, State, and local levels with ideas for better managing grants. The guide focuses on specific steps taken by various agencies. The intent is to share useful and innovative approaches taken, so that others can consider using them.

Promising Practices Demonstrate Opportunities for Improving Grant Accountability

Grants are an important tool used by government agencies to achieve goals. Grants support many programs that the public relies upon, such as healthcare, transportation, and education. The 2006 Federal budget includes approximately $450 billion for over 700 grant programs.

Opportunities for improvement exist throughout the grant process, as shown in the table below. Prior to awarding grants, it is important for agencies to have internal control systems and performance measures to facilitate grant management. Agencies then need an effective pre-award process, a process for managing performance once grants are awarded, and the ability to assess grant results and use those results when awarding future grants. Appendix A provides a two-page listing of all the promising practices.

For further information, contact the U.S. Environmenal Protection Agency Office of Inspector General at (202) 566-2391.

To view the report online, click on www.epa.gov/oig/dwg/reports/dwg-grants.pdf

This guide is intended not to simply identify areas of improvement, but to provide specific examples of how organizations have already successfully implemented new practices or are in the process of doing so. Government executives at the Federal, State, and local levels should be able to look at these approaches and apply some of them to their own organizations.

Summary of Opportunities for Improvement

Areas of Opportunity	Promising Practice Issue Areas
Internal Control Systems	• Preparing policies and procedures before issuing grants • Consolidating information systems to assist in managing grants • Providing grant management training to staff and grantees • Coordinating programs with similar goals and purposes
Performance Measures	• Linking activities with program goals • Working with grantees to develop performance measures
Pre-Award Process	• Assessing applicant capability to account for funds • Competing grants to facilitate accountability • Preparing work plans to provide framework for grant accountability • Including clear terms and conditions in grant award documents
Managing Performance	• Monitoring the financial status of grants • Ensuring results through performance monitoring • Using audits to provide valuable information about grantees • Monitoring subrecipients as a critical element of grant success
Assessing and Using Results	• Providing evidence of program success • Identifying ways to improve program performance

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Photos throughout this report courtesy of: Department of Agriculture
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
Department of the Interior
Department of Transportation
Environmental Protection Agency
National Science Foundation

Introduction

Purpose

This guide identifies challenges regarding grant accountability and highlights promising practices to inform senior financial and program executives, as well as congressional committee staff, on specific ways to improve grants management. These promising practices are actions that agencies have successfully used or are currently implementing. The intent is to share useful and innovative approaches so that others can consider using them.

Guide Contents

This guide identifies five key areas of opportunity. For each key area, there are multiple issue areas for which the guide identifies key promising practices and examples of how an agency implemented each practice. At the end of each issue section, a box identifies Internet sites or other sources of additional information. This guide is not intended to be a "one size fits all" manual; rather, it summarizes practical approaches that agencies have used to successfully address challenges to grant accountability.

Background

Grants are legal instruments through which funds are transferred to support a public purpose. Federal grants help State and local governments, as well as others, finance programs that cover most areas of domestic public spending. These areas include healthcare, income support, construction of roads and drinking water facilities, education, environmental and natural resource protection, research, and social services.

Since 1960, the Federal Government's use of grants has risen substantially, from approximately $7 billion in 1960 to $450 billion budgeted in 2006, according

Chart 1: Rise in Federal Grants

In Billions of $
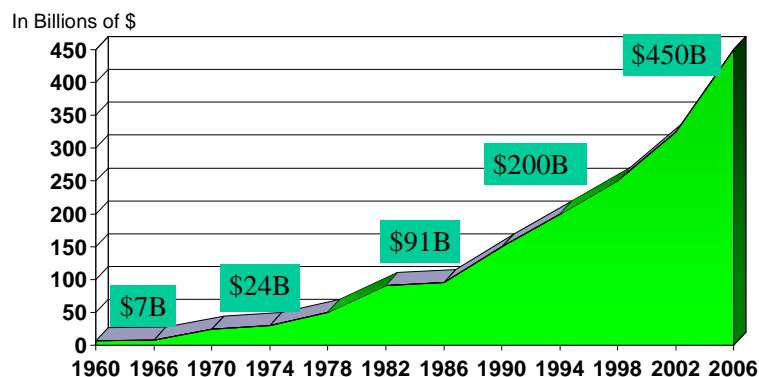
to the U.S. Office of Management and Budget (see Chart 1). As a percentage of the Federal budget, grants increased from 7 percent in 1960 to 17 percent in 2006.

The budgeted $450 billion covers over 700 grant programs. States are by far the most frequent grant recipients, receiving about 80 percent of the budgeted grants. States may further distribute grants to other recipients. Local governments, tribes, universities, and non-profit organizations receive the remaining grants.

Table 1 provides a breakdown by agency of budgeted Federal grant outlays for 2006 to State and local governments. The table shows that the Department of Health and Human Services by far awards the largest dollar amount of grants. That Department's largest grant program, Medicaid payments, represents about 65 percent of the total dollars in grants awarded to State and local governments.

Table 1: Federal Grant Outlays to State and Local Governments (dollars in billions)

Agency Name	Estimated 2006 Grant Outlay
Department of Health and Human Services	$ 256.6
Department of Transportation	46.8
Department of Education	40.1
Department of Housing and Urban Development	34.8
Department of Agriculture	25.7
Department of Homeland Security	9.1
Department of Labor	7.1
Department of the Interior	4.1
Department of Justice	3.8
Environmental Protection Agency	3.8
Department of Commerce	0.6
Department of the Treasury	0.4
Department of Energy	0.3
Department of Veterans Affairs	0.3
Other Agencies	2.2
Total	**$ 435.7**[1]

[1] Information was obtained from the Budget of the United States Government, Fiscal Year 2006. The document listed, by Federal agency, grants awarded to State and local governments. Grants to non-governmental organizations were not included.

The grant process is a cyclical one, as shown in Chart 2. At all stages of the process, it is essential that adequate internal control systems (such as information systems, training, and current policies) be in place. Before the grant process even begins, goals and measures must be established to provide a guide. Pre-award processes should ensure the appropriate awarding of grants. Once grants are awarded, performance needs to be monitored. Following grant completion, the goals and measures established at the beginning of the process need to be evaluated against actual results and adjustments made as needed for future grants efforts.

Chart 2: Grant Lifecycle

Federal laws and regulations establish financial accountability for Federal grants. In authorizing grant programs, Federal laws identify the types of activities that can be funded. Office of Management and Budget circulars specify how grants will be administered and the standards for determining allowable costs.

The passage of the Government Performance and Results Act in 1993 signaled the commitment of the Federal government to measure results achieved with Federal funds. Most Federal agencies charged with implementing domestic programs depend heavily on other levels of government to accomplish their goals. Grants serve as the funding mechanism for these activities. As a result, Federal agencies need to be able to measure results of grant programs to assess whether programs are achieving their goals.

Office of Management and Budget reviews of grant programs suggest a need for improved accountability. To date, the Office has evaluated three-fifths of all Federal programs using its Program Assessment Rating Tool. Overall, the Office assigned a rating of "Results Not Demonstrated" to 29 percent of all Federal programs. This rating means the program does not have a good performance measure or data for that measure. The percentage of grant programs receiving the "Results Not Demonstrated" rating is larger; of the 159 grant programs assessed, 72 (or 45 percent) received that rating. According to the Office of

Management and Budget, the higher percentage for grants might be explained in part by the breadth of purpose of some grants. It might also be explained by the lack of agreement among grantees and Federal parties regarding grant purposes and performance measures, resulting in a lack of focused planning to achieve common goals.

Each year, Federal inspectors general identify to Congress the top management challenges for their agencies. In 2004, nine inspectors general identified grants management as a management challenge or priority area for their agencies. The inspectors general identified such issues as monitoring of grants, accountability for how grantees use funds, and accountability for achieving grant results.

Details on the scope and methodology for this review are in Appendix B.

Grants "Roadmap" issued by Department of Health and Human Services

Chapter 1   Internal Control Systems

Organizations that award and receive grants need good internal control systems to ensure that funds are properly used and achieve intended results. These systems, which must be in place prior to grant award, can serve as the basis for ensuring grants are awarded to eligible entities for intended purposes, and are managed appropriately. Internal control systems that are not adequately designed or followed make it difficult for managers to determine whether funds are properly used. There are four areas where internal controls are important:

- Preparing policies and procedures before issuing grants.
- Consolidating information systems to assist in managing grants.
- Providing grant management training to staff and grantees.
- Coordinating programs with similar goals and purposes.

Preparing policies and procedures before issuing grants

Having regulations and internal operating procedures in place prior to awarding grants enables agencies to set clear expectations. Policies serve as guidelines for ensuring that new grant programs include provisions for holding awarding organizations and grantees accountable for properly using funds and achieving agreed-upon results. Although different programs may need different procedures, general policies should be established that all programs must follow.

Promising Practices

Prepare department-wide policies and make available on Internet

Both large and small U.S. Federal departments have found that establishing department-wide policies and procedures on an Internet site is beneficial. To assist in managing grants, both the Department Health and Human Services, which awards about $239 billion in grants a year, and the Department of Commerce, which awards about $1 billion in grants a year, maintain Internet sites containing department-wide grant policies and procedures. Each Internet site provides a single location for *staff* to find required grants administration procedures. Both Departments also provide *applicants* with one location for finding detailed information about funding opportunities, applications, forms, submission dates, awarded grants, and grant policies.

Develop Statewide manual for managing Federal grants	New York State's *Accounting System User Procedures Manual*, Section 5, "Accounting for Federal Grants," is an internal document that describes terminology, processes, and procedures that all agencies within the State must use to account for and report on Federal grant award activities. It provides information on accounting for, reporting, and reconciling Federal grant awards based on Federal regulations. It also serves as a reference for applicable Federal rules, regulations, and laws.
Prepare policies for developing new grant programs	The Environmental Protection Agency has developed a policy that encourages staff to develop specific guidance for new grant programs to explain how the program will work and assist staff in preparing grant award documents. The guidance identifies key questions for staff to consider in developing a new grant program, including what criteria applicants will need to satisfy, what activities are eligible for funding, and how decisions will be made on who receives funding.
Prepare policies for reviewing and selecting grants	The Department of Commerce's *Grants and Cooperative Agreements Interim Manual*, Chapter 8, "Merit Review, Selection, Approval, and Notification Procedures," provides guidance for reviewing, selecting, approving, and notifying applicants of funding decisions for all competitive grants. The Department requires that financial assistance be awarded through a merit-based review and selection process so that all applications for assistance receive a fair, equitable, and objective review.
Prepare policies for competing grants based on merit	The Department of Energy's *Merit Review Guide* provides guidance to program and project officials on conducting merit reviews of financial assistance applications and unsolicited proposals. Officials are encouraged to tailor their specific programs using the guidelines. Topics include the responsibilities of the various officials involved, evaluation criteria, rating plan, conduct of reviews, and documentation procedures.

Consolidating information systems to assist in managing grants

Consolidating information systems can enable agencies to better manage grants by providing information on all grants. This is beneficial because agencies often have numerous grant programs addressing similar needs. For example, in Fiscal Year 2005, the Department of Health and Human Services had approximately 40 grant programs worth about $900 million that supported health profession education and training. Each grant produces a large volume of information. By consolidating information and making it more accessible, agencies can better manage grant programs directed toward a common goal.

Some agencies have developed their own systems that support the full range of grant activities. Recognizing the efficiencies that could be obtained through a government-wide solution, Congress directed the Office of Management and Budget to work with Federal agencies to develop a common application and reporting system for grants. As a result, Federal agencies have developed Grants.gov to support grant applications for programs at multiple Federal agencies. The Grants Management Line of Business task force is also working to develop a government-wide solution to support the full range of grants management activities.

Develop centralized information system for multiple programs

The Department of Transportation's Federal Transit Administration has an electronic system, called Transportation Electronic Award Management (TEAM), to assist in managing its $7.8 billion grant program. Management can use data tracked in TEAM to measure its responsiveness to grantees. TEAM data can report how program funds are used, including numbers and types of transit vehicles purchased, use of funds for operating versus capital assistance, and geographic distribution. The data is helpful in monitoring program trends.

Use information system to track grant status

The Department of Education's Office of Postsecondary Education has a centralized system, known as "Ed e-Monitoring," to electronically monitor the $2.3 billion in discretionary grants it awards annually. The system contains copies of e-mails, correspondence, performance reports, and evaluations, and can be programmed to alert monitoring staff when reports are due. The system allows the staff to color code each grant based on its status, input information about how well a grantee is performing, and keep track of problems. Management can also use the system to monitor staff performance.

Have grantees submit reports electronically

The National Science Foundation has a centralized, Internet-based system, known as FastLane, which allows grantees to submit financial and project reports to the Foundation electronically. The system assists staff in managing grants by recording the content and submission date of each report. The system is integrated with the agency's financial accounting system, allowing for more efficient management of the grants.

For Additional Information:

Grants management streamlining initiatives - http://www.grants.gov/GrantsSI

Department of Transportation Federal Transit Administration Transportation Electronic Award Management (TEAM) System - http://ftateamweb.fta.dot.gov/fta-flash2b.html

Department of Education Office of Postsecondary Education 2004 Annual Report Appendix B - http://www.ed.gov/about/reports/annual/2004report/appb.pdf

National Science Foundation FastLane System - https://www.fastlane.nsf.gov/fastlane.jsp

Government Accountability Office Report - *Grants Management: Additional Actions Needed to Streamline and Simplify Processes*; GAO-05-335, April 2005 - http://www.gao.gov/new.items/d05335.pdf

Agency staff and grantees need sufficient training so that they can understand the numerous regulations, policies, and procedures governing grant funds. Audit reports have found that deficiencies in grant oversight are not due to a lack of policies, but rather that existing policies are not being followed. Federal, State, and local government offices are responsible for ensuring that staff is properly trained to fulfill grant requirements. It is essential that grantees also receive training, particularly small entities not familiar with all of the regulations and policies.

Promising Practices

Develop a long-term, strategic approach to training

Improving skills of staff can be a long-term process that needs a strategic approach. When the Environmental Protection Agency issued its Five-Year Grants Management Plan in 2003, its first goal was to enhance the skills of Agency personnel involved in grants management. To reach this goal, the Agency developed the Long Term Grants Management Training Plan. This plan provides a framework for ensuring employees and grantees have the skills to manage grants. In addition to providing training for grant specialists and project officers, the plan includes training for managers and supervisors. The plan includes goals, objectives, activities, and measures for evaluating training effectiveness.

Use a team approach to training

State of Maryland officials believe the most successful grant applications are generated using a team approach and that all employees (i.e., budget specialists, grants procurement officers, grant project officers) should receive training on the entire grant process. Training classes include topics such as "Grants and Procurement: How They Work Together" and "Grant Budgets, Appropriations, and Budget Amendments Made Easy." Local governments and community groups can use the training materials after notifying the State.

Provide training through Statewide workgroups

One of the initial projects of the State of Ohio's grants management workgroup was to develop a manual to train personnel. The manual focuses primarily on the financial aspects of grants, but also includes information on programmatic issues. The workgroup uses its quarterly meetings to provide training on specific topics and is working with a contractor to offer grants training classes within the State to enable more staff to attend.

Provide specific training courses to grantees

Providing training to grantees helps to ensure that eligible recipients understand how to apply for grants and properly use grant funds. The Department of Housing and Urban Development provides training coursework for grantees on its Internet site covering such topics as "Grant Application Preparation" and "eGrants Update for Grantees." The Environmental Protection Agency also offers training to new non-profit grantees through a videotape or DVD that gives an overview of the grant process and provides several skits that describe a grantee's responsibilities in different situations.

For Additional Information:

Environmental Protection Agency's Plan for Grants Management – http://www.epa.gov/ogd/grants/management.htm

State of Maryland Training - http://www.governor.maryland.gov/grants/training.html

Department of Housing and Urban Development's Grantee Training – http://www.hud.gov/webcasts/archives/grantees.cfm

Coordinating programs with similar goals and purposes

In many cases, numerous grants from different agencies support similar purposes and activities and result in overlap. For example, a 2000 Government Accountability Office report stated that, in Fiscal Year 1999, 69 Federal programs, in 9 different Federal agencies, provided or supported education and care for children under age five. Not only is there widespread overlap of grant programs within the Federal government, there may also be overlap at the State and local level. Some agencies have established specific processes for coordinating similar grant programs.

Promising Practices

Develop procedures to avoid duplication

The Department of Justice's major financial assistance programs are split between the Office of Justice Programs and Office of Community Oriented Policing Services. The offices signed a written agreement outlining procedures to be followed to avoid duplication in awarding grants. The procedures include identifying the potential for duplication and including as a grant condition the requirement that grantees not use funds from two programs for the same costs.

Create one-stop centers to coordinate and centralize programs

Through the Workforce Investment Act, the Department of Labor created One-Stop Career Centers that coordinate employment and training grant programs. Through the centers, individuals seeking employment and training can receive services from more than a dozen Federal programs under one roof. The centers may include State and local governmental agencies and nonprofit organizations.

Require applicants to disclose similar grants applied for or received

In its Assistance to Firefighters Grant program, the Department of Homeland Security will not provide assistance for activities for which another Federal agency has provided assistance. For example, there are 113 distinct items authorized for purchase under the program that are also authorized for funding under the State Homeland Security Grant Program. The Department requires grant applicants to answer the following question: "This fiscal year, are you receiving Federal funding from any other grant program for the same purpose for which you are applying for this grant?"

For Additional Information:

Department of Justice Grants - http://www.usdoj.gov/10grants/index.html

Department of Labor Comprehensive Financial Management Technical Assistance Guide - http://www.doleta.gov/sga/pdf/FinalTAG_August_02.pdf

Department of Homeland Security's Assistance to Firefighters Grant Program Guidance - http://www.firegrantsupport.com/guidance.aspx

Government Accountability Office Report - *Early Education and Care: Overlap Indicates Need to Assess Crosscutting Programs*; GAO/HEHS-00-78, April 2000 - http://www.gao.gov/new.items/he00078.pdf

Chapter 2 — Performance Measures

Performance measures provide agencies with the information they need to assess the achievement of program goals. Since passage of the Government Performance and Results Act, Federal agencies have gone through a sometimes difficult process to establish outcome-focused measures for existing grant programs. To prevent continued repetition of this process, agencies need to establish measures for new grant programs quickly, ideally before awards are made, to incorporate measurement requirements into the grant award. The measures can serve as a basis for determining progress for individual grants and the grants program as a whole. To develop good performance measures, agencies need to address:

- Linking activities with program goals.
- Working with grantees to develop performance measures.

Linking activities with program goals

On an annual basis, Federal agencies are required to set goals for program performance and compare achieved performance to those goals. Any government agency, whether Federal, State or local, should have the capacity to link its activities to established goals. To develop meaningful and useful performance measures designed to focus on outcomes, agencies have adopted a variety of tools and techniques.
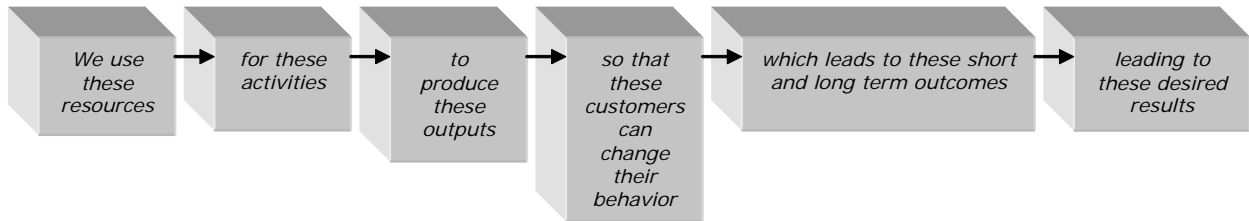
Promising Practices

Use logic models to link agency activities with results

The Environmental Protection Agency, Department of Health and Human Services, and Department of Housing and Urban Development, as well as the United Way, use logic models as tools to link agency activities with results. The logic model is a way of graphically displaying a program's resources, activities, outputs, and outcomes. The logic model spells out in reasonable detail all the things a program does and what is accomplished, and tells the story in a linear, graphic way.

Chart 3 shows an example of an Environmental Protection Agency program logic model that takes the user through the process by "telling the story" of what it takes to reach a targeted goal.

Chart 3: Logic Model

| We use these resources | → | for these activities | → | to produce these outputs | → | so that these customers can change their behavior | → | which leads to these short and long term outcomes | → | leading to these desired results |

The Department of Housing and Urban Development requires all grant applicants to submit a logic model with each grant application. Key elements of the logic model require a grantee to identify: (1) which of the Department's six strategic goals its proposed grant activity will promote, (2) the specific activities that are crucial to the success of the program, (3) the specific products or outputs and timeframes for each product generated as a result of the activity, (4) the expected outcomes, (5) how the data will be collected, and (6) the methodology used to assess success in meeting goals.

For the Department of Health and Human Services' Bureau of Health Professions, the logic model is a key element of its strategic plan. The Bureau has found that logic models are well suited for its diverse programs since the models help to clearly articulate differences while showing where several programs are striving toward a similar outcome. The logic model process has served as a means to get people to think about outcomes as opposed to outputs as they develop performance indicators.

Many non-profit organizations that award grants use a logic model to help grantees develop performance measures. For example, about 450 United Way organizations ask programs they fund to identify and measure their outcomes. Many of these organizations encourage programs to construct a model of the relationships among program inputs, activities, outputs, and outcomes to help identify outcomes that are appropriate for the program's activities. Measures of outcomes identified in this way help programs demonstrate the extent to which their clients achieve the intended benefits. United Way organizations use these outcome findings to quantify the impact of dollars, help programs increase their effectiveness, and identify community-level issues that are beyond the scope of individual programs.

Use both output and outcome measures to evaluate performance

The Environmental Protection Agency found both output and outcome measures beneficial in evaluating grant program performance. For its Drinking Water State Revolving Fund Loan Program, the Agency measures results through output performance measures, such as the frequency money is loaned out and the average loan amount per project. The program also uses such performance outcome measures as the percentage of population served by compliant community water systems and the percentage of compliant water systems. Together, the output and outcome measures serve as indicators of a program's performance.

Link measures to Agency goals

The Department of the Interior's Office of Surface Mining's Abandoned Land Mine Program established detailed and outcome-oriented performance measures related to a Government Performance and Results Act goal. The Office developed specific performance measures focused on the elimination of health and safety hazards associated with past mining activities, including the number of hazards eliminated, the actual number of units, and the number of people no longer at risk for the hazards.

For Additional Information:

Environmental Protection Agency Environmental Results Policy and Logic Model Examples - http://www.epa.gov/ogd/grants/assistance.htm

Department of Housing and Urban Development Logic Model - http://www.hudclips.org/sub_nonhud/html/pdfforms/96010.pdf

United Way of America Outcome Measurement Network - http://national.unitedway.org/outcomes/

Office of Surface Mining's Abandoned Land Mine Program - Department of the Interior Report No. 2003-I-0074 - http://www.oig.doi.gov/upload/2003-I-0074.pdf

Working with grantees to develop performance measures

It is imperative that Federal, State, and local governments collectively determine how best to measure performance to meet all parties' needs. If there are no common measures, each grantee may establish its own individual program goals and measures. By working with grantees, the Federal Government can encourage the creation and maintenance of a learning environment focused on harvesting the insights and motivational potential of accurate and comparable State performance measurement systems.

Promising Practices

Jointly develop goals and objectives

The Department of Health and Human Services' Office of Child Support Enforcement formed workgroups with State and local officials to jointly develop the Department's 5-year, national, outcome-oriented goals and objectives. Goals include increasing the number of paternities and child support orders, and amount of collections received. Participants agreed that national goals and objectives would be based on the collective suggestion of the States, and final approval would be reached through a consensus. Federal and State officials also formed a workgroup to develop statistical measures for assessing State progress toward achieving the national goals and objectives.

Coordinate performance plans across government and service levels

The Department of Health and Human Services' Administration for Children and Families is responsible for programs that promote the economic and social well-being of low-income and disadvantaged children and families and their communities. Because the programs are managed by third parties, the Administration was limited in the extent to which it could influence national performance goals. The Administration for Children and Families worked with States to create a national strategic plan based on common goals. The Administration also worked with service providers to raise awareness of the importance of collecting and reporting uniform performance data.

Align State plans with Federal goals

The Department of Transportation's Federal Motor Carrier Safety Administration grant program requires State Division Administrators to submit an annual safety plan to coordinate, focus, and align State partners with the Department's long-term strategic goal of reducing the rates of crashes, injuries, and fatalities involving large trucks and buses. The safety plans identify large truck safety problems within each State and develop specific strategies and activities to measurably reduce their severity. The plans include output and outcome goals to enable Federal managers and partners to gauge and assess success. Also, the Federal Motor Carrier Safety Administration has developed an index measure of how efficient agency operations are at saving lives. This efficiency goal is to increase the number of lives saved as compared to the total resources expended.

For Additional Information:

Department of Health and Human Services' Office of Child Support Enforcement - Government Accountability Office Report - *Child Support Enforcement: Reorienting Management Toward Achieving Better Program Results*, Report No. GAO/HEHS/GGD-97-14 - http://www.gao.gov/archive/1997/he97014.pdf

The Administration for Children and Families - Government Accountability Office Report - *Managing For Results: Efforts to Strengthen the Link Between Resources and Results at the Administration for Children and Families*, Report No. GAO-03-09 - http://www.gao.gov/new.items/d039.pdf

Department of Transportation Federal Motor Carrier Safety Administration - Department of Transportation Performance Report - http://www.dot.gov/perfacc2004/performancereport.htm

Strategies for Using State Information: Measuring and Improving Performance, Shelley H. Metzenbaum, December 2003 - www.businessofgovernment.org

Chapter 3 — Pre-Award Process

Pre-award reviews are essential to reducing the Government's risk when awarding grants. A thorough assessment of proposed grant projects can reduce the risk that money may be wasted or projects may not achieve intended results. Prior to awarding grants, agencies can evaluate grantees' financial capabilities, ability to achieve results, and plans for reporting results. To improve the pre-award grant process, agencies need to address:

- Assessing applicant capability to account for funds.
- Competing grants to facilitate accountability.
- Preparing good work plans to provide the framework for grant accountability.
- Including clear terms and conditions in award documents.

Assessing applicant capability to account for funds

Grantees need adequate financial management systems to ensure that grants are used for intended purposes and in accordance with regulations. Office of Management and Budget Circulars A-102 and A-110 establish principles and standards for grantee financial systems. A capability assessment ensures that an applicant has adequate financial systems and enables awarding agencies to decide whether to award the grant, and whether conditions should be added. Assessments of grant applicant capability provide management with confidence that grantees have, or will have, the required financial systems and allow management to plan the level of grantee oversight.

Promising Practices

Require a uniform pre-award evaluation of applicant capabilities

Environmental Protection Agency policy requires a pre-award evaluation of the administrative and programmatic capabilities of non-profit applicants. Applicants are required to answer questions regarding financial management systems, property and procurement standards, assigned personnel, and travel policies. If the examination indicates any weaknesses, the award official must impose conditions that are to be completed before the grant is awarded, such as requiring an applicant to successfully complete a training course. The applicant must address weaknesses within a specified time and inform the Agency of corrective actions taken.

Collect information on applicant capability as needed

The National Science Foundation's Prospective New Awardee Guide contains a financial management systems questionnaire that the Foundation may require an applicant to submit. The questionnaire asks for accounting, timekeeping, and funds management information. The Foundation can also ask for other types of financial and accounting documentation to determine whether the applicant is capable of carrying out grant functions. Depending on the severity of the problem identified, the Foundation can take a range of corrective actions, from requiring a grantee to update their time reporting systems to not making the award.

Conduct pre-award audits

The Department of Education requested funding in the 2006 budget for its Office of Inspector General to conduct pre-award audits of grant applications. The Department expects these audits to help identify grantees with limited administrative capabilities and influence decisions on awarding grants to programs with serious problems.

The Department of Energy reimburses the Defense Contract Audit Agency for pre-award audits of grant applicants. These audits assist the Department's grant personnel in determining whether proposed activities in the grant application will be supported by adequate resources. These reviews also help determine whether factors exist, such as grantee history and the nature of the project that may adversely affect a grantee's financial capabilities. Review results may indicate the need for special conditions.

Use scoring system to evaluate technical capability

The Texas Commission on the Arts examines a grant applicant's capability, along with other factors, to score and select grantees. Under the Commission's general criteria, potential grantees must show measurable evidence of organizational support, alternative public or private financial commitment, and the potential to reach grant objectives. Applicants must also demonstrate the reasonableness of their financial requests and exhibit the administrative and financial ability needed to complete the grant. Capability is scored as 20 percent of the total possible points.

Competing grants to facilitate accountability

Through competition, agencies can increase assurance that grantees have the systems and resources to efficiently and effectively use funds to meet grant goals. Competition promotes fairness and openness in the selection of grantees. Evaluation criteria, including having sufficient resources and sound management practices, can help an agency focus its review on factors indicative of success. An established set of rules and standards for competition generates equitable judgment as to grant applicants' ability to fulfill grant requirements.

Promising Practices

Develop specific criteria for evaluating all competitive grants

The Department of Housing and Urban Development's grant application review and rating process for competitive grants considers five factors: (1) capacity of applicant, (2) need/extent of the problem, (3) soundness of approach, (4) applicant ability to leverage resources, and (5) probability of achieving results. All applicants are evaluated and ranked against these criteria. The Department includes these criteria in grant announcements.

The State of California Integrated Waste Management Board uses specific criteria to competitively awards grants to public and private entities. Criteria include the applicant's goals and objectives, how the project will be evaluated, and resources needed to carry out the project. The Board evaluates the

applicant's work plan based on the activities, time frames, and outcomes. Applicants can access the criteria on the Internet, and review suggestions for completing applications.

Require funding announcements to include ranking criteria

The Environmental Protection Agency requires all competitive funding announcements to include criteria for ranking and evaluating the applicant's plan for tracking and measuring progress toward achieving expected outputs and outcomes. Announcements after January 1, 2006, must also include ranking criteria for evaluating the applicant's past performance in reporting on outputs and outcomes.

Assemble merit review panel to select grantees

The National Science Foundation relies on merit review panels to select among applicant proposals. Among other factors, the panels consider the qualifications of research staff, access to resources, and the impact the work could have on enhancing research and education infrastructure.

For Additional Information:

Department of Housing and Urban Development FY 2005 Federal Register Notice of Funding Availability Policy Requirements - http://www.hud.gov/offices/adm/grants//nofa05/gensec.pdf

Environmental Protection Agency Order 5700.7 - Environmental Results under EPA Assistance Agreements - http://www.epa.gov/ogd/grants/award/5700.7.pdf

National Science Foundation Grant Proposal Guide - http://www.nsf.gov/publications/pub_summ.jsp?ods_key=gpg

California Integrated Waste Management Board Grant Scoring Criteria - http://www.ciwmb.ca.gov/Grants/Scoring/

The work plan serves as a written record of what the grantee will do with funds. Office of Management and Budget Circular A-102 requires grantees to include in the grant application information on: (1) objectives and need for assistance; (2) benefits that will be achieved from assistance; and (3) approach to the work, including expected results to be achieved. Through the work plan, the awarding agency and grantee ensure a clear understanding of the intended purpose and results for the grant funds. Agencies need to take specific actions to obtain information from applicants and evaluate the information when preparing the grant award.

Promising Practices

Look for viable and efficient applicant work plans

The National Endowment for the Humanities has specific criteria that staff members use in evaluating research and development grant applications. The specific criteria include the viability and efficiency of the work plan. Having specific criteria for reviewing applications ensures that staff members take these elements into consideration when evaluating grant applications.

Require applicants to submit a detailed narrative as evidence of proper work planning

The Department of Energy requires applicants to submit a detailed narrative description of the proposed project, including the objectives of the project and the applicant's implementation plan. The Department reviews the application to determine whether the applicant has an adequate plan to meet Department objectives through the grant. Only those applicants whose narratives demonstrate a grasp of program and Department objectives are approved for potential funding.

Require grant applications to include project objectives and impacts

The Illinois Department of Agriculture's Sustainable Agriculture Grant Program requires applicants to submit a "Project Objectives and Rationale" as part of the overall request for funding. This includes a description of the work. The Department also requires the applicant to submit an outline of the intended project impacts and outreach. The applicant must describe the activities and personnel that will be involved in the project and a timeline to map out when the project is likely to reach completion. The detailed application information, along with the proposed budget, assists the Department in identifying grantees who will support agency goals through the grant.

Including clear terms and conditions in grant award documents

The terms, conditions, and provisions in the award agreement, if well designed, can render all parties more accountable for the award. When award documents are not well written, they can impact an agency's ability to ensure funds are used as intended. For example, because a no-interest loan document did not include provisions for early repayment, the agency could not recover $13 million in costs that were used for unallowable activities.

Promising Practices

Emphasize need to comply with grant award requirements

The Department of the Interior issued specific policies reiterating that grant agreements must include provisions requiring grantees to submit the status reports required by the Office of Management and Budget. In addition, the Department's Office of Insular Affairs incorporates into grant agreements statements such as "failure to comply with the terms and conditions of this grant award, including reporting requirements, may result in the withholding of grant payments until the deficient situation is corrected."

Incorporate statement on funding source

Some State recipients of the National Park Service's Land and Water Conservation Fund put statements into the property deed to indicate the property was acquired with Federal funds and the site cannot be converted to a non-recreation use without National Park Service approval.

Standardize desired grant terms and conditions

An association of Federal agencies and academic and non-profit research institutions, known as the Federal Demonstration Partnership, developed terms and conditions to be used specifically for research grants. The standard set of terms and conditions can be accessed via the Internet and viewed parallel with the Office of Management and Budget circular that serves as the foundation for the Partnership's standardization. The Partnership's participating agencies use a core set of terms and conditions, along with a separate set of agency-specific terms and conditions, for each agency.

For Additional Information:

Department of the Interior Grant Policy - http://www.doi.gov/pam/DOIFinReport.html

National Park Service Land and Water Conservation Fund - http://www.nps.gov/lwcf

Federal Demonstration Partnership Standard Terms and Conditions for Research Grants - http://www.nsf.gov/awards/managing/fed_dem_part.jsp

Chapter 4 — Managing Performance

Once grants are awarded, it is important that agencies properly manage the grants. Agencies need to ensure that grant funds are used for intended purposes, in accordance with laws and regulations, and will lead to planned results. Effective grant management increases the likelihood that grants will contribute to agency goals. When managing grants, agencies should address:

- Monitoring the financial status of grants.
- Ensuring results through performance monitoring.
- Using audits to provide valuable information about grantees.
- Monitoring subrecipients as a critical element of grant success.

Monitoring the financial status of grants

The timely receipt of financial records and reports from grantees is necessary for agencies to effectively monitor the financial status of grants. Ineffective grant monitoring increases the risk of improper payments and untimely grant expenditures. It may also result in the misuse or waste of funds. One way agencies have addressed this issue is by developing systems that make information on the financial status of grants readily available to staff. Also, agencies have addressed the issue through on-site reviews.

Promising Practices

Use an electronic system to monitor grant funds

The Department of Education uses an electronic system to manage its grants that includes information on the financial status of the grant. Financial information, such as amounts authorized and payments, is transferred daily from the Department's financial management system to the grants system. As a result, grants staff members are more readily able to monitor the financial status of a grant and take action should it indicate any potential problems.

**Perform on-site reviews
of financial systems**

The Environmental Protection Agency requires staff to perform desk or on-site reviews on 10 percent of all grantees each year. These reviews include an analysis of grantee financial systems, including timekeeping and drawdown procedures, and an examination of whether the grantee is meeting its matching requirements. If the review is performed on-site, the staff performs transaction testing. Based on the results of the review, the grantee may be required to prepare an action plan to correct any deficiencies. These reviews ensure that the grantee has an adequate financial system and is properly using the funds.

For Additional Information:

Department of Education Grants Administration and Payment System - http://e-grants.ed.gov/gapsweb/

Ensuring results through performance monitoring

Monitoring grantee performance helps ensure that grant goals are reached and required deliverables completed. In addition, monitoring performance can address potential problems early in the grant period and keep grantees on course toward goals. A grants management system and site visits allow agencies to effectively monitor grants by providing timely and accessible information on grant performance and deliverables. Given the large number of grants awarded, it is important that agencies identify, prioritize, and manage potential at-risk recipients.

Promising Practices

**Use electronic systems
to track deliverables**

The National Science Foundation uses an Internet-based system called FastLane to ensure that grant deliverables are received. FastLane processes grant awards, calculates due dates and receipt dates of grant deliverables, and assists grants management staff in tracking delinquent annual and final reports. If a deliverable is not received, the system does not allow new awards to the recipient. The grantee can also access this system.

Monitor achievement of outputs and outcomes

The Department of Housing and Urban Development requires grantees to include expected outputs and outcomes in their grant application. The grantee reports progress in achieving the outputs and outcomes. If expected results are not being achieved, the Department encourages the grantee to use the evaluation process described in the grant application to identify what caused the delay, and make appropriate changes. Also, the grantee can use the self evaluation to identify weaknesses in its operations, and can request technical assistance from the Department in addressing the weaknesses.

Use multi-disciplinary teams to assess performance

Several Federal agencies use multi-disciplinary teams to conduct grantee performance reviews. The Department of Education uses these reviews to identify at-risk recipients, and works with grantees to resolve the issues. If needed, the review team may impose special conditions on the grantee. The National Institutes of Health, within the Department of Health and Human Services, uses teams to review both performance and financial issues associated with grants. The reviews are designed to be proactive and facilitate dialog with the grantee.

For Additional Information:

National Science Foundation FastLane System - https://www.fastlane.nsf.gov/fastlane.jsp

Department of Housing and Urban Development Logic Model Instructions - http://www.hudclips.org/sub_nonhud/html/pdfforms/96010.pdf

Using audits to provide valuable information about grantees

Agencies can use internal and external audits of grantees to identify problems with grantee financial management and program operations. Awareness of problems allows grant officials to implement additional controls to effectively monitor a grantee's use of funds and activities. Currently, Office of Management and Budget Circular A-133 requires any grantee receiving over $500,000 of Federal funds (grants, loans, contracts) in a year to have an audit by an independent auditor. Some States require audits when grantees exceed a lower threshold in State and local funds.

Use audits to identify at-risk grantees

The Department of Education uses audit reports as one method for identifying at-risk grantees. An interoffice risk management team reviews an audit report and determines whether there is increased risk with the grantee and additional monitoring is required. A grantee may also be considered at-risk and need additional monitoring if it has not submitted the required audit report. If a grantee meets the Department's regulatory definition of "high risk," the grantee is entered into the grants management system. When making new awards, the system alerts program staff to the high risk status.

Use audit resolution process to address outstanding grant issues

The Department of Education implemented the Cooperative Audit Resolution and Oversight Initiative to bring essential parties (program officials, general counsel, Federal and public auditors, and grantee representatives) together to creatively resolve outstanding audit issues. This mediation process is used in egregious cases with recurring uncorrected findings and results in a written, binding agreement between the Department and the grantee. Corrective actions and timelines for implementation are clearly defined.

Summarize audit results for management

The Kansas City, Missouri, City Auditor's Office reviews the audits of outside agencies that receive at least $100,000 in City funding annually. The City Auditor reports the negative opinions, and reportable conditions and material weaknesses in internal controls to the mayor, city council, and city manager on an annual basis. The report provides City officials with information on the performance of agencies receiving significant City funding and assists officials in making decisions about future funding. The reports are also available to the public through the City auditor's Internet site.

For Additional Information:

Department of Education Cooperative Audit Resolution and Oversight Initiative - http://www.ed.gov/policy/gen/guid/caroi/index.html

Kansas City, Missouri, City Auditor's Office - http://www.kcmo.org/auditor.nsf/web/home?opendocument

Monitoring subrecipients as a critical element of grant success

Grantees may further distribute funds to other organizations, known as subrecipients. Subrecipients, many of which are small organizations, often lack experience and training in grants management. It is important that recipients identify, prioritize, and manage potential at-risk subrecipients to ensure that grant goals are reached and resources properly used. Agencies have addressed this issue by providing detailed guidance on how to manage funds and standards for monitoring subrecipients.

Promising Practices

Develop guidance to assist subrecipients

The State of Tennessee developed a manual, *Accounting and Financial Reporting for Not-For-Profit Recipients for Grant Funds in Tennessee*, that assists non-profits in establishing reporting systems that will comply with Federal and State regulations as well as accounting and auditing standards. The National Grants Partnership is using the manual as a starting point in the development of the Uniform Data Elements and Definitions for Grant Budgeting and Financial Reporting.

Publish materials detailing subrecipient responsibilities

The Commonwealth of Puerto Rico's Office of Comptroller has issued an informative guide, *Organizaciones sin Fines de Lucro* (Non-Profit Organizations), that discusses the proper use of property and public funding. Fiduciary responsibility, precedence of regulations, and penalties are some of the issues discussed to improve the administration and management of property and public funding by grant subrecipients.

Coordinate agency efforts to monitor performance

The State of Maryland Governor's Office of Crime Control and Prevention has a comprehensive, three-pronged approach to managing subrecipients. The Office's three units coordinate and exchange information through an automated grants management system to ensure that subrecipients appropriately perform grant functions to meet goals and deadlines. The Programming Unit receives quarterly progress reports, performs ongoing desk monitoring of subrecipients, and conducts a field visit at least once a year during the lifetime of each grant. The Fiscal Unit receives quarterly financial reports, checks the grants management system to ensure that the subrecipient is up to date

in its program reporting, and determines whether payments will be issued. The Fiscal Audit Unit identifies potentially high-risk subrecipients for field and desk audits, performs these audits, and records the findings in the grants management system and sends a letter to the affected subrecipient.

For Additional Information:

Accounting and Financial Reporting for Not-For-Profit Recipients of Grant Funds in Tennessee - http://www.comptroller.state.tn.us/ma/manual.htm

National Grant Partnership - www.thengp.org

Puerto Rico Office of Comptroller Guide for Non-profit Organizations (Available in Spanish only) - www.ocpr.gov.pr

Maryland Governor's Office of Crime Control and Prevention - http://goccp.org

Chapter 5 — Assessing and Using Results

Assessing the results of a grant program against its goals and objectives is important. As budget resources shrink and demands for government services grow, competition between various Federal, State, and local grant programs for resources increases. High-level decisionmakers, such as Congress and agency heads, need to know which programs are achieving their goals and objectives to make informed decisions about where to allocate resources. Areas that should be emphasized include:

- Providing evidence of program success.
- Identifying ways to improve program performance.

Providing evidence of program success

Measuring the results of a program can provide evidence of its successful performance against goals and objectives. Program results information is important for making budgetary and programmatic decisions. Program managers can use program results information to defend their programs against budgetary challenges and make decisions on resource allocation. One challenge in obtaining information on results is that results can take time to develop and cannot be measured during a grant's life. A second challenge is that agencies may not have direct access to information on program results, and will need to obtain that information through grantees that may lack data collection skills.

Promising Practices

Use surveys to determine program results

To provide data for its performance goal of increasing the use of preventive health services, the Department of Health and Human Services' Community and Migrant Health Centers grant program uses the number of visits to health centers and the results of surveys from health center users as measures. For example, the surveys provide national estimates for such measures as the proportion of women patients in health centers who received age appropriate cancer screenings. The surveys are repeated every 5 years to provide longitudinal data.

As part of the Department of Commerce's Manufacturing Extension Partnership Program, the grantee conducts a survey of manufacturers 1 year after receiving assistance to determine the effectiveness of services it provides. The survey provides quantifiable information on the impact of the partnership's services.

Inspect projects after completion

To ensure grant projects are maintained once completed, the National Park Service grant program managers, with assistance from State counterparts, conduct post-completion inspections once every 3 or 5 years, depending on the grant program. The assessment includes site inspections and review of project folders to assure that sites assisted with Federal funds remain in recreational use in perpetuity.

Train grantees to self-monitor and encourage accurate reporting

To meet the demand for better data, the Department of Housing and Urban Development worked with housing and community development organizations to improve project monitoring. The Department provided grantees with extensive training in monitoring project grants and encouraged risk-based monitoring and flagging potential problems. The Department also worked with grantees to promote complete and accurate reporting and to automate data collection. With automated data collection, the Department can monitor and correct the completeness and accuracy of data submitted by grantees. Through improved grantee reporting and monitoring of projects, the Department was able to develop a trustworthy administrative database to provide the information it needs to oversee fund use.

For Additional Information:

Department of Health and Human Services' Community and Migrant Health Centers Grant Program – Government Accountability Office Report - *Program Evaluation: Studies Helped Agencies Measure or Explain Program Performance* - (GAO/GGD-00-204) - http://www.gao.gov/new.items/gg00204.pdf

Department of the Interior's National Park Service grant program - http://www.nps.gov/lwcf/

Department of Commerce - The Manufacturing Extension Partnership - http://www.mep.nist.gov/

Department of Housing and Urban Development – Government Accountability Office Report - *Program Evaluation: An Evaluation Culture and Collaborative Partnerships Help Build Agency Capacity* - (GAO-03-454) - http://www.gao.gov/new.items/d03454.pdf

Identifying ways to improve program performance

Evaluation results can reveal approaches that are helping to achieve program goals and objectives, as well as illustrate ineffective approaches. Also, evaluations can help clarify which effects are attributable to a program, identify reasons for success or failure, and recommend changes that can help a program achieve its goals and objectives.

Promising Practices

Engage outside experts to assess program performance

For more than 25 years, the National Science Foundation has used panels of outside experts, called Committee of Visitors, to rank proposals and serve as external advisors. The committees conduct peer reviews, compare plans with progress, and evaluate outcomes to determine whether funded research contributes to the Foundation's mission and goals. About one-third of the Foundation's 220 programs are evaluated each year, resulting in a review of all programs once every 3 years. The committees use review templates that assess how the research is contributing to the Agency's process and outcome goals. Division directors consider committee recommendations in guiding program direction and report on progress in implementing recommendations at the next 3-year review.

Conduct evaluations to identify factors affecting results

Through its Upward Bound program, the Department of Education supports grant programs that help disadvantaged students prepare for, and succeed in, college. A long term, national evaluation of program results found that certain participants received more benefits from the program than others. The program had a significant impact upon those students who, on entering the program, did not have high expectations for obtaining a 4-year degree. The evaluation also found that the longer a student was in the program, the greater the likelihood of attending college.

For Additional Information:

National Science Foundation, Committee of Visitors - http://www.nsf.gov/od/oia/activities/cov/

Department of Education, Office of the Under Secretary, Policy and Program Studies Service, *The Impacts of Regular Upward Bound: Results from the Third Follow-Up Data Collection*, Washington, D.C., 2004 - http://www.ed.gov/rschstat/eval/highered/upward/upward-3rd-report.pdf

List of Specific Promising Practices

Areas of Opportunity	Promising Practices
Internal Control Systems	**Preparing policies and procedures before issuing grants** • Prepare department-wide policies and make available on Internet • Develop Statewide manual for managing Federal grants • Prepare policies for developing new grant programs • Prepare policies for reviewing and selecting grants • Prepare policies for competing grants based on merit
	Consolidating information systems to assist in managing grants • Develop centralized information system for multiple programs • Use information system to track grant status • Have grantees submit reports electronically
	Providing grant management training to staff and grantees • Develop a long-term strategic approach to training • Use a team approach to training • Provide training through Statewide workgroups • Provide specific training courses to grantees
	Coordinating programs with similar goals and purposes • Develop procedures to avoid duplication • Create one-stop centers to coordinate and centralize programs • Require applicants to disclose similar grants applied for or received
Performance Measures	**Linking activities with program goals** • Use logic models to link agency activities with results • Use both output and outcome measures to evaluate performance • Link measures to agency goals
	Working with grantees to develop performance measures • Jointly develop goals and objectives • Coordinate performance plans across government and service levels • Align State plans with Federal goals
Pre-Award Process	**Assessing applicant capability to account for funds** • Require a uniform pre-award evaluation of applicant capabilities • Collect information on applicant capability as needed • Conduct pre-award audits • Use scoring system to evaluate technical capability
	Competing grants to facilitate accountability • Develop specific criteria for evaluating all competitive grants • Require funding announcements to include ranking criteria • Assemble merit panels to select grantees

Pre-Award Process (continued)	**Preparing work plans to provide framework for grant accountability** • Look for viable and efficient applicant work plans • Require applicants to submit a detailed narrative as evidence of proper work planning • Require grant applications to include project objectives and impacts
	Including clear terms and conditions in grant award documents • Emphasize need to comply with grant award requirements • Incorporate statement on funding source • Standardize desired grant terms and conditions
Managing Performance	**Monitoring the financial status of grants** • Use an electronic system to monitor grant funds • Perform on-site reviews of financial systems
	Ensuring results through performance monitoring • Use electronic systems to track deliverables • Monitor achievement of outputs and outcomes • Use multi-disciplinary teams to assess performance
	Using audit to provide valuable information about grantees • Use audits to identify at-risk grantees • Use audit resolution process to address outstanding grant issues • Summarize audit results for management
	Monitoring subrecipients as a critical element of grant success • Develop guidance to assist subrecipients • Publish materials detailing subrecipient responsibilities • Coordinate agency efforts to monitor performance
Assessing and Using Results	**Providing evidence of program success** • Use surveys to determine program results • Inspect projects after completion • Train grantees to self-monitor and encourage accurate reporting
	Identifying ways to improve program performance • Engage outside experts to assess program performance • Conduct evaluations to identify factors affecting results

Scope and Methodology

At the request of the Comptroller General of the United States' Domestic Working Group, the Environmental Protection Agency Inspector General sought interested Federal, State, and local organizations to address common issues relating to how grant funds are used and the results achieved. The organizations participating in this project are listed on the inside front cover of this report. After discussing common issues, those involved determined that it would be beneficial to identify the major issues affecting grant accountability and practices that agencies have implemented to address the issues.

The first phase of the project was to identify issues affecting grant accountability. Project members collected information from existing audit reports and through interviews with agency officials. The project members identified those issues that were most likely to be common to Federal, State, and local agencies rather than those specific to one or two agencies.

The second phase of the project was to identify agency practices that had addressed, or would likely address, grant accountability issues. In addition to reviewing audit reports and interviewing agency officials, input on promising practices was solicited through the Association of Government Accountants and National Association of State Auditors, Treasurers and Controllers. The project members also obtained the views of the Office of Management and Budget and the Public Law 106-107 workgroup to gain an understanding of ongoing efforts to streamline the grants process. Agencies other than those that participated in developing this guide contributed promising practices. A list of contributing organizations is contained in Appendix C. We did not validate the effectiveness of the promising practices.

The guide is not intended to be a comprehensive list of what Federal, State, and local agencies are doing to address issues relating to grant accountability. It is likely that agencies may be taking actions that are effectively improving grant accountability that are not highlighted in the document. The purpose of the guide is to focus attention on the importance of grant accountability and to provide senior executives and managers with examples of how other agencies have addressed this issue.

Where available, links to Internet sites with additional information regarding promising practices have been included. At the time the report was issued, the links were verified to be accurate.

Contributing Organizations

A project such as this can only be accomplished with the contribution of many organizations. In addition to the audit organizations listed on the front cover that developed this guide, other organizations made contributions. The following agencies and organizations contributed examples or commented on the draft document.

Federal Agencies	Department of Agriculture
	Department of Commerce
	Department of Education
	Department of Energy
	Department of Health and Human Services
	Department of Homeland Security
	Department of Housing and Urban Development
	Department of the Interior
	Department of Justice
	Department of Labor
	Department of Transportation
	Government Accountability Office
	Environmental Protection Agency
	National Endowment for the Humanities
	National Science Foundation
	Office of Management and Budget
State Agencies	California Integrated Waste Management Board
	Hawaii Department of Agriculture
	Illinois Department of Agriculture
	Louisiana Department of Administration
	Maryland Governor's Grants Office
	Missouri Office of State Auditor
	New York State Office of Comptroller
	Ohio Grants Management Workgroup
	Puerto Rico Comptroller General
	South Carolina Comptroller General
	Tennessee Comptroller of the Treasury
	Texas Commission on the Arts
Local Agencies	City of Kansas City, Missouri
	City of Orlando, Florida
Other Organizations	United Way