

**ACCOUNTABILITY
FOR
BLOCK GRANTS**

**COMMITTEE ON
INSPECTION AND EVALUATION
PRESIDENT'S COUNCIL
ON INTEGRITY AND EFFICIENCY**

JULY 1996

OEI-01-96-00100

EXECUTIVE SUMMARY

PURPOSE

To help determine the sufficiency of the accountability provisions in the statutes of Federal block grant programs.

BACKGROUND

In December 1995, the Deputy Director for Management in the Executive Office of Management and Budget (OMB) asked the Vice Chair of the President's Council on Integrity and Efficiency (PCIE) to determine if there were sufficient provisions for accountability in Federal block grant programs. The Vice Chair assigned this responsibility to the PCIE's Committee on Inspection and Evaluation which worked with the Inspection Roundtable to produce this report.

We respond to the original OMB request primarily by focusing on the statutes of 13 Federal programs commonly referred to as block grants. We concentrate on the statutes because of their fundamental significance in establishing a framework for accountability. We recognize that a detailed review of Federal regulatory and non-regulatory guidance and an in-depth analysis of actual practice in enforcing statutory, regulatory, and other guidance would be necessary to definitively determine the sufficiency of oversight. Such a comprehensive review is, however, impractical within current resource limitations. We hope our more limited review of the statutes will provide valuable insights on the sufficiency of block grant accountability provisions.

GENERAL ACCOUNTABILITY CONCEPTS

A fundamental precept of block grant accountability is that the Federal Government must be assured that the funds are spent for purposes designated by the Federal legislation establishing the program.

- There is some basis for concern as to whether the Federal Government can be adequately assured that block grant funds will be spent for the designated purposes.

Historically, there have been widely varying views on how much accountability is necessary in Federal legislation.

- On one end of the continuum are those who hold that Federal intervention must be kept to a bare minimum, that the focal point of accountability must be the citizens of the States and localities. On the other end are those who believe that proper accountability must include numerous programmatic and process conditions imposed on grantees and various oversight authorities conferred on Federal agencies.

In recent years, there appears to be an emerging consensus that the Federal Government should hold grantees accountable for results but free them from many process and conditional requirements.

- This convergence is apparent in a number of Federal activities. They include the Vice President's Report on the National Performance Review, the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, various amendments to block grant programs, recent GAO and OIG reports, the proposed Public Health Service Performance Partnership Act of 1995, and the proposed Medicaid Transformation Act of 1995.

SPECIFIC ACCOUNTABILITY ISSUES

The block grant statutes themselves offer little basis for the Federal Government to determine the adequacy of the control and oversight of financial management.

- The statutes, in effect, rely heavily on each State's own laws and procedures concerning the obligation and expenditure of funds and each State's own systems for grants management and recordkeeping.

About half of the block grant statutes devote no attention to measurable program results that facilitate an understanding of performance.

- Seven of the 13 statutes do not call for performance goals and indicators expressed in tangible, measurable terms as called for by the Government Performance and Results Act (GPRA).
- Most (10) require the grantee and/or Federal agency to perform some kind of program evaluation during some period of time, but only 6 have an explicit evaluation requirement directed to the grantee.
- None of the statutes include provisions calling for verification of the accuracy of performance or other evaluative data used by the grantee or the Federal agency.

Most block grant statutes include conditions governing who gets served and what services are offered; however, the range of specificity is quite broad.

- Eleven statutes include earmarks that call for a designated proportion of funds to be spent on certain categories of recipients. Eight stipulate a proportion of funds for certain types of services.
- Nearly all (12) require the grantees to provide explicitly defined services, to coordinate with other relevant bodies or groups, and/or to carry out services in particular ways. Some of these provisions are quite broad, however.

CONCLUSION

At root, decisions concerning accountability for block grants are political ones. These decisions rest heavily on one's views of the respective roles of the Federal Government and the 50 State governments.

If those who craft legislation to develop new or modify existing block grant programs believe that the Federal Government ought to have a significant role in ensuring the proper and effective use of block grant funds, then they must provide an adequate basis for doing so. Toward that end, we offer the following four suggestions:

- o Require that the Federal Uniform Administrative Requirements or similar provisions apply to these programs.
- o Establish an appropriate mechanism for measuring and verifying program performance. It would be helpful in this context to look to the Government Performance and Results Act of 1993 for guidance.
- o Be specific about programmatic requirements in the statute itself. This might involve earmarks for certain categories of recipients and/or certain types of funds and an explicit listing of the types of services covered or unallowable.
- o Examine other provisions that we have identified in this report to determine the kind of accountability that is desired for any specific block grant program. We have developed a checklist of them in Table 2 of this report.

On the other hand, if the intention is minimize the Federal role, then provisions such as those noted above, which move toward the categorical end of the Federal grant continuum, become less pertinent and available State government mechanisms become much more significant. It is important to recognize, however, that this is likely to leave Federal officials with little or no capacity to ensure that funds are used for the purposes intended and to move block grants much closer to the general revenue sharing end of the continuum.

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	
BACKGROUND	1
GENERAL ACCOUNTABILITY CONCEPTS	3
• Concerns about Expenditures	4
• Contrasting Perspectives on Other Accountability Issues	5
• Emerging Interest in Performance	6
SPECIFIC ACCOUNTABILITY ISSUES	7
• Financial Management	8
• Performance	9
• Programmatic Requirements	10
• Quality Assurance	10
CONCLUSION	11
COMMENTS ON THE DRAFT REPORT	12
APPENDICES	
A: Accountability Provisions in Block Grant Statutes	A-1
B: Endnotes	B-1

PURPOSE

To help determine the sufficiency of the accountability provisions in the statutes of Federal block grant programs.

BACKGROUND

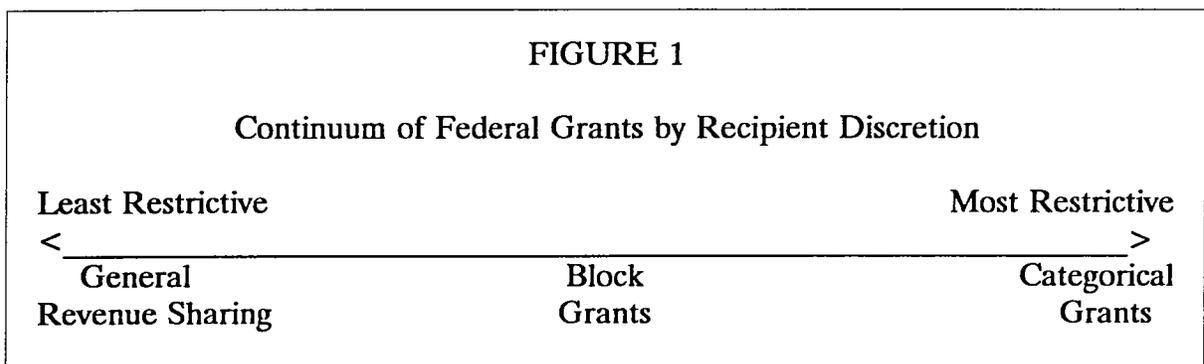
Rationale for the Report

In December 1995, John A. Koskinen, Deputy Director for Management in the Executive Office of Management and Budget, asked June Gibbs Brown, as Vice Chair of the President's Council on Integrity and Efficiency, to examine accountability issues associated with Federal funding. His request involved two major components. The first was to determine accountability issues that need to be addressed in the proposed Local Flexibility bill introduced in the U.S. Senate as S.88 and entitled "The Local Empowerment and Flexibility Act of 1995." The second was to review current block grant programs to determine if there are sufficient provisions for accountability in them.

This report is a response to the second request. A response to the first request is in a March 1996 memorandum from June Gibbs Brown to John A. Koskinen.

Federal Block Grants

It is helpful to think of block grants as one of three basic types of Federal grants, distinguished from one another by the degree of discretion afforded the grantee (see Figure 1 below).¹ On the end of the continuum providing for the least discretion are **categorical grants**, which by far are the most prominent in both numbers of programs and amount of dollars. On the other end, providing for the most discretion are **general revenue sharing grants**, which Congress introduced in 1972 and terminated in 1986.² **Block grants** occupy a middle ground between these extremes. In terms of the degree of discretion they afford, they cover a wide range, with some edging very close to, and in some respects being indistinguishable from, categorical grants and others being much closer to the general revenue sharing mode.



In this report we focus on 13 Federal programs commonly referred to as block grants (see Table 1).³ Some, such as the Community Development and Social Services programs, are more than two decades old. Others, such as the Surface Transportation Program and the Child Care and Development Program, are products of the 1990s. Most block grants have been amended since their inception, usually with additional accountability provisions. Overall, these programs account for about \$19 billion in Federal expenditures for Fiscal year 1995, far less than expenditures for categorical grants.⁴

Table 1: Federal Block Grants	
Department of Health and Human Services	FY 1995 award*
• Social Services: Provides States with funding for a broad range of social services directed to children, adults, and the aged.	\$2,800,000.000
• Low Income Home Energy Assistance Program: Makes grants available to States to assist eligible households to meet the costs of home energy.	1,419,202,479**
• Substance Abuse Prevention and Treatment: Provides financial assistance to States for prevention, treatment, and rehabilitation activities directed to alcohol and drug abuse.	1,234,107,000
• Child Care and Development: Makes grants available to States to assist low-income families with child care services.	934,641,777
• Maternal and Child Health: Assists States to provide/assure access to health services and to improve the health status of mothers and children, particularly those with low incomes.	572,259,000
• Community Services: Provides services and activities having a measurable impact on causes of poverty in areas where poverty is an acute problem.	391,500,000
• Community Mental Health Services: Provides financial assistance to States for comprehensive community mental health services to adults and children.	277,919,000
• Preventive Health and Health Services: Provides resources to States to improve the health status of grantee populations.	151,952,987
Department of Transportation	
• Surface Transportation Program: Assists State highway agencies in the development, improvement, and rehabilitation of transportation projects.	4,000,000,000**
• Federal Transit Capital and Operating Assistance: Provides for capital projects and the financing, planning, and operating costs of equipment, facilities, and associated maintenance items for use in mass transportation.	2,933,761,000
Department of Labor	
• Job Training and Partnership Act: Establishes programs to prepare youth and adults facing barriers to employment for participation in the labor force.	1,653,462,000
Department of Housing and Urban Development	
• Community Development: Provides funding to States and local governments to support for housing and community development activities directed to low income individuals.	3,157,000,000
Department of Education	
• Innovative Education Program Strategies: Assists State and local educational agencies to improve elementary and secondary education.	370,000,000**
<i>Source: Catalogue of Federal Domestic Assistance, Office of Management and Budget (1995).</i>	
<i>*Dollars do not reflect budget obligations; they are estimated grant awards for the fiscal year.</i>	Total Funds:
<i>** This figure represents actual appropriation for 1995.</i>	\$19,525,805,243

Report Focus and Methodology

The objective of this report is to contribute to a better understanding of the accountability provisions in Federal block grants by assessing their statutory basis. We focus on the statutes because of their fundamental significance in establishing a framework for accountability in the block grant programs. We recognize that a review of accountability provisions in regulatory and non-regulatory guidance provided by

Federal agencies could contribute further understanding on the sufficiency of accountability provisions for block grants. We also recognize that a review of actual practice in enforcing statutory, regulatory, and other forms of guidance would offer valuable insights. Because the statutes establish a basic framework for accountability, we determined that they also afforded a valuable focus for our limited, brief review of the sufficiency of accountability provisions.

Our methodology was threefold: First, we identified various approaches to accountability. We did this by drawing on the extensive literature on the subject, in particular a review of that literature in a recent report issued by the Office of Inspector General in the U.S. Department of Health and Human Services.⁵

Second, this brief review of accountability approaches provided vital context for our subsequent examination of the accountability provisions that appear in the statutes establishing 13 current Federal block grant programs. In this examination, we distinguished four basic types of accountability provisions--those focusing on financial management, performance, programmatic requirements, and quality assurance. Within each of these types, we offered further classifications that specify conditions imposed on grant recipients and oversight authorities afforded to Federal agencies.⁶ For key terms used in our inventory of performance accountability provisions, we relied upon definitions set forth in the Government Performance and Results Act of 1993 (see appendix A for the terms and definitions).

Third, although we did not seek to document the accountability provisions existing in other relevant statutes or in the regulations concerning block grant statutes, our inquiry led us to review a number of such statutes and regulations. These include: the Single Audit Act of 1984, the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, the Department of Health and Human Services regulations implementing the block grants of 1982 (45 C.F.R. Part 96), and the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.⁷

Our approach offers both a perspective and information about current accountability provisions. It provides a convenient checklist for those designing or implementing block grants to use in deciding how much accountability to build into the underlying statutes and regulations. In itself this report does not provide a basis for drawing hard conclusions about the efficacy of specific accountability provisions; however, it does give rise to some broad issues that may warrant further discussion and analysis.

GENERAL ACCOUNTABILITY CONCEPTS

The essence of a block grant is to afford the grant recipient substantial discretion in using the block grant funds. The great challenge for Federal policymakers is to develop approaches that afford sufficient accountability while preserving the flexibility inherent in a block grant.

Notwithstanding the extensive literature on the subject, there is no standard reference document explaining how this challenge can be met. There are texts in accounting, political science, and even political philosophy that afford pertinent guidance, but in themselves none is adequate. Further, how one perceives accountability is likely to depend heavily on how one views the role of the Federal Government on the one hand and State and local governments on the other.

In this context, we examine various aspects of accountability. They will not offer the elusive standard reference document, but they can help in developing a framework for steps that can be taken by those in the executive and legislative branches of the Federal Government interested in developing accountability provisions consistent with the block grant funding mechanism.

Concerns about Expenditures

There is one fundamental precept of block grant accountability that rests on widespread support and that must not be overlooked when considering the many complexities of accountability:

The Federal government must be assured that Federal block grant funds are spent for purposes designated by the Federal legislation establishing the block grant program.

The critical accountability question is whether there is reasonable assurance that Federal block grant funds are being spent for purposes designated in the authorizing legislation. We cannot be sure of the answer, but there are reasons for some concern. Recognizing that the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments does not apply to Federal block grants, many in the Federal inspector general community and in other positions involving oversight of Federal grants indicate that the exclusion of this requirement, which applies to other Federal grants, impedes assurances that records will be kept and maintained in a manner that allows for proper audits. One commenter added that the Uniform Administrative Requirements provide adequate flexibility to the States for financial, equipment, procurement, and subgrantee management, while establishing a consistent framework for fundamental accountability on such matters as cash management of Federal advances, allowable costs, non-Federal audits, and grant closeout.

Others, at Federal and State levels, would respond that State and local governments have their own administrative requirements that provide sufficient safeguards for audits. The essence of the block grant approach is to vest substantial discretion and accountability for these matters with the grantees, without imposing costly administrative burdens. Indeed, this was the frame of reference in the combined regulations developed by the Department of Health and Human Services (HHS) for the block grant programs included in the 1982 legislation. Particularly pertinent in this regard is the following HHS instruction of fiscal and administrative requirements:

"Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds."⁸

We did not conduct any review of our own of how the State administrative requirements for grants and contracts compare with those of the Federal Government; nor did we become aware of any such studies performed by other parties.

A second reason for concern has to do with the adequacy of the statewide single audit mechanism. The General Accounting Office (GAO) has reported that this mechanism has contributed to better financial management practices in State and local governments. The GAO also noted limitations that impede its usefulness to Federal agencies responsible for program oversight.⁹ These limitations concern the time it takes to issue a report after the close of the audit period, the limited manner in which audit results are sometimes presented, and the sufficiency of information acquired on internal control structures.¹⁰ Other concerns expressed by auditors in Federal offices of inspector general concern the limited number of transactions reviewed for any given program and the exclusion of grantees below a certain threshold level. At this writing, there are proposals under consideration in the House of Representatives and the Senate that address many of the concerns that GAO and others have expressed about the Single Audit Act.¹¹

Contrasting Perspectives on Other Accountability Issues

Historically, there have been widely varying views on how and how much the Federal Government should seek accountability that involves more than assuring that funds are spent for intended purposes. On the most permissive end have been those arguing that not much more is necessary. Those holding to this school of thought have tended to emphasize that the basic accountability is to the citizens of the States and localities in which block grant funds are being used. This perspective is clearly conveyed in the following excerpt from the preamble to regulations that the Department of Health and Human Services (HHS) issued in July 1982 and that applied to the seven HHS block grant programs established by the Omnibus Budget Reconciliation Act of 1981:

The fundamental check on a State's use of block grant funds is the State's accountability to its citizens, which is implemented by public disclosure within the State of information concerning use of funds. Accordingly, when an issue arises as to whether a State has complied with its assurances and the statutory provisions, the regulations provide that the Department will ordinarily defer to the State's interpretation of its assurances and the statutory provisions. Unless the interpretation is clearly erroneous, State action based on that interpretation will not be challenged by the Department.

At the other end of the spectrum are those arguing that accountability as spelled out above affords grant recipients far too much discretion. Proper accountability, they contend, must include various programmatic and process conditions imposed on grantees. Programmatic conditions could include earmarking certain portions of funds for certain types of service recipients or certain types of services. They could also include specifications on how services are to be delivered. Process conditions could address a wide variety of provisions addressing such matters as planning and evaluation requirements, advisory group roles, and complaint mechanisms.

Proper accountability, they have also pointed out, must include various oversight authorities conferred on Federal agencies. These could include the authority to review and approve planning applications, to conduct compliance reviews, to respond to complaints from parties affected by the grantees' actions, and to impose penalties or corrective actions.¹²

Emerging Interest in Performance

In recent years, it appears that the distance between these extremes may be narrowing somewhat and that an increasing consensus may be emerging about proper accountability. This position is well articulated in the Vice President's Report on the National Performance Review, issued in September 1993. In part, that report noted:

The federal government must shift the basic paradigm it uses in managing state and local affairs. It must stop holding programs accountable for process and begin holding them accountable for results.

At the Federal level there have been a number of actions that reinforce this kind of emphasis on performance. Consider the following:

The Chief Financial Officers Act of 1990. Calls for Federal agencies to establish management systems engaged in the systematic measurement of performance.

Government Performance and Results Act of 1993. Requires Federal agencies to develop annual performance plans incorporating to the maximum extent possible the use of measurable performance goals and indicators.

Amendments to Block Grant Programs. Congress has amended some of these programs to place greater emphasis on accountability for performance. This is most clearly apparent for Maternal and Child Health.

Recent Reports. An HHS OIG report called for a performance based approach to block grant funding for public health programs and delineated a research and demonstration strategy toward that end. A

GAO report called for focusing Federal management and accountability on program results and outcomes. It added the warning that such a focus may be critical in preserving the discretion that is central to block grants.

Proposed Public Health Service Performance Partnership Act of 1995. This Administration proposal calls for combining 35 narrowly focused grants into 5 partnership grants that afford States greater flexibility and involve joint Federal-State efforts in specifying performance objectives.

Proposed Medicaid Transformation Act of 1995. This congressional proposal calls for converting the current Medicaid program to a block grant. It includes provisions requiring States to develop performance goals and to describe how program performance will be measured.

This increasing convergence toward an approach that enhances the discretion of grantees but holds them accountable for performance is reinforced by other basic developments in our society. One such development is the continuing advance in information technology. This advance makes it much more possible than it would have been only a few years ago for those awarding grants to allow for broad delegation of authority and yet stay closely attuned to performance, perhaps on a real-time basis. Another reinforcing development is the widespread movement in private corporations to enhance productivity by reducing central planning and management roles while delegating additional authority and responsibility to the operating entities. In the American Federal system, the States and local governments serve as the public's operating entities.

SPECIFIC ACCOUNTABILITY ISSUES

In Table 2, we present an inventory of accountability provisions that we developed. It provides a reasonable framework for addressing the sufficiency of the accountability provisions in the statutes of Federal block grant programs. In appendix A, we indicate the number of block grant programs including each provision. This compilation, we must reiterate, does not in itself provide a basis for judgments about the efficacy, appropriateness, or feasibility of particular accountability provisions. It does, however, provide a baseline of information concerning congressional intent about the conditions that should be imposed on block grant recipients and about the extent to which and manner in which Federal agencies should oversee grantees.

Table 2: Accountability Provisions for Block Grant Programs	
Performance	
	Developing Program Plans
	Setting Performance Goals
	Establishing Performance Indicators
	Collecting and Verifying the Accuracy of Performance Data
	Conducting Program Evaluations
	Preparing Reports
Financial Management	
	Report of Expenditures
	Conducting Audits
	Conducting Pre-Audits
	Fund Accounting Procedures
	Assuring Level of Expenditures
	Remittance of Certain Amounts
	Penalties
Programmatic Requirements	
	Earmarking Funds
	Assuring Access
	Providing Services
Quality Assurance	
	Assuring Minimum Standards of Personnel
	Assuring Minimum Standards of Facilities
	Offering Complaint, Grievance, or Appeals Mechanisms

Financial Management

The block grant statutes themselves offer little basis for the Federal Government to determine the adequacy of the control and oversight of financial management.

- The statutes, in effect, rely heavily on each State's own laws and procedures concerning the obligation and expenditure of funds and each State's own systems for grants management and recordkeeping.
- Eight of 13 statutes have provisions indicating how often audits have to be submitted to the Federal agency overseeing the program.

- A minority of the statutes have provisions requiring that an audit be made available to the general public (5) or to general purpose government (4).

The extensive reliance on State laws, procedures, and systems is consistent with the block grant philosophy of maximizing the discretion available to the grant recipient. We must be sure, however, that this approach does not result in any diminution of the Federal Government's capacity to assure itself that block grant funds are spent only for intended purposes. In this context it is important to note that the Single Audit Act applies to all 13 block grant programs, even though in our review we found that only 3 of the statutes explicitly reference the single audit mechanism.

Performance

About half of the block grant statutes devote no attention to measurable program results that facilitate an understanding of performance.

- Seven of the 13 statutes do not call for performance goals and indicators expressed in tangible, measurable terms as called for by the Government Performance and Results Act.
- Most statutes (10) require the grantee and/or Federal agency to perform some kind of program evaluation during some period of time, but only 6 have an explicit evaluation requirement directed to the grantee.
- Most statutes require both the grantee to submit a report to the Federal agency (10) and for the Federal agency to submit one to Congress (11), but, with a few exceptions, the data called for in these reports are for outputs rather than outcomes.
- None of the statutes includes provisions calling for verification of the accuracy of performance or other evaluative data used by either the grantee or the Federal agency.

These limitations indicate a clear gap between the increasing consensus on accountability for performance and the reality of what is currently required in Federal block grant statutes. This gap warrants serious concern because in large measure the case for enhancing the discretion available to grantees (by minimizing various process conditions) rests on holding grantees accountable for demonstrating their expected and actual performance in precise, measurable, and reliable ways. This demonstration of accountability is as important to the citizenry of the States and localities as it is to the Federal agency disbursing the grant funds.

Without developing and disseminating measurable performance data, citizens, funding agencies, and other interested parties will be hard-pressed to assess the comparative performance of block grant programs over time. Without such data presented in

accord with a common national format, they will also be hard-pressed to compare the performance of grantees across the Nation. Generally stated goals and objectives, which in one way or another are called for in all the programs, do not in themselves provide an adequate foundation for performance accountability or for countering pressures for increasing recategorization of block grant programs; too often they fail to identify relevant performance goals and measures for judging results.

It should be noted that the Job Training and Partnership Act and the Maternal and Child Health Block Grant statute have the most explicit and extensive references to performance goals and indicators. The latter statute and the Preventive Health and Health Services Block Grant statute focus heavily on achieving the Year 2000 performance objectives developed by the Public Health Service in the Department of Health and Human Services.

Programmatic Requirements

Most block grant statutes include conditions governing who gets served and what services are offered; however, the range of specificity is quite broad.

- Nine statutes include earmarks that call for a designated proportion of funds to be spent on certain categories of recipients. Eight stipulate a proportion of funds for certain types of services.
- Nearly all (12) require the grantees to provide explicitly defined services, to coordinate with other relevant bodies or groups, and/or to carry out services in particular ways. Some of these provisions are quite broad, however.

The earmarking provisions serve as a means for Congress to channel funds to certain groups of service recipients and certain types of service providers that it regards as warranting special attention. Earmarking also serves as a means of protecting such recipients or providers from the sudden elimination of Federal support. The other types of programmatic conditions are typically quite general in nature (underscoring, for instance, the need to coordinate planning and service delivery). In a few cases, however, they offer quite prescriptive instructions on how some services are to be delivered. For those statutes including such provisions, the range of specificity is quite broad.

Quality Assurance

Block grant statutes by and large leave quality assurance issues to State and local grantees. Few statutes include specific provisions addressing such issues.

- The most frequently addressed provisions bearing on quality assurance concern complaint, grievance, or appeals mechanisms. Four statutes call for the grantees to establish such mechanisms. Two of these statutes and four others call for the Federal agency to establish such mechanisms.

Two statutes (Job Training Partnership Act and the Elementary and Secondary Education Act) call for these mechanisms to be in accordance with Federally prescribed procedures; the others that address the issue leave it up to the grantees. References to standards for personnel or facilities offer minimal guidance. For instance, the Social Services statute indicates that funds may not be used for child care services that do not meet applicable State and local standards.

CONCLUSION

Decisions concerning accountability for block grants are political ones and such decisions rest heavily on one's views of the roles of Federal and State governments. If those who craft legislation to develop new or modify existing block grant programs believe that the Federal Government ought to have a significant role in ensuring the proper and effective use of block grant funds, then they must provide an adequate basis for doing so. Toward that end, we offer the following four suggestions:

- o Require that the Federal Uniform Administrative Requirements or similar provisions apply to all block grant programs.
- o Establish an appropriate mechanism for measuring and verifying program performance. It would be reasonable in this context to look to the Government Performance and Results Act of 1993 for general guidance.
- o Specify programmatic requirements in the statute itself. This might involve earmarks for certain categories of recipients and/or certain types of funds and an explicit listing of the types of services covered or unallowable.
- o Examine other provisions that we have identified in this report to determine the kind of accountability that is desired for any specific block grant program. We have developed a checklist of them in Table 2 of this report.

On the other hand, if the intention is minimize the Federal Government's role, then provisions such as those noted above, which move toward the categorical end of the Federal grant continuum, become less pertinent and State mechanisms become much more important. It is important to recognize, however, that this is likely to leave Federal officials with little or no capacity to ensure that funds are used for the purposes intended and to move block grants much closer to the general revenue sharing end of the continuum.

COMMENTS ON THE DRAFT REPORT

We asked the Inspector Generals of the five Federal departments covered in our review for comments on a working draft report. We did the same for various programmatic representatives of specific block grant programs. With these comments we were able to make a number of corrections and important clarifications in the report.

Within the Inspector General community, there was strong support for greater Federal Government attention to the accountability issues raised in the report. There was particular support for the suggestion that Federal Uniform Administrative Requirements or similar provisions apply to all block grant programs.

On the other hand, a Federal representative of a block grant program emphasized that such a requirement would go against the very grain of block grants and would add unnecessary costs to State administration of the grants.

Finally, a few commenters underscored the limitation of the report in that it focuses only on those accountability provisions which are set forth in Federal block grant statutes. They agreed with our advisory that a more complete understanding of accountability for block grants would call for a review of regulatory and non-regulatory guidance provided by Federal agencies and of actual Federal practice in enforcing statutory and regulatory requirements.

ACCOUNTABILITY PROVISIONS IN BLOCK GRANT STATUTES

TABLE OF CONTENTS

OVERVIEW	A-2
PROGRAM ACRONYMS	A-3
PERFORMANCE	A-4
FINANCIAL MANAGEMENT	A-9
PROGRAMMATIC REQUIREMENTS	A-12
QUALITY ASSURANCE	A-13
DEFINITIONS OF PERFORMANCE TERMS	A-14

ACCOUNTABILITY PROVISIONS IN BLOCK GRANT STATUTES: OVERVIEW

Accountability Provision	Number of Block Grant Programs Specifying 1 or More Requirements Concerning the Accountability Provision
Performance	
Developing Program Plans	13
Setting Performance Goals	5
Establishing Performance Indicators	6
Collecting and Verifying the Accuracy of Performance Data	0
Conducting Program Evaluations	10
Preparing Reports	13
Financial Management	
Report of Expenditures	10
Conducting Audits	11
Conducting Pre-Audits	0
Fund Accounting Procedures	5
Assuring Level of Expenditures	13
Remittance of Certain Amounts	11
Penalties	11
Programmatic Requirements	
Earmarking Funds	11
Assuring Access	8
Providing Services	12
Quality Assurance	
Assuring Minimum Standards of Personnel	4
Assuring Minimum Standards of Facilities	5
Offering Complaint, Grievance, or Appeals Mechanisms	9

ACRONYMS FOR BLOCK GRANT PROGRAMS

CCDBG	Child Care Development Block Grant
CDBG	Community Development Block Grant/Entitlement Program
CMHS	Community Mental Health Services
CSBG	Community Services Block Grant
EDU	Elementary and Secondary Education Act, Title VI: Innovative Education Program Strategies
FTCOA	Federal Transit Capital and Operating Assistance
JTPA	Job Training Partnership Act, Titles IIa & IIc: Training for Youth and Disadvantaged Adults
LIHEAP	Low Income Home Energy Assistance Program
MCH	Maternal and Child Health
PHHS	Preventive Health and Health Services
SAPT	Substance Abuse Prevention and Treatment
SSBG	Social Services Block Grant
STP	Surface Transportation Program

**ACCOUNTABILITY PROVISIONS IN BLOCK GRANT STATUTES:
PERFORMANCE**

REQUIREMENT	FEDERAL STATUTORY MANDATE	BLOCK GRANT PROGRAMS
<i>Developing Program Plans</i>	YES (13)	MCH, SSBG, EDU, FTCOA, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CDBG, PHHS, STP, CSBG
Grantee must develop program plan	13	MCH, SSBG, EDU, FTCOA, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CDBG, PHHS, STP, CSBG
Grantee must develop plan jointly with Federal agency	1	STP
Grantee must coordinate with other bodies in developing plan	10	MCH, EDU, FTCOA, LIHEAP, CCDBG, CDBG, JTPA, PHHS, STP, CSBG
Grantee must submit plan to Federal agency	13	MCH, SSBG, EDU, FTCOA, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CDBG, PHHS, STP, CSBG
Grantee must submit plan in specified time frame	10	MCH, EDU, FTCOA, CMHS, SAPT, LIHEAP, CCDBG, CDBG, STP, CSBG
Plan must specify staffing resources	4	FTCOA, CMHS, PHHS, STP
Plan must specify intended expenditures	11	MCH, SSBG, EDU, CMHS, SAPT, LIHEAP, JTPA, CDBG, PHHS, STP, FTCOA
Plan must describe needs assessment procedure	7	MCH, FTCOA, CMHS, JTPA, STP, SAPT, CSBG
Plan must describe service delivery approaches	6	FTCOA, CMHS, LIHEAP, JTPA, CDBG, STP
Plan must offer specified programmatic assurances	12	MCH, EDU, FTCOA, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CDBG, PHHS, STP, CSBG
Plan must conform to format prescribed by Federal Government	6	MCH, CMHS, STP, LIHEAP, CDBG, CSBG
Plan must be reviewed by general purpose government	7	FTCOA, CMHS, SAPT, JTPA, CCDBG, CDBG, STP
Plan must be reviewed by advisory body	4	CMHS, JTPA, STP, FTCOA
Plan must be reviewed at public hearing	8	FTCOA, LIHEAP, CCDBG, JTPA, CDBG, PHHS, STP, CSBG
Plan must be made available to public	11	MCH, SSBG, FTCOA, CMHS, SAPT, LIHEAP, JTPA, CDBG, PHHS, STP, CSBG
Federal agency must approve plan	9	MCH, EDU, FTCOA, CMHS, SAPT, CCDBG, JTPA, CDBG, STP
<i>Setting Performance Goals</i>	YES (5)	MCH, CMHS, JTPA, PHHS, LIHEAP

Grantee must develop performance goals	4	MCH, CMHS, JTPA, PHHS
Grantee must develop performance goals jointly with Federal agency	1	LIHEAP
Grantee must submit performance goals to Federal agency	3	MCH, CMHS, PHHS
Grantee must submit performance goals to Federal agency in specified time frame	3	MCH, CMHS, PHHS
Grantee must submit particular performance goals specified by Federal agency	3	MCH, JTPA, PHHS
Performance goals must conform to format prescribed by Federal agency	1	MCH
Performance goals must be reviewed by general purpose government	1	CMHS
Performance goals must be reviewed by advisory body	1	CMHS
Performance goals must be reviewed at public hearing	--	
Performance goals must be made available to public	4	MCH, JTPA, CMHS, PHHS
Federal agency must approve goals	2	MCH, CMHS
Federal agency must tie funding to meeting performance goals	1	JTPA
<i>Establishing Performance Indicators</i>	YES (6)	MCH, CMHS, JTPA, PHHS, CSBG, LIHEAP
Grantee must develop performance indicators	4	MCH, CMHS, PHHS, CSBG
Grantee must develop performance indicators jointly with Federal agency	2	PHHS, LIHEAP
Grantee must submit performance indicators to Federal agency	5	MCH, CMHS, JTPA, PHHS, CSBG
Grantee must submit performance indicators to Federal agency in specified time frame	3	MCH, CMHS, PHHS

Grantee must submit particular performance indicators specified by Federal agency	3	MCH, JTPA, PHHS
Performance indicators must conform to format prescribed by Federal agency	2	MCH, PHHS
Performance indicators must be reviewed by general purpose government	--	
Performance indicators must be reviewed by advisory body	1	CMHS
Performance indicators must be reviewed at public hearing	--	
Performance indicators must be made available to public	3	MCH, PHHS, CMHS
Federal agency must approve indicators	2	MCH, CMHS
Federal agency must tie funding to performance indicators	2	JTPA, CSBG
<i>Verifying Accuracy of Performance Data</i>	NONE	
Grantee must verify accuracy of performance data	--	
Federal Government must verify accuracy of performance data	--	
<i>Conducting Program Evaluations</i>	YES (10)	EDU, FTCOA, CMHS, SAPT, CCDBG, CDBG, PHHS, STP, CSBG, JTPA
Grantee must conduct evaluation of program	6	EDU, CMHS, SAPT, CDBG, PHHS, JTPA
Grantee must conduct evaluation jointly with Federal agency	1	STP
Grantee must conduct evaluation in coordination with other agencies	--	
Grantee must conduct evaluation which indicates results in terms of specified performance goals and indicators	--	

Grantee must submit evaluation to Federal agency	2	EDU, CDBG
Grantee must submit evaluation in specified time frame	2	EDU, CDBG
Evaluation must conform to format prescribed by Federal Government	1	CDBG
Evaluation must be reviewed by general purpose government	1	JTPA
Evaluation must be reviewed by advisory body	2	JTPA, CMHS
Evaluation must be reviewed at public hearing	--	
Evaluation must be made available to general public	4	JTPA, EDU, CDBG, STP
Federal agency must perform evaluation of grantee program	4	CMHS, SAPT, STP, CSBG
Federal agency must perform compliance reviews	8	FTCOA, CCDBG, PHHS, CSBG, JTPA, LIHEAP, CMHS, SAPT
Preparing Report	YES (13)	MCH, SSBG, EDU, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CDBG, PHHS, STP, CSBG, FTCOA
Grantee must prepare report	10	MCH, SSBG, EDU, CMHS, SAPT, LIHEAP, CCDBG, JTPA, PHHS, STP
Grantee must submit report to Federal agency	10	MCH, SSBG, EDU, CMHS, SAPT, LIHEAP, CCDBG, JTPA, PHHS, STP
Report must include the number of individuals served	7	MCH, SSBG, EDU, LIHEAP, CCDBG, CMHS, JTPA
Report must include the amount spent in providing services	6	MCH, SSBG, EDU, CCDBG, PHHS, CMHS
Report must include output measures	7	MCH, SSBG, EDU, CMHS, SAPT, CCDBG, PHHS
Report must include outcome measures	5	MCH, SAPT, JTPA, PHHS, CMHS
Report must include criteria applied in determining eligibility	1	SSBG
Report must include methods by which services were provided	1	SSBG
Report must conform to format prescribed by Federal Government	3	MCH, JTPA, PHHS

Report must be made available to general purpose government	1	MCH
Report must be made available to public	6	MCH, SSBG, EDU, CMHS, SAPT, PHHS
Federal agency must report to Congress	11	MCH, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CDBG, PHHS, STP, CSBG, FTCOA

**ACCOUNTABILITY PROVISIONS IN BLOCK GRANT STATUTES:
FINANCIAL MANAGEMENT**

REQUIREMENT	FEDERAL STATUTORY MANDATE	BLOCK GRANT PROGRAMS
<i>Report of Expenditures</i>	YES (10)	MCH, SSBG, EDU, CCDBG, JTPA, CDBG, PHHS, STP, CSBG, FTCOA
Grantee must prepare report of actual expenditures	9	MCH, SSBG, EDU, CCDBG, JTPA, CDBG, PHHS, STP, CSBG
Grantee must submit report to Federal agency	9	MCH, SSBG, EDU, CCDBG, JTPA, CDBG, PHHS, STP, CSBG
Grantee must submit report in specified time frame	8	MCH, SSBG, EDU, CCDBG, CDBG, PHHS, STP, CSBG
Report must conform to format specified by Federal Government	4	MCH, JTPA, PHHS, FTCOA
Report must be reviewed by general purpose government	--	
Report must be reviewed by advisory body	1	JTPA
Report must be reviewed at public hearing	--	
Report must be made available to general public	4	MCH, SSBG, EDU, PHHS
Federal agency must report to Congress on expenditures	5	MCH, CCDBG, PHHS, STP, FTCOA
<i>Conducting Audits</i>	YES (11)	MCH, SSBG, FTCOA, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CDBG, PHHS, CSBG
Grantee must have financial audit performed by independent party	7	MCH, SSBG, FTCOA, LIHEAP, CCDBG, PHHS, CSBG
Grantee must have financial audit performed under single audit mechanism	3	CMHS, SAPT, LIHEAP
Grantee must submit financial audit to Federal agency	8	MCH, SSBG, LIHEAP, CCDBG, PHHS, CSBG, CMHS, SAPT
Grantee must submit financial audit to Federal agency in specified time period	8	MCH, SSBG, LIHEAP, CCDBG, PHHS, CSBG, CMHS, SAPT
Financial audit must be reviewed by general purpose government	4	SSBG, LIHEAP, CCDBG, CSBG

Financial audit must be reviewed by advisory body	--	
Financial audit must be reviewed at public hearing	--	
Financial audit must be made available to general public	5	MCH, CMHS, SAPT, LIHEAP, PHHS
Federal agency must perform audit of grantee program	6	FTCOA, CMHS, SAPT, LIHEAP, CDBG, CSBG
U.S. Comptroller General must perform audit of grantee program	3	LIHEAP, PHHS, CSBG
Conducting Pre-Audits	NONE	
Federal agency must conduct pre-audit preceding application approval	--	
Fund accounting procedures	YES (5)	MCH, LIHEAP, JTPA, PHHS, CSBG
Grantee must establish fund accounting procedures	5	MCH, LIHEAP, JTPA, PHHS, CSBG
Assuring Level of Expenditures	YES (13)	MCH, SSBG, EDU, FTCOA, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CDBG, PHHS, STP, CSBG
Grantee must assure maintenance of financial effort	9	MCH, EDU, FTCOA, CMHS, SAPT, CCDBG, PHHS, JTPA, STP
Grantee must provide specified matching shares of expenditures	5	MCH, FTCOA, SAPT, STP, JTPA
Grantee must adhere to specified limits on administrative costs	9	MCH, EDU, CMHS, SAPT, JTPA, CDBG, PHHS, STP, CSBG
Grantee must adhere to limits on the transfer of funds	5	SSBG, JTPA, PHHS, STP, CSBG
Payments to grantee must be expended within given time frame	8	MCH, SSBG, STP, CSBG, JTPA, CMHS, SAPT, CCDBG
Remittance of Certain Amounts	YES (11)	MCH, FTCOA, SSBG, LIHEAP, CCDBG, JTPA, PHHS, STP, CSBG, CMHS, SAPT
Grantee must remit unobligated funds to Federal agency	6	MCH, FTCOA, LIHEAP, STP, CMHS, SAPT
Grantee must remit funds not expended in accordance with the block grant	7	MCH, SSBG, LIHEAP, CCDBG, PHHS, CSBG, JTPA
Penalties	YES (11)	MCH, EDU, CMHS, SAPT, LIHEAP, CCDBG, JTPA, PHHS, STP, CSBG, FTCOA

Federal agency must withhold funds from grantee in noncompliance	11	MCH, EDU, CMHS, SAPT, LIHEAP, CCDBG, JTPA, PHHS, STP, CSBG, FTCOA
Federal agency must reduce allotment for incomplete plan implementation	2	CMHS, JTPA

**ACCOUNTABILITY PROVISIONS IN BLOCK GRANT STATUTES:
PROGRAMMATIC REQUIREMENTS**

REQUIREMENT	FEDERAL STATUTORY MANDATE	BLOCK GRANT PROGRAMS
<i>Earmarking Funds</i>	YES (11)	MCH, EDU, CMHS, SAPT, CCDBG, JTPA, CDBG, STP, CSBG, FTCOA, LIHEAP
Statute earmarks designated proportion of funds for certain categories of recipients	9	MCH, EDU, CMHS, SAPT, JTPA, CDBG, STP, CSBG, FTCOA
Statute earmarks designated proportion of funds for certain types of services	8	MCH, SAPT, CCDBG, JTPA, STP, CSBG, FTCOA, LIHEAP
<i>Assuring Access</i>	YES (8)	MCH, EDU, CMHS, SAPT, CCDBG, JTPA, CDBG, LIHEAP
Grantee must assure access to certain categories of recipients	8	MCH, EDU, CMHS, SAPT, CCDBG, JTPA, CDBG, LIHEAP
<i>Providing Services</i>	YES (12)	MCH, SSBG, EDU, FTCOA, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CDBG, STP, CSBG
Grantee must coordinate delivery of services with other bodies	10	MCH, EDU, FTCOA, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CSBG, STP
Grantee must provide explicitly defined services	11	MCH, SSBG, EDU, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CDBG, STP, CSBG
Grantee must carry out services in a prescribed manner	6	FTCOA, CMHS, SAPT, CCDBG, STP, CDBG

**ACCOUNTABILITY PROVISIONS IN BLOCK GRANT STATUTES:
QUALITY ASSURANCE**

REQUIREMENT	FEDERAL STATUTORY MANDATE	BLOCK GRANT PROGRAMS
<i>Assuring minimum standards of personnel</i>	YES (4)	CCDBG, STP, CMHS, FTCOA
Grantee must assure that personnel be licensed/certified	4	CCDBG, STP, CMHS, FTCOA
<i>Assuring minimum standards of facilities</i>	YES (5)	SSBG, CMHS, CCDBG, STP, FTCOA
Grantee must assure that facilities be accredited	5	SSBG, CMHS, CCDBG, STP, FTCOA
Grantee must assure that facilities comply with health and safety standards	5	SSBG, CMHS, CCDBG, STP, FTCOA
<i>Offering complaint, grievance, or appeals mechanisms</i>	YES (9)	EDU, FTCOA, CMHS, SAPT, LIHEAP, CCDBG, JTPA, CDBG, CSBG
Grantee must establish complaint, grievance, or appeals mechanisms	5	LIHEAP, CCDBG, JTPA, CDBG, EDU
Grantee must establish complaint, grievance, or appeals mechanisms in accordance with prescribed Federal procedures	2	EDU, JTPA
Federal agency must establish complaint, grievance, or appeals mechanisms	6	FTCOA, SAPT, LIHEAP, CCDBG, CMHS, CSBG

DEFINITIONS OF PERFORMANCE TERMS

Following are definitions of key terms concerning performance accountability. The definitions are those set forth in Section 1115(f) of the Government Performance and Results Act of 1993.

Performance goal means a target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate.

Performance indicator means a particular value or characteristic used to measure output or outcome.

Output measure means the tabulation, calculation, or recording of activity or effort and can be expressed in a quantitative or qualitative manner.

Outcome measure means an assessment of the results of a program activity compared to its intended purpose.

Program evaluation means an assessment, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended objectives.

ENDNOTES

1. In distinguishing block grants by their degree of discretion, we are thinking of discretion across the four categories of accountability we use in this report. They include Federal accountability provisions concerning financial management, performance, programmatic requirements, and quality assurance.
2. Congress terminated General Revenue Sharing for State governments in 1981 and for local governments in 1986.
3. As we have noted, there is no definitive dividing line between a block grant and a categorical grant. As a result, there can be differing views as to what programs are properly regarded as block grants. Our approach was to use as a starting point the 15 block grant programs identified by the general Accounting Office in its February 1995 report entitled, *Block Grants: Characteristics, Experience, and Lessons Learned* (GAO/HEHS-95-74). From that universe, we eliminated one program because it was discontinued as a block grant ("Projects for Assistance in Transition from Homelessness") and we combined the Community Development Block Grant (CDBG) Entitlement Program and the CDBG State and Small Cities Program into one for our purposes. The latter two programs serve the same basic purposes and have essentially the same accountability provisions.
4. The extent of the difference is well illustrated in a 1993 report of the Advisory Commission on Intergovernmental Relations. It indicated that in 1993, 593 categorical grant programs accounted for \$147.4 billion in appropriations. This compared with 15 block grant programs accounting for \$17.6 billion. See Advisory Commission on Intergovernmental Affairs, *Characteristics of Federal Grant-in-aid Programs to State and Local Governments: Grants Funded FY 1993*, January 1994.
5. Office of Inspector General, U.S. Department of Health and Human Service, *Federal Approaches to Funding Public Health Programs*, OEI-94-00160, July 1995.
6. Our taxonomy provides a comprehensive, but not exhaustive listing of the kinds of accountability provisions that exist in the statutes. It is offered with the intent of facilitating an understanding of the extent and types of accountability provisions, not of providing an accounting of all those that exist. Further, it is limited to a review of those provisions included within the block grant statutes themselves. There are other Federal statutes, such as: (1) those prohibiting racial, age, and other forms of discrimination, (2) the Inspector General Act of 1978 as amended, (3) the Single State

Audit Act of 1984, and (4) others that apply to block grant recipients even if they are not specifically addressed in the Federal block grant legislation.

7. Essentially, these are reflected in OMB circular A-87 and A-102. For the Department of Health and Human Services they are set forth in 45 C.F.R. Part 92. Other departments have their own regulatory citations.

8. See 45 C.F.R., sec. 96.30. The regulation also states: "Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant."

9. A 1993 report by the President's Council on Integrity & Efficiency also noted some limitations. See President's Council on Integrity & Efficiency Standards Subcommittee, *Study on Improving the Single Audit Process*, September 1993.

10. See General Accounting Office, *Single Audit Act: Refinements Can Improve Usefulness*, GAO/AIMD-94-133, June 1994 and General Accounting Office, *Block Grants: Characteristics, Experience, and Lessons Learned*, GAO/HEHS-95-74, February 1995.

11. The proposal under consideration in the House of Representatives is H.R.3184. The proposal under consideration in the Senate is S.1579.

12. In a recent report, the GAO has noted three options available to policymakers seeking to establish accountability without burdensome provisions. They include: "(1) relying on state processes both to manage block grant funds and to monitor and assess compliance, (2) assessing the nature of requirements imposed on states, including the applicability of cross-cutting requirements for national policy for block-granted programs, and (3) emphasizing results-based evaluation rather than examining specific program or administrative activities." See U.S. General Accounting Office, *Block Grants: Issues in Designing Accountability Provisions*, GAO/AIMD-95-226, September 1995, p.2.