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## Performance Accountability Strategies for Grants

By Terry Tychan and Shirl Nelson

*This Advisory discusses the need for greater performance accountability for grants and suggests techniques for achieving that accountability.*

As big as federal contract expenditures are, grant expenditures are even bigger. Grant awards account for more than 20 percent of annual federal expenditures, compared to 16 percent for contracts. According to the latest Consolidated Federal Funds Report, grant awards amounted to more than \$460 billion in 2004.<sup>1</sup> Despite this enormous sum, relatively little attention has been paid to grantees' performance—until recently. The time has arrived for a greater focus on grantee performance, much like that bestowed on federal contracts for decades. Once most grantees had only to spend funds in accordance with the terms of the grant and to provide reports to the granting agency, but the expectations are changing.

While several agencies are using “accountability mechanisms”—another term for performance-based techniques—in their grants, we think more can be done. This *Advisory* discusses the need for greater grant performance accountability and suggests techniques for ensuring that accountability. We also cite several examples of agencies that are using techniques to improve grant performance in stewardship of their piece of the nearly one half trillion dollars spent annually on grants.

But first, a few basics.

### How do grants differ from contracts?

Grants have a different purpose from contracts. The Federal Grant and Cooperative Agreement Act distinguishes between the purposes as follows:

- A contract is used to acquire property or services for the direct benefit or use of the federal government.
- Grants and cooperative agreements are used to accomplish a public purpose of support or stimulation authorized by federal statute.
- A cooperative agreement is used instead of a grant when substantial involvement is expected between the government agency and the recipient.

Further, there are various types of grants, as shown in the box on page 2. Categorical, project, or discretionary grants provide the most flexibility for managing performance on a continuum that tightens up at the block and formula end of the spectrum. As we shall see, however, even block and formula grantees can be held accountable.

### Is it appropriate to impose performance requirements on a grantee, given the “public purpose” of a grant?

Yes, it certainly is. We firmly believe that “for a public purpose” does not mean “no results expected.” This includes block and formula grants, as well as categorical, project, and discretionary grants. The Government Accountability Office (GAO) backs us up on

### Types of Grants

- **Block grants** are funds given states by the federal government to run programs within defined guidelines.<sup>3</sup>
- **Formula grants** allocate money to States or their subdivisions based on distribution formulas prescribed by law. They are not confined to a specific project and fund activities of a continuing nature.<sup>4</sup>
- **Categorical grants** are grants awarded for a narrowly defined purpose, supporting a major activity common to all grantees. They generally are awarded on a competitive basis to applicants meeting eligibility requirements.<sup>5</sup>
- **Project grants** provide funding for specific activities over a fixed period of time. They include grants for such purposes as research, demonstrations, evaluations, planning, training and construction.<sup>6</sup>
- **Discretionary grant** programs are established by Congress through authorization or appropriations legislation which describe how the programs are to be administered. Discretionary grants are awarded based on a competitive application process.<sup>7</sup>

this.<sup>2</sup> Discretionary grants are on the easier end, and formula or block grants pose more of a challenge but are not “exempt.”<sup>8</sup> As with discretionary grant programs, the legislation that establishes block and formula grants often specifies or at least offers opportunity for accountability mechanisms, such as performance metrics.

Even though block grants often restrict the federal grantee agency from imposing reporting requirement on the states and therefore limit federal oversight, these grants can contain accountability provisions. Creative agency grant program managers and grant officers can develop strategies to introduce accountability measures, such as those reflected in Table 1, into their grant awards.

If these accountability measures strike you as a lot like techniques used in performance-based acquisition, that’s not surprising. Good practices often are little more than creative common sense that can be applied in multiple scenarios.

### Can you provide an example of a formula grant with performance metrics?

Yes; here’s one: The Department of Health and Human Services’ (HHS’s) Temporary Assistance to Needy Families (TANF) actually builds in specific consequences in the form of cash incentives and penalties for achieve-

ment of targeted results.<sup>9</sup> The HHS Office of Family Assistance administers the TANF grants program to provide assistance and work opportunities to needy families. The grantees are the states. Under this program, the states receive federal funds and have wide discretion to develop and manage their own welfare programs. They manage against outcome-based performance measures for employment, training, and welfare to work. They are required to assist welfare recipients in getting jobs. They must meet work participation rates (reduce their unemployment rolls) and meet other program targets to maintain full federal funding. If the states fail to meet targets they can incur a penalty reducing the amount of their grants by 1 to 5 percent. They also can receive cash awards for exceeding targets. HHS actively monitors states’ performance.

We would suggest that formula grant programs of this nature offer great potential for seeking results in the post-award phase, that is, in monitoring grantee performance and taking action when appropriate. Agencies also might employ a more global strategy of working with congressional staff to suggest program performance objectives for future formula grant enabling legislation.

### Project grants seem similar to contracts in that they can fund the same types of services. Does this offer opportunities to use performance-based contracting tools in managing project grants?

We say yes. While they serve different purposes, there is a tidy symmetry in the contracts and project grant processes. Let’s identify opportunities for applying performance-based tools by looking at these funding mechanisms phase by phase.

#### ➤ Preward Phase

In the preaward phase, both contracts and project grants begin with a clear commitment of funds and a document that agencies use to inform interested organizations about their needs and how to seek awards. If a request for proposals can articulate a statement of objectives to seek innovative, results-oriented solutions, a grants announcement can, in a similar manner, request results-oriented applications. Both also can provide budget information to allow contractors and recipients to scope their responses. Hence, project grants also have design features that allow them to form a good foundation from which to seek results. As a matter of fact, grants are predisposed toward a performance-based approach in that they inherently do not prescribe the work to be done. The recipient determines the activities to be undertaken to achieve the public objectives.

**Table 1: Possible Accountability Measures**

	Accountability Mechanism	Definition
<b>Rewards</b>	Praise	Public recognition of good performance, for example, through the press, websites, intranets, newsletters, hearings, testimony, and award ceremonies.
	Bonus	One-time cash payment.
<b>Rewards or Penalties</b>	Increase/decrease flexibility	Increase or decrease in grantee’s flexibility by issuing administrative, programmatic, or financial waivers from requirements and restrictions or by adding award conditions.
	Increase/decrease workload	Manipulate the workload (e.g., case load).
	Increase/decrease award term	Increase or decrease in the length or term of the grant.
	Increase/decrease oversight	Increase or decrease in the degree of oversight.
	Increase/decrease funding rate	Increase or decrease in the per-unit reimbursement rate (e.g., case rate). Either partial or full funding can be based on a unit rate.
	Increase/decrease funding level	Increase or decrease in funding. Either the entire award can be tied to performance or a portion of funding above an established baseline (i.e., an incentive portion). Examples include share in savings (grantee keeps a portion of dollars saved) and milestones (payments linked to a predefined chronological series of performance levels typically combining process, output, and outcome measures).
	Use of past performance	Use past performance of grantee to inform selection of future recipients.
<b>Penalties</b>	Reproof	Public reprimand for poor performance, for example, through the press, websites, intranets, newsletters, hearings, and testimony.
	Reperformance	Grantee must reperform the service at its own cost to meet performance agreements.
	Impose financial penalty or sanction	Includes a one-time reduction in the value of an award. Sanctions may also be in one area to influence actions in another area (crossover sanctions). Also includes suspending or withholding a payment (temporarily halting grant payments and/or work), suspending or terminating the award (canceling the current grant or temporarily excluding grantee from future awards), or finally, debarment (permanently exclude grantee from future grant awards).

Source: “Grants Management: Enhancing Performance Accountability Provisions Could Lead to Better Results,” Government Accountability Office, 2006.

Finally, the preaward phase of both contracts and grants incorporates a step for discussions and agreement between the parties before an award document is executed. This is another opportunity to build in performance measures aimed at ultimate program results.

➤ **Postaward Phase**

In the postaward phase, both contracts and project grants can be monitored by a government team of business and program officials and the awardee. In addition, the contractors and grantees both submit progress and final reports on their accomplishments in relation to the performance objectives. While contracts normally require more frequent reporting and a more structured monitoring system, grants do afford monitoring opportunities in the form of site visits and cost and technical progress infor-

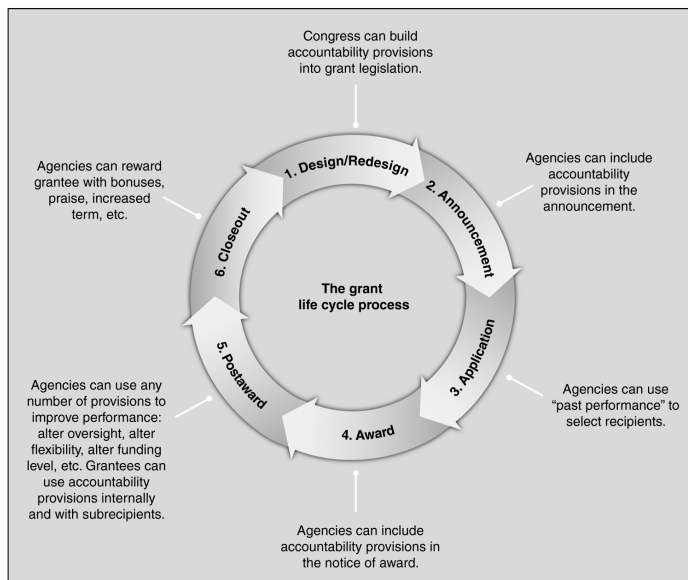
mation contained in the grantee reports. The bottom line: though contracts and grants are different animals, both afford opportunities to use results-oriented techniques to attain better program results.

In Table 1, GAO shows us how accountability provisions can be used at various phases of the grant award cycle.

**What are some examples of current practice in using accountability mechanisms in search of better grants results?**

Several agencies have been creative in moving toward more accountability in their grant awards. Here are a few examples.

**Figure 1: Accountability Provisions Can Be Used at Different Points in the Grant Life Cycle by Various Users**



Source: "Grants Management: Enhancing Performance Accountability Provisions Could Lead to Better Results," Government Accountability Office, 2006.

➤ **Environmental Protection Agency**

One method for evaluating government agency management practices is to benchmark them against those of other entities doing similar work outside of government. The Environmental Protection Agency's (EPA's) Office of Inspector General (OIG) did this in assessing EPA's efforts to achieve grants results.<sup>10</sup> It reported on the results-oriented grants practices used by six leading nongovernmental granting organizations specializing in environmental concerns to compare their success to that of EPA's grants management.

While these organizations are not encumbered by federal grant rules, many of their practices comprise a model that we believe to be quite appropriate for government use. The six nongovernment organizations studied by the OIG:

- Consistently described clear organizational goals and required that grant applicants closely link their proposed activities to those goals to receive funding
- Required work plans that emphasize performance and results and the means to measure them
- Stressed the use of logic models in grant applications to show connections between proposed grant activities and anticipated results (A logic model is a tool grant recipients can use to identify outputs and outcomes. It usually takes the form of a diagram and text that illustrate the causal relationship among project goals, activities, and expected results of those activities.)

- Provided a variety of results-oriented training opportunities, such as workshops for program officers and grantees, travel for grantees to observe each other's work, and websites on which grantees exchange ideas about evaluating grants results
- Collected and used past performance information to make decisions about future grants
- Surveyed their grant recipients to identify best techniques for achieving outcome-oriented results in grants

EPA's OIG gave the agency good marks in the comparison of its grants practices to those of the six nongovernmental granting organizations. The report concluded that EPA has developed policies to improve its ability to demonstrate grant results and that these policies require practices that are consistent with those of the leading nongovernmental organizations studied.

For the purpose of following actual implementation, the ink has barely dried on the OIG report and EPA's new policies (all taking effect in 2005). But EPA policies set the foundation for a results-oriented grants program. The EPA order entitled "Environmental Results under EPA Assistance Agreements" requires project officers to link expected results of grant programs to EPA's strategic plan.<sup>11</sup> In turn, they must ensure that the results are addressed in the grants' competitive funding announcements and the grantees' work plans and performance reports.

A visit to grants.gov confirms that current EPA funding announcements contain the results-oriented provisions required in its new policies and provide numerous performance-based tools. For example, organizations applying for funding under EPA's announcement for the Pollution Prevention Information Network Grants Program see the following results-oriented features:<sup>12</sup>

- A requirement to support Goal 5 of EPA's strategic plan by implementing projects that will promote environmental stewardship, and a reference to a thorough description of the EPA strategic plan.
- Scoping information—this year between six and ten new awards will be made through a competitive process for amounts not to exceed \$120,000 per year, with a one-year period-of-performance.
- A request for a plan to track and measure progress toward achieving expected outcomes and outputs.
- A request for past performance information on how the organization achieved expected results.
- Evaluation criteria devoting 20 percent to how well the plan describes outputs and outcomes, measures and their relationship to EPA's strategic goals. Ten percent is devoted to how well the applicant can document past performance in achieving expected results.

### ➤ Agency for International Development

The United States Agency for International Development (USAID) created an electronic guide to assist its grantees in the design, award, and administration of grants called the Results-Oriented Source Book. As the name implies, this resource helps its grants managers and grantees:

- Manage for results
- Use results-oriented strategies to plan, monitor, and evaluate achievements of performance targets and program results in its grants
- Use performance monitoring and evaluation to inform decision making, make adjustments in grants when necessary, and highlight achievement of results<sup>13</sup>

### ➤ Department of Health and Human Services

The Department of Health and Human Services, the granddaddy of federal grant makers, is the headquarters for many results-oriented grant programs with the objectives of promoting the health and welfare of U.S. citizens. A case in point is the Health Centers Program within HHS's Health Resources and Services Administration. It provides medical care to 13 million people a year in uninsured, underserved, and vulnerable populations of the United States. According to Richard Bohrer, a recent keynote speaker at the National Grants Management Association annual conference, the program attributes part of its ability to deliver services on such a broad scale to its results-oriented grants management activities.<sup>14</sup> In his address entitled "Lessons Learned from a Former Federal Program Manager," Bohrer mused about critical success factors for grants:

- Agencies must bridge the differing organizational cultures of grants and program officials and focus on working together to obtain grant results.
- Agencies need to set forth clear performance expectations throughout the entire grants process.

Was this all oratory fluff? A look at the program's high marks on the Office of Management and Budget's (OMB's) Program Assessment Rating Tool tells us no.<sup>15</sup> OMB's latest assessment reads like a tutorial on applying performance-based strategies to grants. The program's grantees are required to set performance targets, report on success, and maintain health center quality improvement systems for both clinical services and management.

Does this sound similar to the quality assurance plans we use in performance-based contracts? We think so.

### ➤ National Fish and Wildlife Foundation

The National Fish and Wildlife Foundation, which awards grants to protect the nation's fish and wildlife, is an example of a nongovernmental organization that actively

uses performance-based strategies in its grants management activities. It maintains an excellent web page to guide potential recipients in constructing results-oriented grant proposals.<sup>16</sup> It also is a proponent of the use of logic models and even offers what it calls logic framework examples employed in recent grant awards on its website.

The example in Table 2 on page 6—part of a logic model for a wetlands project in Galveston, Texas<sup>17</sup>—illustrates the performance-based nature of these frameworks, which are comparable in many respects to quality assurance plans of performance-based contracts. They set forth proposed activities, outputs, outcomes, indicators of success, baselines, and predicted results.

The foundation defines a logic framework as a conceptual tool to show how a project is proposed to work by linking specific activities to (short-term) project outputs and (long-term) postproject outcomes. Part of this example links the activity of constructing levees to the ultimate outcome of improving water quality and habitats for waterfowl and wading birds. Application of such tools clearly sets the stage for managing for results in grants.

This is just one example of the many creative techniques nongovernmental granting organizations are currently applying in pursuit of program results. Federal grants and program officials can take heart in knowing their colleagues outside of government find it worth their time and effort to use performance-based strategies in stewarding grant investments, and that nongovernmental grantors can be an excellent source of ideas in this enterprise.

## Who should be the key players in an effort to improve results through performance-based grants management?

If your agency's answer is either the grants people or the program officials, you will be swimming upstream in this endeavor. One of the most important lessons one can learn from implementing performance-based contracting is that success depends on a strategic approach involving top-level government leaders as well as the players on the ground (both grants and program experts).

## What specific actions can I take as an agency leader?

Agency leaders can drive success with a three-pronged plan of attack. Recognize the potential of using accountability mechanisms in grants, give the issue visibility, and engage in the issue with your grants and program people.

**Table 2: Galveston Bay Complex Wetlands Initiative (Texas RICE), April 2005**

Activities	Short-term Outputs	Long-term Outcomes	Indicator	Baseline Value	Short-term Predicted Value	Long-term Predicted Value (one year after project ends)
<b>Survey levee construction</b>	Establishment of projected pool of area flooded	Ability to manage water and desirable wetland vegetation	Type of vegetation and aquatic life	5% high-quality vegetation	85% high quality	100% high quality
			# of bird species	Less than 10	100-150	more than 150
<b>Construct levees</b>	Creation of wetland and fishery habitats by encouraging desirable vegetation	Improved water quality	Pounds of water per acre per year of runoff from cattle grazing	30-60	0	0
		Improved wintering and nesting habitat for waterfowl, shorebirds, and wading birds	# of birds per day	Less than 100	more than 70,000	more than 90,000
<b>Monitor and manage wetlands</b>	Data collected about current habitat and species use	High-quality wetland habitat in the future	% of high-quality vegetation	5%	85%	100%
		Habitat for endangered and threatened species	# of bird species	Less than 10	100-150	more than 150
<b>Conduct outreach by holding workshops and publishing literature</b>	Increased awareness among land-owners	Additional wetland habitat on other land-owners' properties	# of people who attend workshop	0	100-200	200-300
			# of people doing projects on properties	less than 10	10-15	50-100
			# of acres used in conservation projects	400-500 acres	1,500 acres	3,000 acres
<b>Treat exotic and invasive species</b>	Elimination of exotic species	Improved habitat for animal, reptile, insect, and amphibian species	% native vegetation	5% (constructed wetlands); 50% (Two Bayous Ranch)	85% (constructed wetlands); 100% healthy (Two Bayous)	100% (constructed wetlands); 100% (Two Bayous)
		Improved fisheries	# fish crustaceans and amphibians	0 species	at least 100	at least 100
		Improved water quality and storm water retention	Water retained	0 acre feet	650 acre feet of water	650 acre feet of water
		Easier control and management of wetland units				
		Public access (Annhuac Refuge)	# of visitors to this part of park (area 1; area 2)	10,000; 0	12,500; 2,500	12,500; 2,500

Source: National Fish and Wildlife Foundation

**Recognize.** Taking time to appreciate what a significant part of your budget is invested in grants is a good start. Applying performance-based strategies can be an effective management technique to leverage that investment.

**Give visibility.** You can be creative in getting out the message about your preference for performance-based grants. We recommend that you give your clear endorsement and make sure it gets translated into your agency's policy and practice. You might refer your team to the examples of performance-based grants policies cited earlier in this *Advisory*.

And while you're at the task of communicating priorities, you can do great things for your grants initiative by taking

your message on the road. Writing to or meeting with the grantees receiving the largest slices of your agency's funding can send a clear message that you are serious about working with them as partners to achieve program results through your grants. This strategy not only will get the attention of your grantees, but also will inspire your troops.

Your next stop could be at one of the Executive Office Building, to enlist your colleagues at OMB as allies in your efforts. You will find they share your interest in seeking results for grant dollars invested. Advising them of your plans to implement performance-based grants and hearing their government-wide perspective could gain their support and inform your efforts.

**Engage.** Remember that your high-level pronouncements carry more clout when accompanied by your personal engagement. Here we're giving you two of the same tips we gave top management in our *Advisory*, "Agency Leadership Guide to Performance-Based Acquisition."<sup>18</sup> First, get behind a pilot project to set a good example of how a performance-based approach to grants can produce results. We're betting that somewhere in your agency there are people working to use performance-based tools, or people who would love to if given your encouragement and endorsement. Find them, recognize their work, and give them a boost. Ensure they receive the time and organizational access to do it right, and let them go.

But be sure to do this in tandem with the second tip, which is to field teams of grants and program people. Our interviews and research tell us that grants officials and program managers all too often live in different worlds and rarely see each other, much less manage a grant together. While both groups have a hand in the process, they simply don't do enough of it together. If these experts are not working together in planning, awarding, and administering the grant from wire to wire, success in obtaining grants results will be sporadic at best. Change the mind-set in your organization that achieving results through grants is either solely a business responsibility or a program responsibility. Get them together whether it takes colocation, organizational change, or an operation to join them at the hip.

## What actions can program and grants managers employ "on the ground" in awarding and managing performance-based grants?

We've distilled our advice into a list of five strategies:

- Start by creating a complete team.
- Understand the program objectives.
- Set performance tools in place in the program announcement.
- Exploit grantees' creativity by having them develop performance metrics.
- Don't be afraid to use performance-based tools during the life of the grant.

## What do you mean by creating a complete team?

The team is not complete unless grants and program officials are working in tandem and presenting a unified face to the other key team member, the grantee. We continue to stress this because we believe it is a critical suc-

cess factor. Just as in performance-based contracting, you need the business and program sides of the government working together closely from the beginning of a requirement to achieve successful performance results. This sets the stage for applying the other strategies.

## How do the other strategies flow from the idea of establishing a complete team?

The remaining strategies rely on the partnership formed for the purpose of achieving the program objectives. For example, the next strategy is to ensure all parties understand and agree on what program objectives are to be achieved in performance of the grant. The business and program sides of the government must be of the same mind on what they are seeking through the investment of grant dollars, so they can express the goals in the grant announcement and ultimately agree on the grantee's approach to attaining them.

As a case in point, the HHS Health Centers Program cited earlier attributed a large measure of its successful results to working very closely with all stakeholders. In defining and redefining its strategic objectives, the program leadership reached out not only to its business partners in the grants office and the grantees, but also to the community to be served by the program, by hosting focus groups of clinicians and the people in the communities they served. This program was able to verify significant successes, such as improved health outcomes, reduced avoidable hospitalizations, and resulting economic growth and development in the community.<sup>19</sup>

Another notion that is helpful in describing this strategy of understanding and buying into program objectives is the idea of due diligence. In contracting parlance it means helping potential contractors gain the best possible understanding of the agency's needs to foster the submission of optimal competitive proposals. It includes an array of techniques to help educate competitors about the government's needs, such as briefings, tours, face-to-face meetings with agency staff, and many types of information media.<sup>20</sup> A grants version of due diligence might include:

- Convening focus groups of the federal team, grantees, and various stakeholders in the community to understand and even forge grant program objectives.
- Providing tools to assist grantees in developing applications and performance metrics. The logic models discussed earlier could be one such valuable tool.
- Sponsoring results-oriented training opportunities for government officials and grantees through workshops and websites.

### How does the team ensure its program goals receive grantee attention after the money is obligated?

We recommend our third strategy of putting performance tools in place in the program announcement, well before award, to keep all parties focused on the desired results. Recommended elements of a performance-oriented announcement could flow from a summary of items already identified to be in current practice, such as:

- Requiring the that grant applications support specific goals in the agency's strategic plan
- Indicating the proposed dollar range of grant awards to allow accurate scoping
- Asking for work plans that emphasize performance and results and the means to track and measure them
- Asking for logic models to show connections between proposed activities and expected results
- Including evaluation criteria on how well plans describe outcomes and measures
- Asking for past performance information and including evaluation points for past performance in achieving results

### Did you just imply that the grantee should develop its own measurement and tracking system?

Yes. As a matter of fact, we recommend this as a strategy to take advantage of the recipient's enthusiasm, creativity, and knowledge of the program.

We believe it is essential to enlist the grantee's full buy-in for the performance targets and means of measuring them. Consider the perspective of grantees. Unlike contractors, most grantees do not exist to make a profit. For example, the HHS Health Center grantees are less likely motivated by the bottom line than by a desire to help as many underserved patients as possible. If HHS is able to award and administer a grant whose performance measures and performance tracking tools are designed by the health centers, it sponsors a plan developed by the experts and enjoys far more commitment to achieving the program's objectives.

### Do grant-related laws and regulations actually permit active monitoring of grants and cooperative agreements?

Based on our research and observation of current practice, we believe that performance-oriented monitor-

ing of grants is not only permitted, but actually encouraged by grants laws and regulations. In fact, the purpose of the Government Performance and Results Act of 1993 is to demand achievement of results for investment of federal dollars. OMB Circular A-102, "Grants and Cooperative Agreements with State and Local Governments," advises agencies to require grantees to outline a plan for accomplishing the work, to project performance targets, and to establish criteria to determine if results are being achieved.<sup>21</sup>

OMB also is engaged in activities to encourage performance-based grants. An OMB official advised us that it recently conducted a multiagency work group on seeking results from grants programs. Its focus was on the value of good performance measures and how to use them to improve grant program results.

The structure of OMB's Program Assessment Rating Tool (PART) is an indication of its orientation toward performance-based strategies for grants. The PART uses a series of questions to rate major federal programs in terms of the results they achieve.<sup>22</sup> One key part of the questionnaire inquires whether grantees and subgrantees as well as contractors are held accountable for performance results.

That said, you should temper your grants monitoring plans by bearing in mind that the government doesn't seek to own and use the results of the grant as it does in a contract. In our opinion, this accounts for the relative scarcity of guidance (as compared to contract regulations) on how to monitor grants. You also should be aware that in implementing the provisions of the Federal Managers Financial Integrity Act, the federal government community is engaged in a concerted effort to reduce the burden on grantees and standardize and simplify the reporting required of grant recipients.<sup>23</sup>

### Does this imply advisement not to monitor grants?

Certainly not. We believe that the scarcity of regulatory guidance should not discourage you from using performance-based tools during the performance of the grant. On the contrary, we advise you to take advantage of this flexibility and use the performance tools you put in the grant to monitor performance and seek results during the life of the grant.

We also are convinced that granting agencies can effectively manage grants for results while operating within the spirit of grant laws and regulations. As a matter of fact, we heartily endorse efforts to reduce unnecessary bur-

dens and reporting requirements on grantees. Such efforts can actually foster better results by affording grantees more time to accomplish agreed on goals rather than working on unneeded reports and requirements.

## What then is your advice for monitoring grants for results?

In our view, the best way to monitor grants for results is to work with the grantee to use the performance tools you agreed to in each unique grant award. If the grantee developed performance targets and measures, assess its performance against these metrics and make use of the data and analysis. Always give the grantee feedback and work as partners to use your assessments to inform future efforts to improve results. You might consider the special nature of cooperative agreements (which provide for substantial involvement on the part of the government) as a good mechanism to work closely with grantee partners on seeking results.

Only if needed and envisioned in the grant, use the performance information as a basis for appropriate actions, such as shortening project periods, placing special remedial conditions in future grants, or requiring recovery plans for grantees that fail to obtain targeted results. By the same token, use performance information to recognize grantee accomplishments and reward them if performance has met incentives included in the grant. This could take the form of additional project phases or even cash bonuses.

This in our view is the crux of performance-based management. Not only putting the performance tools in place in the announcements and awards, but actually using them to obtain desired results. To do less is like growing the finest grapes only to have them languish unfermented.

## This approach seems to make sense, but it also would require more resources and a lot of work. Is it worth the additional time and resources?

Performance-based monitoring does require more time and effort, for grants as well as contracts. Our research and interviews indicate that agencies often fail to take the crucial step of monitoring and assessing grantee performance, thereby wasting preaward efforts and losing the opportunity to manage for improved results. Yet this aspect of grants management offers untapped opportunities to seek better results. The Temporary Assistance to Needy Families program discussed earlier in this *Advisory* underscores this potential. Under this TANF program, the nation's welfare rolls have been reduced by almost 60 percent, from 4.4 million families in 1996 to 1.9 million families in 2005.<sup>24</sup> This striking success speaks volumes about the significant benefits to be attained by devoting resources to performance-based grants management.

## What can we conclude about the notion of applying performance-based or results-oriented techniques to the management of grants?

Whether we call them performance-based techniques, accountability mechanisms, results-oriented strategies, or some other permutation of the phrase, agencies should consider applying these practices to their grant programs. The nation's grant programs represent substantial taxpayer investments that deserve optimal results for dollars spent. Rationale for the efficacy of performance-based grants also lies in the inherent nature of the assistance mechanism as an instrument to support public objectives. ♦

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## Endnotes

- 1 Statistics from U.S. Census Bureau, Consolidated Federal Funds Report, FY 2004; <http://www.whitehouse.gov/ohhttp://harvester.census.gov/cffr/asp/Geography.aspmb/grants/reform.html>.
- 2 "Grants Management: Enhancing Performance Accountability Provisions Could Lead to Better Results," Government Accountability Office (GAO-06-1046), September 2006; <http://www.gao.gov/cgi-bin/getrpt?GAO-06-1046>.
- 3 C-Span Congressional Glossary, "block grants"; <http://www.c-span.org/guide/congress/glossary/blockgra.htm>.
- 4 The Catalog of Federal Domestic Assistance, "Types of Assistance"; [http://12.46.245.173/pls/portal30/CATALOG.TYP\\_ASSISTANCE\\_DYN.show](http://12.46.245.173/pls/portal30/CATALOG.TYP_ASSISTANCE_DYN.show).
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- 7 "RSA, Discretionary Grant and Other Programs," Office of Special Education and Rehabilitative Services, U.S. Department of Education; <http://www.ed.gov/about/offices/list/osers/rsa/discretionary.html>
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