Improving the Centers for Disease Control and Prevention's Administration of Financial Assistance to State, Tribal, Local, and Territorial Health Departments

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Introduction

One of the Centers for Disease Control and Prevention's (CDC) five mission priorities is supporting state, tribal, local and territorial (STLT) health departments. CDC provides resources, staff, technical support, and accountability standards for health departments to achieve optimal performance. In addition, CDC works to identify gaps, opportunities for collaboration, and strategies for enhancing public health. To this end, CDC partners with STLT health departments to enhance public health outcomes for communities and assists in the delivery of their public health services by providing fiscal, direct, and technical assistance (TA).

The CDC Office for State, Tribal, Local and Territorial Support (OSTLTS) and the Office of Associate Director for Program are engaged in multiple efforts to establish a framework for grants optimization. This framework includes improving the business practices and administrative processes associated with grants, cooperative agreements, and contracts (grants) awarded to STLT grantees. OSTLTS is working with the CDC Procurement and Grants Office (PGO) on this endeavor. Also, the Association for State and Territorial Health Officers (ASTHO) Senior Deputies Committee developed a set of 26 recommendations for CDC on business improvements.

In FY11, CDC awarded 4,329 grants, totaling $4.7 billion, to support entities external to CDC to improve and protect the public's health. Of these awards, 2,556 (59%) were awarded to STLT health departments – 2,115 (49%) to state governments, 75 (1.7%) to tribal entities; 230 (5.3%) local governments; and 136 (3.1%) to U.S. Territories and Associated Pacific Islands.

Severe budget cuts to STLT health departments have impacted efforts to maintain the delivery of quality services. According to the National Governors Association and National Association of State Budget Officers, 39 states made $18.3 billion in mid-year budget cuts to their FY10 budgets, while14 states have already made $4.0 billion in cuts to their FY11 enacted budget (1). Additionally, the CDC FY11 base appropriation budget was cut by $740 million from the previous year, and is at the lowest it has been since 2003.

Despite these economic challenges, the public health community's expectations are that CDC, STLT health departments, and partners (e.g., ASTHO) will remain highly functional and collaborative to continue to produce positive health outcomes. Therefore, efficient use of human and financial resources, streamlining business practices, and continuous evaluation of operations are of mutual interest to CDC, ASTHO, and STLT health departments to ensure the viability and sustainability of public health programs.

This report describes grants management changes to improve business processes within CDC and between CDC and STLTs. Five of ASTHO's 26 recommendations are addressed below, including background information; rules/laws/regulations governing the issue; improvements to date; and opportunities for further collaboration between OSTLTS, PGO, and ASTHO for planned improvements. In addition, other products are included that serve as technical assistance tools to guide STLTS in their administration of federal grants. For example, CDC PGO developed the *Grantee's Financial Reference Guide* (CDC Grants Website - Policy Guidelines Page). This guide helps STLTs enhance their understanding of policies and requirements governing federal funding. CDC welcomes the opportunity to further collaborate with ASTHO and STLT health departments to improve health outcomes for the nation.

1. National Governors Association and National Association of State Budget Officers, (2010), The Fiscal Survey of States, Retrieved July 11, 2011.

CDC Responses and Updates to Five of the 26 Recommendations

1. Clarify and Improve Transparency of PGO Processes

Background

ASTHO requested that CDC make the grant process and the processes to grant an award, administer an award, and close-out an award more easily understood and transparent.

CDC is working on a multi-faceted approach to address the recommendation, which includes the following:

- Increase understanding of grants within the context of the laws and regulations under which grants are formed.
- Clearly identify and promote the specific methods used by CDC in implementing grants policies.
- Promote awareness and understanding of the organization of PGO, its position in CDC, and its relationship to CDC Centers, Institutes, and Offices.
- Provide easier access to PGO when grantees need guidance as they apply for and administer grants.
- Explain CDC internal processes so grantees have insight into the workings of PGO, the flow of information, and the progress of any requested actions.

Existing rules, regulations, and laws

There are numerous laws and regulations that affect CDC grants award and management processes. The Public Health Service in the Department of Health and Human Services (HHS) is administered by the Assistant Secretary for Health under the supervision and direction of the HHS Secretary. Article 42 U.S.C. § 241 of the U.S. Code outlines the role of the public health services and identifies activities that can be funded. The legal basis for grants is found in Public Law 95-224 and the Grants and Cooperative Agreement Act of 1977, 31 U.S.C. 6303. This legislation authorizes and explains the appropriate use of grants. Once a grant is awarded, the Grant Management Officer (GMO) and the Grant Management Specialist (GMS) are the primary points of contact for information on a specific grant.

PGO embraces the opportunity to make the grant process more transparent and understandable. The legal requirements and regulations under which the PGO processes are governed include federal laws and regulations (45 CFR 74 and 45 CFR 92) and HHS requirements as expressed in the HHS Grants Policy Statement (GPS), the Awarding Agency Grants Administration Manual (AAGAM), Grants Policy Directives, and instruction memoranda. In addition, the Federal Funding Accountability and Transparency Act (FFATA) PL 109-110 requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website, which is www.USASpending.gov.

Improvements

Improvements are currently under development to the CDC.gov funding website that will provide information on current PGO processes.

The *Grantee's Financial Reference Guide* (CDC Grants Website - Policy Guidelines Page) has been updated to provide further clarification on processes. The revisions make the guide a more effective tool for managing the business aspects of grants, as it explains the financial processes involved in grants management and

provides references to enhance understanding of the policies and requirements governing federal funding. The guide includes current, coherent, and complete information on grant topics, including laws and regulations, roles and responsibilities, prior approvals, restrictive use of funds, indirect costs, the Federal Financial Report, and methods of payment. The guide also provides the context of federal grants laws and regulations, explains the various aspects of financial management, and links to the sources of law and regulation for further in-depth understanding. The organization of PGO, procedures and methods used by the CDC to award and administer grants, and CDC internal processes will be made more transparent through a number of initiatives, some of which are quite mature in development. (See Planned Improvements below.)

The *PGO Bulletin* is an internal CDC document that is distributed to PGO personnel, CDC program officials, and HHS policy personnel. The bulletin promotes and improves internal communications by providing up-to-date information about grants law and regulations, ensuring that all personnel involved in the grants process are fully aware of PGO policies. The bulletin also helps ensure that changes to laws and regulations are widely distributed. ASTHO has suggested that the Bulletin be distributed to ASTHO members or made available on a public website. This request is under consideration.

New CDC standard terms and conditions (T&Cs) are available on the revised CDC website. These new T&Cs incorporate the latest transparency requirements under FFATA.

Planned improvements

Below are planned activities to help clarify and improve transparency of PGO processes.

CDC's Chief Information Officer is conducting a review of all CDC Systems that support grant functions. Requirements are underdevelopment to support a Universal Tracking System that will be a comprehensive, transparent grants management system that tracks the grants process from start to finish for internal and external customers. This system will allow the GMO/GMS and applicants to view the exact stage of an application in real time. PGO has convened a group to examine automated and manual methods of tracking individual grant actions from application receipt to grant close-out.

CDC is in the process of redesigning the CDC grants information webpages to include clear and concise definitions, descriptions, and directions for CDC grants policies. The new, more comprehensive and user-friendly webpages will replace those on the current CDC's Procurement and Grants Office page. The new webpages will lead the applicant or grantee through PGO processes that occur pre-award (before application submission), and post-award (after application submission). Links to key topics such as congressional appropriations, the Funding Opportunity Announcement (FOA), application screening and review, and budget discussions will also be provided. Research and non-research FOAs were standardized in accordance with P.L 106-107 throughout HHS as part of a streamlining initiative. Standardization provides consistency across awards and assists applicants as they respond to FOAs. CDC is currently working to further streamline and standardize FOAs. A new guide focusing on the key elements of FOAs will be available on the revised CDC website.

2. Specify Business Process Metrics and Key Sign-Offs

Background

ASTHO requested that PGO identify specific points at which business processes must be completed and signed or approved. The key sign-offs will be reflected in Grants Life Cycle and Processing Timelines, which will be posted on the CDC website in 2012. PGO is continually looking to improve processing time in an effort to most efficiently and effectively respond to the needs of the grantee.

Existing rules, regulations, and laws

The following rules, regulations, and laws affect process metrics and sign-offs:

- 45 CFR 92,Uniform Administrative Requirements For Grants And Cooperative Agreements To State, Local, And Tribal Governments
- HHS GPS
- HHS AAGAM (Attachment A)
- OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

Improvements

PGO led efforts to

- Develop standard operating procedures for various steps in grant management (e.g., grant closeout procedures)
- Gain approval by HHS to increase the threshold for redirections from 25% or $250,000, whichever is less, to 30% or $1,000,000, whichever is less, through year 2014 for states (though expanding this waiver to Washington, D.C.; territories; and affiliated nations will be determined on a case-by-case basis)
- Create prior approval templates (provided in the *Grantee Financial Reference Guide*)
- Establish standard T&Cs for the notice of award (NOA)

To increase understanding of the more complex FOAs, PGO

- Implemented pre-award conference calls, where potential applicants have an opportunity to talk with PGO personnel and program staff to get answers for questions they have about the FOA
- Created a dedicated website, which includes frequently asked questions about FOAs
- Applied the PGO Business Analytics solution, which provides up-to-date grant and procurement information and resources from a number of sources (Information for Management, Planning, Analysis, and Coordination II [IMPACII]; and Notice of Award [NOA])
    - The consolidated information will help PGO analyze and manage workloads, monitor performance, and drive business decisions.
    - The current phase focuses on grant obligation and workload information. Future phases will add procurement obligation and workload information, performance metrics for grants and procurements, and additional tools to help manage CDC's portfolio of grants and procurements.
    - Grants specialists will be using improved collection and analytics to monitor grants workload in PGO branches. Concurrently, methods for collecting and tracking specific grant actions (awards, continuations, and supplements) and for reporting actions and workloads (by operating branch) have been developed.
    - The early data will enable even distribution of work throughout PGO and provide the basis for quantifiable metrics.
    - These are first steps in a process to capture and refine data that will eventually lead to a tracking system for all grants activity. These efficiencies will provide the GMS with quicker access to specific data requested by the grantee.

Planned improvements

CDC is currently seeking approval to implement a more flexible carryover policy. HHS policy already recognizes that a grant is for the project period. By studying other agencies and their management techniques,

CDC hopes to implement streamlined policies that will obviate some of the more cumbersome methods used to review and approve carryover requests and award continuations.

HHS and other departments that seek representations, assurances, and certifications from grantees and contractors have combined efforts to simplify various processes under one unified system, the System for Award Management (SAM). SAM is combining eight federal procurement systems and the Catalog of Federal Domestic Assistance into one new system. This will allow states to register and report their certifications and representations one time in one place, without having to provide the same information and data to numerous federal awarding and contracting agencies.

3. Do Not Combine (or Mask) Budget Cuts with Integration

All HHS funding and CDC allocations are determined by the U.S. Congress. Allocation of funds to specific grants and grantees are a programmatic matter that is managed by CDC Centers, Institute, and Offices. Masking budget cuts is not in line with CDC policy. On the contrary, open interaction with CDC STLT grantees on funding availability is the expected standard. Currently, with emphasis on reducing discretionary spending throughout the government, funding is uncertain. As the year evolves, CDC encourages all project officers, GMOs, and GMSs to communicate frequently and clearly with partners and major grantees on funding issues.

4. Initiate an Appeals Process for State Challenges to PGO or CDC Program Actions

Background

ASTHO requested guidance on the process for state programmatic issues and appeals. An internal advisory committed addressed formalizing the appeal process. PGO has also developed a reference document entitled *Standard Operating Procedure Grants Appeal Process*. If you would like a hard copy of this document, please contact William Ryan at 770-488-2717 or wfr4@cdc.gov.

Existing rules, regulations, and laws

The following rules, regulations, and laws affect process metrics and sign-offs:

- 45 CFR 92,Uniform Administrative Requirements For Grants And Cooperative Agreements To State, Local, And Tribal Governments
- HHS GPS
- HHS AAGAM (Attachment A)
- OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

Two segments or phases in grant award management allow for appeals. The first is the pre-award phase. Prior to award, a teleconference may be held during which questions can be asked regarding a specific FOA. While this would not constitute an appeal per se, issues can be clarified and grantees made aware of any special requirements that are critical in assuring they are being responsive to the terms and conditions of the FOA. For example, the research portion of the grant would not be funded until IRB approval is obtained. Applicants can also call the project officer or GMO with any questions they might have, or call the Technical Information Management Section (TIMS) regarding any problems encountered with eRA Commons or grants.gov. Professionals at grants.gov are also available to answer questions and assist applicants. The second phase is the post-award phase. The GMO is the key official to address in a post award appeal process. Grant awards cannot be appealed. Once the grant is awarded, the dollar award per grantee is set and no additional funds are available for distribution. As the grant progresses and is administered, virtually any decision made regarding the grant or grantee can be appealed through a normal escalation process via the supervisory chain of command.

Improvements

CDC has established policies and procedures to address the grants appeal process in the pre-award phase and post-award phase. Those issues not addressed in current policy can be addressed on a case-by-case basis through the appropriate authority by working with the project officer, GMS, or GMO. Decisions can be appealed up the supervisory chain, ultimately to the HHS Board of Appeals.

Planned improvements

CDC continues to employ a continuous quality improvement process to ensure the grants appeal process is fair and appropriate. Training and education on existing grant policies to STLT grantees and internal CDC staff has been identified as a key improvement area.

5. CDC Should Generate a List Reflecting Its Perspective on States' Issues, Practices, and Nuances Requiring Business Process Improvement.

Background

ASTHO requested that CDC generate a list reflecting CDC's perspective on states' issues, practices, and nuances requiring business process improvements. The list is reflective of CDC's perspective garnered from a survey of almost 500 PO, GMO, and FMO staff. ASTHO request did not include targeting any specific states. It is believed that ASTHO will share the survey findings with Senior Deputies and State Health Officers.

In response to this request, OSTLTS, in partnership with PGO, developed a survey targeting CDC project officers, GMOs, GMSs, and financial management officers. Survey participants were subsequently asked to participate in one of five focus groups used to supplement the survey responses. In a series of focus group sessions, participants documented and shared issues that can improve interactions between grantees and CDC.

Existing rules, regulations, and laws

Grantee's Financial Reference Guide (CDC Grants Website - Policy Guidelines Page)

Improvements

CDC project and fiscal officers identified eight key areas for business improvements regarding the administration of CDC grants.

1. Appropriate use of grant/cooperative agreement funding
2. State restrictions
3. Application quality
4. Application timeliness
5. NOA follow-up
6. Meeting strategic planning and programmatic reporting requirements
7. Financial tracking and reporting
8. Communication and coordination with CDC

Below is a summary of each of the eight key areas.

1. **Appropriate use of grant/cooperative agreement funding:** STLT recipients cannot use CDC funds for activities not included in the FOA and NOA, even for beneficial, health-related projects or programs. Grants are legal agreements that require the recipient to perform activities and use funds in accordance with all T&Cs specified in the FOA and NOA.

2. **State restrictions:** CDC encourages STLT health officials to work with their respective governments to exempt CDC funds from restrictions that would preclude or hinder the performance of grant activities (e.g., exempting CDC-funded positions from hiring freezes and furloughs, exempting CDC-funded travel from travel limitations). Careful planning and accurate budgeting reduce unobligated award balances. This also further enhances CDC's and STLTs' abilities to align and direct limited federal resources to achieve the greatest health outcomes. If STLT authorities do not exempt CDC funds from funding restrictions, the STLTs' budget requests should accurately reflect the activities allowed by the jurisdiction (e.g., if the state does not exempt CDC-funded positions from furloughs, the state should reduce its staff budget requests proportionally during the furlough period; if the state does not exempt CDC-funded travel from travel restrictions, the state should not request CDC funds for travel). If state laws or regulations preclude the state from performing the grant activities, the state should carefully consider not applying for the grant.

   States should carefully plan for the following factors (if applicable):
   - Delays due to long lead times for contracting, hiring, and sub-awards
   - State fiscal years that don't match federal fiscal years
   - Delays due to required legislative and administrative approvals

   CDC encourages STLTs to be proactive in working within the confines of their governments. Some STLT jurisdictions have been proactive in receiving legislative/executive approvals for grant awards prior to receiving the grant awards, especially for long-standing programs.

3. **Application quality:** Application quality often varies. Accurate, high-quality applications not only inform CDC funding decisions, but they also assist CDC in determining long-term strategies and justifying its appropriation requests to Congress and the public.

   To improve application quality, grantees should thoroughly review the entire FOA, even when the FOA continues an existing grant program. Grantees should anticipate important changes in new FOAs. Although, the amount of required, standard language in an FOA can be lengthy, this language explains important requirements to which grantees must adhere. Designating a grant coordinator to apply, prepare, and submit the request can improve application quality. Building strong affiliations with colleges and universities to support research efforts and garner state-of-the-art public health practices can also help with application quality.

   Applicants should tailor their applications to the FOA and respond to the grant activities and evaluation criteria. If the FOA continues an existing or similar program, it may be possible to use a prior application as a starting point, but applicants should still tailor the application to the specifics of the new FOA. If the FOA includes multiple components, applicants should clearly indicate the component(s) to which they are applying. Funding requests should match the proposed activities and level of effort, and budget requests should match the narrative budget justifications. Instructions need to be followed carefully, although technical assistance is available. CDC often offers a pre-application conference call or webinar to discuss the FOA and answer questions. Applicants can also reach out to CDC points of contact listed in the FOA.

   STLTs should establish and maintain strong communication and coordination within various divisions of the health department and between the health department and state business/fiscal office(s). States are more successful—in their applications, performance, management, and reporting—when there is

strong coordination and communication between the state program office and the state business/fiscal office(s). Benefits of coordination include proposals that are viable and realistic, applications and reports that receive timely sign-offs and approvals within the state, and agreement within the STLT government that grant funds can be accepted and used to perform the activities outlined in the FOA and NOA.

4. **Application timeliness:** Similar to STLTs, CDC has limited resources and often faces strict timelines for application reviews and funding decisions. Late applications, if accepted by CDC, require time-consuming justifications and special processing by CDC staff. Further, a single late application can delay the entire review process and funding decisions for all applicants. STLTs must plan ahead to ensure that CDC receives their applications on time. CDC urges applicants to submit applications at least 48 hours before the deadline to allow time for validations and, if necessary, correction of application errors identified by Grants.gov. This planning should include necessary approvals and signatures within the STLT jurisdictions.

   Factors in the Grants.gov process can also impact application timeliness. Grants.gov is a single website created to streamline and simplify the manner by which the federal government publishes grants. It provides a central online system to find and apply for grants across the federal government. Grants.gov is a requirement of Public Law (PL) 106-107.

   Grants.gov processes that can affect timeliness include the following:
   - Registration is required if the organization plans to submit an application. CDC recommends that STLT organizations register in Grants.gov before applying for an FOA. STLT officials who are responsible for submitting grant requests should familiarize themselves with Grants.gov; system tutorials and a call center are available. Successful registration can take from two days to four weeks. CDC recommends that applicants begin the registration process at least 30 days prior to application deadlines.Grants.gov registration is a multistep process involving three separate and distinct systems: Grants.gov, Dun & Bradstreet Data Universal Number System (DUNS), and the Central Contractor Registry (CCR). Successful registration in Grants.gov is dependent on successful registration in DUNS and CCR.
   - Application submission via Grants.gov is also a multistep process. After an application is submitted electronically, it passes through a series of system validations that must be completed before the application deadline. For this reason, CDC urges applicants to submit applications at least 48 hours before the deadline; time will be needed for validations and, if necessary, correction of application errors identified by Grants.gov. Common submission errors include unregistered applicants, incomplete registration, unregistered Authorized Organizational Representatives, invalid DUNS, and technical issues (e.g., computer viruses and incompatible software).

5. **NOA follow-up:** In addition to informing grantees of their award amounts, the NOA provides critical information for performing grant activities and managing the award. Grantees must read and understand the NOA in its entirety, including the T&Cs and items incorporated by reference. CDC often offers post award conference calls or webinars to discuss the NOA and answer questions. Grantees can also contact the CDC project officer or GMS listed in NOA. CDC encourages grantees to take advantage of available TA.

6. **Meeting strategic planning and programmatic reporting requirements:** CDC grants require annual Interim Progress Reports (IPRs), sometimes referred to as Non-Competing Continuation Applications.

CDC uses IPRs to monitor and evaluate each grantee's performance. This report allows CDC to evaluate the funded program(s) as a whole, determine next steps, and report progress and accomplishments to Congress and the public. CDC encourages grantees to use IPRs and initial grant applications as tools for strategic planning. Completion of IPRs through the duration of the project period provides the opportunity for long-term, planned assessment of the state's previous (prior to award) and current status, accomplishments, challenges, and needs. IPRs also provide baseline data for future planning. Accurate, meaningful, and timely IPRs benefit both CDC and the grantee.

7. **Improve financial tracking and reporting:** States must be able to provide accurate and timely financial reports. Federal regulations (45 CFR 92.20) require states to have fiscal control and accounting procedures sufficient to accurately prepare required reports, including the ability to track the source and application of funds for each grant award. States must determine allowable costs in accordance with OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (now codified at 2 CFR, Part 225) In most states, either the principal investigator/program director or the state fiscal office prepares and submits financial reports. Regardless of which party holds primary responsibility, CDC encourages involvement by both parties to ensure that there is internal agreement on the status of grant funds and the accuracy of financial reports.

8. **Communication and coordination with CDC:** Ongoing communication and coordination between states and CDC is essential throughout the life of the grant. When questions or issues arise, the first and best points of contact are the CDC project officer and GMO/GMS identified in the NOA. Also, if STLTs have needs or issues not addressed by current CDC funding or support, STLT grantees are encouraged to share these with their CDC project officer. This information may influence future CDC FOAs and programs.

Planned improvements

PGO and OSTLTS, in collaboration with ASTHO, may consider the following to improve business processes:

- Agency-wide project officer training
- Grants Status Reports, where periodic feedback is provided to STLT grantees from GMOs, GMSs, and staff in PGO and the CDC Financial Management Office, on what is working and what needs improvement
- STLT feedback portal, where STLT grantees can convey suggestions to CDC regarding improvements to the grants process
- PGO, OSTLTS, and ASTHO examine alternatives to selected position statements/comments reflected in this document
- PGO and ASTHO work to develop a clear message that "obligated but not spent" is a legitimate financial obligation
- PGO and ASTHO investigate including simpler terminology in FOAs and NOAs, in accordance the President's plain language initiative
- PGO, OSTLTS, and ASTHO explore ways to help STLT grantees identify strategies to share staff across grants and programs to increase staffing synergies
- PGO explores ways to ensure that STLT grantees have access to all relevant e-grant systems, such as the immunizations e-grant system, and this information is included in FOAs
- PGO, OSTLTS, and ASTHO continue to examine ways to improve application time periods, to assure STLT grantees have the time necessary to submit quality applications

Conclusion

This report shares the actions to date and planned actions to address five of the recommendations from the ASTHO Senior Deputies Committee. Through these activities, initiatives, and planned improvements, CDC will improve the business services and grants administration aspects related to funding programs by increasing access to information, making guidance and supporting information more clear, and providing increased service and timely responses to grantees.

CDC will continue to address ASTHO's recommendations. Further, CDC is not limited to only those recommendations, but will remain vigilant in increasing and improving quality and performance whenever possible. CDC looks forward to further engagement with the ASTHO Senior Deputies Committee and other interested parties as progress and enhancements are made in grants processes and administration. With this in mind, CDC will work with the committee to identify additional recommendations. In 2012, CDC will provide a new, end-of-year report on progress and impacts related to business services and grants administration.