

**PUBLIC OVERSIGHT HEARING ON
FEDERAL GRANTS MANAGEMENT STATUS
FOR FISCAL YEARS 2002 AND 2003**

**Before the
Committee on Public Services
Council of the District of Columbia
The Honorable David A. Catania, Chairperson**

**February 14, 2003
9:00 a.m.
Council Chambers, John A. Wilson Building**



**Testimony of
Bert Molina
Deputy Chief Financial Officer
Office of Budget and Planning**

**Natwar M. Gandhi
Chief Financial Officer
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Mr. Chairman, I am Bert Molina, deputy chief financial officer for budget and planning, and I am here today with Gordon McDonald, associate deputy chief financial officer, and James Spaulding, director of budget execution, cost analysis, and grants management. I am pleased to be here to talk about my office's role in grants management in FY 2003 and the future. My testimony will supplement that of John Ross on behalf of the Office of Research and Analysis (ORA).

As you know, the grants management function within the Office of the Chief Financial Officer (OCFO) recently moved from ORA to the Office of Budget and Planning (OBP). In addition, the OCFO has itself restructured, adding five associate CFOs who each work closely with a cluster of agencies. I want to share with you how the roles and responsibilities changed as a result of the restructuring, and outline what we plan to accomplish during FY 2003 in the grants management area.

Grants Restructuring

At the time of the selection of Dr. Gandhi as CFO in FY 2000, the financial monitoring of grants was being performed by OBP. Dr. Gandhi determined that, given the management improvement agenda facing OBP at that time, financial monitoring of grants would get more day-to-day focus by transferring this activity to ORA. Under ORA, significant strides were made in improving grants reporting and streamlining the approval process; however, ORA was not the natural home for monitoring financial expenditures.

In December 2002, the OCFO restructured its grants functions. Associate CFOs became responsible for managing grants within their specific cluster of agencies. We also transferred District-wide grants management and reporting responsibilities to OBP from ORA. The associate CFOs serve as a single point of contact for agencies on issues related to grants. OBP coordinates and oversees the District's policies, processes, and reporting functions.

The advantages of this restructuring are twofold. First, the associate CFO structure gives agency program and financial staff increased access to central OCFO expertise on a day-to-day basis. Associate CFO staff, who are closer to the agencies, will perform some of the functions previously performed centrally, such as approval in SOAR of budget modifications after Council's approval through the passive approval process. To support these functions, the five ORA grants analysts have moved, one to each associate CFO's staff. This change should improve both communication (between program and financial staff) and efficiency (through more timely transaction processing).

Second, OBP now adds grants reporting to its other responsibilities for reporting the District's financial status throughout the year, and it adds grants budget execution to the budget formulation role it already performs for grants.

My staff will continue to take advantage of automation in its reporting processes, working with the OCFO chief information officer (CIO) to make reports available through CFO\$ource, a Web-accessible reporting and analysis tool. We fully expect that the use of technology in grants management will improve our ability to

provide timely and accurate financial information on grants, so grant managers can better expend their funds to achieve important program goals.

FY 2003 Goals for Grants Management

Since we became responsible for grants in December 2002, we are fully able to talk about what our vision for grants management is going forward. Our goals for FY 2003 are as follows:

1. Improve grant budget formulation to accurately capture and reflect agency grant spending requests.
2. Improve grant budget execution by delineating associate CFO and OBP roles to take advantage of the strengths of each.
3. Improve grant reporting through technology to provide more timely reporting of grant budget changes and expenditures and ultimately reduce the number of lapsed grants.
4. Continue to improve communication between program and financial staff through the Grants Council, the associate CFO structure, and technological improvements such as CFO\$ource.

I would like to talk briefly about what we are doing to achieve each goal.

1. Improve grant budget formulation to accurately capture and reflect agency grant spending requests.

In the next several months, OBP will work to more closely link grants budget formulation and execution. OBP is currently developing the FY 2004 budget and is already using current grant activity to analyze future grant budget needs to a

greater extent than in the past. We hope to take further advantage of OBP's knowledge of grants budget formulation and execution to strengthen performance in both areas.

In addition, as we implement a new budget system as part of the Administrative Systems Modernization Program (ASMP), we will improve our ability to manage grants budgeting and execution as we integrate grants management requirements into our final selection. Importantly, we believe that ASMP will assist in determining indirect cost recovery (IDCR) for agencies that provide administrative services in support of grants. We are already reviewing our IDCR processes, but automation will take a lot of the guesswork out of this process.

2. Improve grant budget execution by delineating associate CFO and OBP roles to take advantage of the strengths of each.

Since the restructuring, we have been working with the associate CFOs to define the responsibilities of each party with respect to grants management. We are taking steps toward increasing transparency in the process, as well as accountability for results. In the future, we will continue to expand on the roles, providing clear guidance to agencies on what is expected from all parties for various grant processes.

In addition, we expect to leverage CFO\$ource to serve as a common source of data and to provide the operational reports for effective decision making.

3. Improve grant reporting through technology to provide more timely reporting of grant budget changes and expenditures and ultimately reduce the number of lapsed grants.

I believe CFO\$ource will be a valuable tool for agency program and financial staff as they monitor grant activity. Real-time reports that include individual grant end dates, accessible through the Web, should provide managers with the timely information they need to manage their grants effectively. In addition, these technologies enable us to produce what once were manually intensive reports with just a few clicks of the mouse button. I fully expect that as we are able to produce more timely and useful grants information for agency program and financial staff, we will improve our ability to expend grant funds, thus reducing the amount of lapsed grant funds. Moreover, CFO\$ource should improve our ability to manage grants over multiple years.

4. Continue to improve communications between program and financial staff through the Grants Council, the associate CFO structure, and technological improvements such as CFO\$ource.

Lastly, it is imperative that we strengthen communication between program and financial staff as it relates to grants. The better the communication, the better the District will be able to manage its grant funds. We have set up groups, such as the Grants Council, which meets monthly, as well as an informal SOAR grants working group, run out of the OCFO CIO's office, to facilitate the management of grants. In addition, I believe that the ACFO structure and the technologies that we are putting in place will help improve our overall performance in grants execution.

Conclusion

I believe the changes outlined above will further strengthen financial performance in the grants management area. As you know, performance ultimately depends on collaboration and cooperation between financial and program staff, and the OCFO continues to provide any assistance possible to support the process.

We are available to answer any questions you may have.

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