The Changing Landscape of Grant Reporting

Federal Requirements, Data Transparency and Tomorrow's Grant Managers

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Introduction

Grant management is continually evolving, being molded by larger forces across the spectrum—government legislation, citizen movements, technology advances and more.

Government initiatives are working to adopt standards that will impact both the grantors and recipients of federal dollars. What remains unclear is whether current grant management processes are cut out for these changes.

Fortunately, key players in this industry have seen what is ahead. In this whitepaper, we cover:

- The major players and milestones.
- How data reporting is going to change.
- How your organization can prepare.

Included are insights from those shaping, and witnessing firsthand, the changing landscape of federal reporting requirements and data transparency standards.

Contributions

StreamLink Software would like to thank the following individuals for their contributions and insights:

Michael Wood

Michael Wood is the former Executive Director of the Recovery Accountability and Transparency Board. He was responsible for providing transparency through website content management, executive leadership for the Board's FederalReporting.gov and Recovery.gov systems, and the technology behind the Recovery Operations Center.

Hudson Hollister

Hudson Hollister is the Founder and Executive Director of the Data Transparency Coalition and former lead staffer of the House Committee on Oversight and Government Reform.

Jesse Buggs

Jesse Buggs is the Director, Office of Grant Development & Administration, City of Bowie, Maryland and immediate past President of the Grant Professionals Association, National Capital Area Chapter (2008-2011).

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Section 1: Where Federal Data is Headed

The U.S government has an abundance of data on its spending—that is not the problem. The problem lies in the collection, aggregation and reporting of this data.

To date, federal spending data has been gathered at the agency level with varying standards, processes, formats and deadlines. This results in information that is fragmented, inconsistent, and in some cases, inaccurate.

Even more troubling is that a lack of standardization makes reporting on the use of taxpayer dollars nearly impossible. But there are some who are set out to change all this.

The Major Players

• **The Recovery Board:** Created by the American Recovery and Reinvestment Act of 2009, the Recovery Board was charged with managing the $840 billion in funds granted to stimulate the U.S. economy following the crash in late 2008. This board of inspectors general is responsible for the prevention of waste, fraud and abuse of these funds and to provide spending transparency. The board was originally headed by former Executive Director Michael Wood.

The Recovery Board's work on the standardization, analysis and reporting of federal funds has been declared a success and is the test case for reporting standards across federal spending.

• **The Data Transparency Coalition:** As the only private sector organization that lobbies for data standardization, the Data Transparency Coalition has been working with the U.S. Congress to pass the Digital Accountability and Transparency Act, commonly known as the DATA Act. This bill was originally drafted by Founder and Executive Director Hudson Hollister.

• **Treasury Department:** The current form of the DATA Act being debated in Congress would task the Treasury Department with creating and enforcing data standards for federal spending across agencies, as well as publishing spending data—similar to what the Recovery Board did with stimulus funds.

• **The Government Accountability and Transparency Board:** Also known as the GAT Board, this entity was created to review the standards, processes and technology proven successful by the Recovery Board and similar open data projects to identify data collection and fraud detection best practices.

Milestones in the Move to Transparency

The changes in federal data reporting cannot be tied to a single moment. It is a web of events and individuals that forced the country to take a closer look at how federal funds are spent and recorded.

The Recovery Act and Federal Funding

The 2008 economic crash had many consequences, including demand for more transparency and accountability from both the banking sector and federal government.

Along with the American Recovery and Reinvestment Act of 2009, commonly known as the Stimulus Act or the Recovery Act, the Recovery Board was created to oversee the distribution, management and reporting of $840 billion in federal funds.

The non-partisan board built a data collection system using data standards, and for the first time, required quarterly reporting from recipients of contract, grant and loan awards. The board brought many technology advances to federal reporting, including a Recovery Operation Center, advanced analytics and mapping capabilities, data visualization, mobile apps, APIs and vast amounts of downloadable data on its website, Recovery.gov.

> The Recovery Board demonstrated that it was possible to collect reporting information from thousands of grant recipients "almost in real-time," says Wood.

The Recovery Board also created new standards for putting controls in place that prevent fraud before it happens.

The Recovery Board has been widely considered a success and a model for a future of open data. The GAT Board was created to analyze the work of the Recovery Board and similar projects to identify best practices for open data. The DATA Act, if passed, would expand the standards adopted by the Recovery Board across all federal spending.

But as Jesse Buggs, Director, Office of Grant Development and Administration, City of Bowie, Maryland explains, the economic crash did something much greater.

It prompted the public to begin demanding greater transparency and accountability for the use of funds. When resources suddenly disappeared, "everyone started asking more difficult questions, [placing] a bigger spotlight on several serious deficiencies in our systems."

Hurricane Katrina, Fraud and Disaster Response

In 2009, Hurricane Katrina exposed a number of flaws in the federal government's disaster response, including misuse of public funds. In disaster situations, money must be moved quickly, and without the proper controls in place, Hurricane Katrina was a source of rampant fraud.

In order to prevent this from happening again, the Recovery Board's powers were extended in 2012 to include the distribution of Hurricane Sandy disaster relief funds. Once again, the U.S. government sought to learn from the Recovery Board's successes and create standards to police the use of federal funds.

The GRIP Program and Data Standardization

On the same day the DATA Act was announced in the House of Representatives, the GAT Board was created to better understand the Recovery Board's successes. The Grant Reporting Information Project (GRIP) was one of a series of pilot programs that resulted.

The GRIP program was a joint effort of the Recovery Board, StreamLink Software and 10 federal grant award recipients, and others to test the effectiveness of a centralized financial reporting system.

Federal funding recipients are often required to submit multiple reports on the same government award to different federal agencies.

The GRIP pilot was designed to determine if a single, centralized system would save government agencies and fund recipients time and money while reducing the reporting burden.

At the end of the pilot, data reports were checked for accuracy, completeness and compatibility with existing financial reporting systems. According to Wood, the new processes created a big learning curve, but once participants were trained and familiar with the new systems, it was very successful.

The initial pilot did not demonstrate a significant reduction in the reporting burden, but it did validate that central reporting, including a common machine-readable format and pre-population of data, is possible. Next, a full pilot using the system will likely be tested.

GRIP "demonstrated that it is possible and practical to have a different approach that will reduce the burden of filing federal reporting," says Buggs.

Section 2: How Data is Changing

As taxpayers seek greater spending transparency, and funding restrictions make return on investment increasingly important to federal grantors, the demand for data standards is rising.

Currently, federal spending information is fragmented. Government agencies track and house data in various databases and in incompatible formats. This eliminates any possibility of checking for accuracy or aggregating spending.

In an effort to create greater fiscal accountability and transparency, federal spending data must be centralized.

Thanks to the introduction of the DATA Act in Congress, federal reporting data is poised to change in three ways:

- Standardization of data elements, formats and processes.
- Transparency through aggregation and reporting of standardized data.
- Management through automation, analytics and return on investment.

Passing the DATA Act

The first step toward data transparency is the creation of data standards. The DATA Act was originally drafted by then-lead staffer of the House Committee on Oversight and Government Reform Hudson Hollister to solve one troubling reality:

> No single individual or entity in the U.S. government is responsible for the reporting of federal spending.

The DATA Act (in its current form) would put the Treasury Department in charge of creating standard data requirements for reporting federal dollars, so that data can be aggregated, reconciled and published. In addition, the Recovery Board's powers will be extended once again, this time to use its advanced analytics platform to seek out waste and fraud across all federal spending—giving teeth to the DATA Act.

Government officials such as "program managers, inspectors general, congressional appropriators—all of them will have access to the information they need to do their jobs better," says Hollister.

In April 2012, the DATA Act passed unanimously in the House of Representatives, but it did not move forward in the Senate. A revised version of the bill is currently being reintroduced in the House and is expected to pass by the end of 2013.

Following the DATA Act's passing, implementation will likely take three to five years, but its effects may be felt almost immediately.

In the bill's current form, the Treasury Department has one year to create data standards, and agencies have one year after that to incorporate standards into their processes, says Hollister.

Wood expects that while the full implementation may take one to three years, changes "could happen fairly quickly."

And as Buggs points out, the idea of the law itself has caused a number of government agencies to begin reshaping their processes. It could be five years until the law is fully realized, but changes are "already starting, in anticipation of the bill's passage."

Decoding the "Tower of Babel"

Once data requirements have been standardized, this information can be compiled, analyzed and published to an extent that today is impossible. Greater transparency will improve data quality and create more accountability—preventing waste, fraud and abuse.

Federal funding data today is the "Tower of Babel," says Wood. Most federal grants are distributed by a government agency—each with its own standards, elements, formats and reporting timeframes. Entities that receive federal grants from various sources might have vastly different reporting requirements, making it hard for them to know if they are in compliance, and posing significant challenges for both the government and funding recipients.

Consolidating data in standard formats will enable data to be checked and double-checked, improving data quality and accuracy.

True data transparency could enable insight into federal spending "in checkbook detail," says Hollister. It would not only shed light on external spending, as reported on usaspending.gov, but also internal expenditures, such as on salary, supplies and facilities. It would make waste, fraud and abuse difficult to achieve, and easier than ever to expose.

How Close is Machine-Readable Data?

Another benefit of data standardization is the promise of machine-readable data—data points with unique identifiers that could be aggregated, verified and analyzed with minimal human effort.

The single biggest obstacle in the path of machine-readable data, says Wood, are the old legacy systems in place. However, agencies are coming up with techniques to work around them. And once the right systems are put in place, Wood asserts, "If you can buy a book on Amazon, you can report."

In addition to the technology is user adoption. With growing technology and digital reporting comfort, this too is becoming more feasible. Wood believes machine-readable data is "very achievable in the next five years."

The Changing Role of Grant Manager

As federal data evolves, so too does the job of the grant manager. Standardized, machine-readable data will enable compliance automation and make grant management more efficient. In addition, greater analytics will pave the way for performance-based grant distribution.

The data reporting process today is "laborious and arduous," says Buggs. He believes that data standardization will ultimately simplify the process for grant managers. Having a "single portal entry for information like financial data [will] save considerable time," enabling grant managers to spend more time on grant program execution.

Once funds awarded and drawndown can be clearly tracked, federal agencies will more readily understand their return on investment. Not far off is performance-based grant distribution, which will enable agencies to award funds based on the entities that demonstrate the greatest return.

ROI and performance-based grant management is already occurring in some federal agencies, says Buggs—and he expects outputs and outcomes to be even more closely tied to federal dollars across the federal spectrum.

Section 3: How to Prepare

A weakened national economy, the recent sequestration and the even more recent federal government shutdown exacerbates the budgetary challenges many organizations face. Nonprofits try to meet increased demand for services, while local governments struggle to win public approval of tax increases. Operating funds, special programs, investments in technology and the like are possible only with the assistance of federal grants, which as a result are becoming increasingly competitive.

Recent federal reforms aimed at greater fiscal accountability promise taxpayers a window into where their dollars are going. But to the recipients of federal funds, a nationwide reporting overhaul means an added layer of complexity to an already complicated system.

> "The increases in automation and breadth of data collection will require recipients of federal funding to systematize their offices," says Buggs.

Grant managers must adopt new strategies to win funds, drive revenue, increase capacity and improve compliance. He cautions, "The old ways of doing business is over."

Grant Management Processes & Systems

Wood assures that the DATA Act itself would not place a greater reporting burden on grantees. Hollister agrees—A tremendous amount of time, effort and money is being spent on data collection and aggregation. All of the information is being reported already, but being reported in an inefficient manner.

Once that initial investment of time is complete, the automation made possible will bring about a net savings. This is even before reaping the benefits of improved management, and waste and fraud reduction.

If you develop sound reporting capabilities, you can simplify the reporting process, says Wood. "Most of the work on reporting is just making sure your books and your accounts are in order . . . Then the actual reporting isn't difficult at all."

Wood also advises that you familiarize yourself with your reporting standards, and build your financial and record-keeping systems around them.

With the increased competitiveness for federal awards and stricter, evidence-based reporting requirements, consortia grants and public-private partnerships are also becoming more common.

Demonstrating a community commitment to solving a local problem increases the likelihood of winning grant funds, and may result in more efficient and effective grant program execution.

Reporting and Compliance

If passed, the DATA Act would usher in the standardization of all reported data, so that the use of federal award dollars can be aggregated, reconciled and published online. This pending legislation has shifted the onus of the auditing process onto the recipient.

In order to be successful in securing future funds, federal award-reliant organizations must endure a compliance balancing act. They must prepare for increased reporting standards while maintaining compliance with current processes.

Maintain compliance by establishing the appropriate separation of duties through internal controls. Make sure sensitive information is secure, and encourage institutional memory through centralization of data.

Most importantly, build your grant management strategy around the documentation, data structure and controls necessary for audit success to:

- Reduce the time required for audit preparation.
- Prevent audit problems.
- Increase grant management efficiencies.
- Shift resources toward grant program execution.

Advises Hollister, "Be proactive about this. Reporting is not going to go away. Processes are going to have to change, but it's going to be a good change."

About StreamLink Software

StreamLink Software offers grant management platforms that connect disparate systems and processes creating dynamic ecosystems that drive performance and compliance. AmpliFund enables nonprofit and public sector institutions to systemize complex tasks, secure additional revenue, and increase efficiency to better serve their communities.

AmpliFund is designed for managing every stage of the grant lifecycle, from pre-award research and planning to post-award performance and reporting. Founded in 2008, StreamLink Software is endorsed by the Grants Professional Association (GPA) and was selected by the U.S. Recovery Accountability Transparency Board (RATB) for a national "proof of concept" pilot project affecting all federal grants, loans, contracts, and cooperative agreements.

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