



April 2016

# GRANTS MANAGEMENT

## Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues

Accessible Version

# GAO Highlights

Highlights of [GAO-16-362](#), a report to congressional requesters

## Why GAO Did This Study

In 2008 and 2012, GAO reported on hundreds of millions of dollars in undisbursed balances in expired grant accounts in the largest civilian payment system for grants, PMS. GAO was asked to update this work. GAO examined: (1) the extent to which there are undisbursed balances remaining in expired grant accounts in PMS; (2) the reasons selected agencies give for their grant accounts remaining open past their end dates; and (3) the extent to which OMB monitors agency progress with regard to tracking and reporting undisbursed balances in expired grant accounts. To do this, GAO analyzed PMS data as of September 30, 2015; reviewed audit reports issued by GAO and federal inspectors general, agency performance reports, and OMB guidance; and interviewed agency officials from OMB, HHS, Commerce, Justice, NASA and NSF.

## What GAO Recommends

GAO recommends that OMB resume instructing agencies to report undisbursed balances for expired grant accounts as required under their respective appropriations acts and that NASA and Commerce resume reporting on these balances. GAO also recommends that HHS require its grant-making operating divisions to identify grants expired more than 1 year past their period of performance end date and close those grants or determine why they are not closed, consistent with agency policy. OMB and the agencies agreed with the recommendations.

View [GAO-16-362](#). For more information, contact Michelle Sager at (202) 512-6806 or [sagem@gao.gov](mailto:sagem@gao.gov).

April 2016

## GRANTS MANAGEMENT

### Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues

## What GAO Found

GAO found approximately \$994 million in funding remained in expired grant accounts in the Payment Management System (PMS), operated by the Department of Health and Human Services (HHS), at the end of fiscal year 2015. PMS identifies expired grant accounts for users as those accounts more than 3 months past their grant end date that have not had payment activity for 9 months. PMS makes payments for 12 federal entities and about 77 percent of all federal civilian grant payments. GAO's analysis of the September 30, 2015, PMS data indicated the following:

- The total undisbursed balance increased by approximately \$200 million from what GAO reported for the end of fiscal year 2011. However, the number of expired grant accounts with undisbursed balances decreased to 8,832 in 2015 compared to 10,548 in 2011.
- More than half the accounts exceeded their expiration date by 1 to 3 years.
- A relatively small number of expired grant accounts represented more than half of the total undisbursed balance—151 grants represented \$514.7 million in undisbursed balances.
- HHS grant accounts in PMS comprised approximately \$651 million (66 percent) of the identified undisbursed balances in expired grant accounts.
- The number of expired grant accounts with no undisbursed balance that PMS flagged for closeout dropped to 5,906 from the more than 28,000 accounts GAO reported for the end of fiscal year 2011. HHS accounts made up 66 percent of the 5,906 expired accounts flagged for closeout, which is inconsistent with HHS policy.

Agency officials told GAO that closeout delays can occur for a number of reasons, including grantee failure to submit final financial and performance reports and agency failure to review, process, and reconcile grantees' final reporting in a timely manner. These agency officials included staff from HHS, the largest PMS user, and the Departments of Commerce (Commerce) and Justice (Justice), the National Aeronautical and Space Administration (NASA), and the National Science Foundation (NSF), which previously reported undisbursed balances for expired grants. These agencies have implemented various internal policies to elevate the issue of timely grant closeout internally, including developing internal working groups that set grant closeout goals and analyzing the number of expired grants not yet closed out.

Since 2010, Congress has required the Office of Management and Budget (OMB) to specifically instruct Commerce, Justice, NASA, and NSF to track and provide information on balances in expired grant accounts. OMB has not issued this guidance since 2011, and NASA and Commerce have not reported on these balances since 2011 and 2012, respectively. OMB staff did not think that it was necessary to restate the requirements given the language in these agencies' appropriations acts. OMB updated its guidance on grant closeout in December 2013. However, OMB did not specify procedures for tracking and reporting undisbursed balances in expired grant accounts.

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## Abbreviations

ACF	Administration for Children and Families
ASAP	Automated Standard Application for Payments
ACMS	Award Cash Management Service
BTOP	Broadband Technology Opportunities Program
CFDA	Catalog of Federal Domestic Assistance
CFO Act	Chief Financial Officer Act of 1990
COPS	Community Oriented Policing Services
DCAA	Defense Contract Audit Agency
DOE	Department of Energy
DOJ	Department of Justice
DPM	Division of Payment Management
GMS	Grants Management System
GOL	Grants Online
GONE Act	Grants Oversight and New Efficiency Act
HHS	Department of Health and Human Services
IG	inspector general
NASA	National Aeronautics and Space Administration
NIJ	National Institute of Justice
NIST	National Institute of Standards and Technology
NOAA	National Oceanic and Atmospheric Administration
NSF	National Science Foundation
OJP	Office of Justice Programs
OMB	Office of Management and Budget
PMS	Payment Management System
PSC	Program Support Center
USDA	Department of Agriculture

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April 14, 2016

The Honorable Ron Johnson  
Chairman  
The Honorable Thomas R. Carper  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Jim Cooper  
House of Representatives

Grants are an important tool the federal government uses to achieve diverse national objectives for the American people. In 2008 and 2012, we reported on the existence of significant undisbursed balances in grant accounts that remained open past their period of performance end date.<sup>1</sup> For example, in 2012 we reported on almost \$800 million in undisbursed balances in expired grant accounts at the end of fiscal year 2011 in the largest civilian payment system.<sup>2</sup> Undisbursed balances occur when the grant recipient has not drawn down or the awarding agency has not disbursed all the authorized federal grant funds by the period of performance end date. Grant closeout is an important final point of accountability and is necessary for effective management of expired grants. Effective and efficient grant closeout processes allow awarding agencies to make better use of unspent funds or return these funds to the Department of the Treasury (Treasury). Also, the existence of unspent funds can hinder the achievement of national objectives by leaving projects incomplete. Reducing undisbursed balances in expired grant accounts is crucial to making the best and most efficient use of federal funds to support a grant program's mission and, ultimately, national priorities.

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<sup>1</sup>GAO, *Grants Management: Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies*, [GAO 12-360](#) (Washington, D.C.: Apr. 16, 2012) and; *Grants Management: Attention Needed to Address Undisbursed Balances in Expired Grant Accounts*, [GAO 08-432](#) (Washington, D.C.: Aug. 29, 2008).

<sup>2</sup>These undisbursed balances were in accounts in the Department of Health and Human Services' Payment Management System.

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In 2008, we stated that tracking undisbursed balances in expired grant accounts, including the status of grant closeouts on annual performance reports, could raise the visibility of this issue both within the agency and government-wide. We recommended that the Office of Management and Budget (OMB) instruct agencies to track undisbursed balances that remain in grantees' accounts after the grant funding period has ended and report on the resolution of this funding in their annual performance reports. While OMB generally agreed with the intent of this recommendation, it did not take action or commit to having agencies report these balances in agency performance reports.<sup>3</sup>

In 2012, we again found the presence of undisbursed balances in expired grants and recommended that OMB revise future guidance to better target undisbursed balances in grants eligible for closeout and instruct agencies to take action to close out grants that are several years past their end date or have no undisbursed balances remaining.<sup>4</sup> OMB generally agreed with this recommendation but did not require agencies to report undisbursed balances in expired grant accounts. OMB did, however, issue a Controller's Alert in 2012 that instructed agencies to take appropriate action to close out grants in a timely manner.

You asked us to update our previous work on grant closeout issues. This report reviews: (1) the extent to which undisbursed balances remain in expired grant accounts in the federal government's largest civilian payment system—the Payment Management System (PMS) administered by the Department of Health and Human Services' (HHS) Program Support Center (PSC); (2) the reasons selected agencies give for their grant accounts remaining open past their end dates; and (3) the extent to which OMB monitors agency progress with regard to tracking and reporting on undisbursed balances in expired grant accounts.

To determine the amount of undisbursed balances in expired grant accounts, we analyzed data from closeout reports provided to PMS users at the end of fiscal year 2015.<sup>5</sup> Closeout reports list all grant accounts that remain open more than 3 months past their period of performance end

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<sup>3</sup>[GAO-08-432](#).

<sup>4</sup>[GAO-12-360](#).

<sup>5</sup>Fiscal year 2015 ended on September 30, 2015.

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date and have had no disbursement activity in the preceding 9 months.<sup>6</sup> These grant accounts are referred to as “expired grant accounts.” Using the PMS data, we determined the amount of funds that remained in expired grant accounts for varying lengths of time, from less than 1 year to more than 10 years.

We selected PMS because it provides payment services to other federal departments and entities and accounts for a significant percentage of federal grant disbursements.<sup>7</sup> PMS provided payment services to 12 departments and agencies in fiscal year 2015 and disbursed approximately 77 percent of all civilian federal grant awards.<sup>8</sup> To assess the reliability of the PMS data used in this report, we (1) reviewed existing documentation on the systems, including the most recent system audit by independent auditors; (2) interviewed officials responsible for the administration of the system and discussed potential limitations of the data; and (3) performed electronic testing for obvious errors in completeness and accuracy. On the basis of our assessment, we believe that the data are sufficiently reliable for the purposes of this review. See appendix I for additional details on our analysis of the payment system data, including limitations to our analysis.

To identify the reasons selected agencies give for their grant accounts remaining open past their end dates, we reviewed available data on grant closeout from selected agencies. These agencies included HHS, the largest user of PMS, and the Departments of Commerce (Commerce) and Justice (Justice), the National Aeronautical and Space Administration (NASA), and the National Science Foundation (NSF), which, as we reported on in our 2012 report, are the agencies that reported on undisbursed balances in expired grant accounts in their 2010 and 2011 annual performance reports. We also reviewed annual performance reports and inspectors general (IG) reports from all 24 Chief Financial Officer Act (CFO Act) agencies in order to provide coverage of the major

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<sup>6</sup>We use the phrase “grant accounts” in this report to refer to individual grant awards that are identified by individual document numbers in the PMS closeout reports.

<sup>7</sup>PMS accounted for about \$479 billion, or 77 percent, of all civilian federal grant disbursements in fiscal year 2015.

<sup>8</sup>See appendix II for a full list of PMS customers in fiscal year 2015.



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grant-making agencies.<sup>9</sup> In addition, we interviewed officials at selected agencies responsible for grant closeout to better understand obstacles to closing out grant accounts in a timely manner.

To determine the extent to which OMB monitors agency progress with regard to tracking and reporting on undisbursed balances in expired grant accounts, we reviewed OMB guidance related to grant management. In addition, we reviewed reporting requirements established for selected agencies in appropriations legislation in fiscal years 2010 through 2016 and agency performance reports for those agencies OMB is required to instruct to report undisbursed balances in expired grant accounts.<sup>10</sup> In addition, we interviewed staff from OMB and officials from Commerce, Justice, NASA, and NSF to understand their perspectives on reporting this information in agency performance reports.

We conducted this performance audit from April 2015 to April 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>9</sup>The 24 agencies identified in the CFO Act of 1990 are the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs, as well as the Agency for International Development, Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, National Science Foundation, Nuclear Regulatory Commission, Office of Personnel Management, Small Business Administration, and Social Security Administration. Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990), codified, in relevant part, as amended, at 31 U.S.C. § 901(b).

<sup>10</sup>Pub. L. 111-117, div. B, title V, § 537, 123 Stat. 3158 (Dec. 16, 2009); Pub. L. 112-10, 125 Stat. 38 (Apr. 15, 2011); Pub. L. 112-55, div. B, title V, § 536, 125 Stat. 638 (Nov. 18, 2011); Pub. L. 113-6, div. B, title V, § 534, 127 Stat. 277 (Mar. 26, 2013); Pub. L. 113-76, div. B, title V, § 531, 128 Stat. 84 (Jan. 17, 2014); Pub. L. 113-235, div. B, title V, § 531, 128 Stat. 2215 (Dec. 16, 2014); Pub. L. 114-113, div. B, title V, § 530 (Dec. 18, 2015).

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## Background

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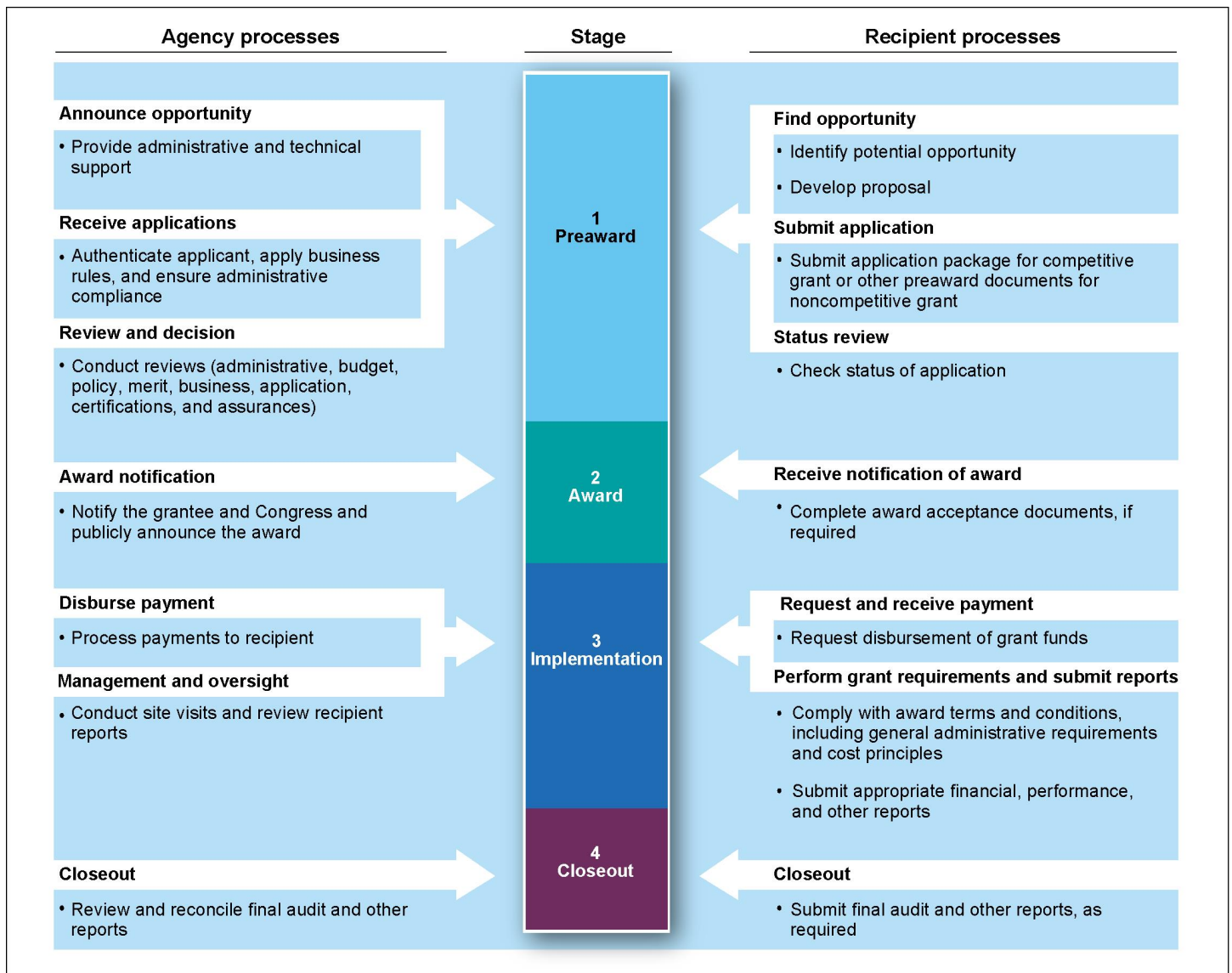
### Federal Grant Awards and the Closeout Stage

The federal government uses grants to achieve national priorities through nonfederal parties, including state and local governments, educational institutions, and nonprofit organizations.<sup>11</sup> Grant programs are established through legislation and vary in numerous ways including type, size, nature of recipients, and types of programs they fund. While there is significant variation among different grant program goals and grant types, most federal grants follow a common life cycle comprising four stages for administering the grants: (1) pre-award stage; (2) award stage; (3) implementation; and (4) closeout (see figure 1). During the award stage, the federal awarding agency enters into an agreement with the grantee stipulating the terms and conditions for the use of grant funds including the period funds are available for the grantee's use. The awarding agency also opens accounts in a federal payment management system through which the grantee receives payments. During the implementation stage, the grantee carries out the requirements of the agreement and requests payments, while the awarding agency approves payments and oversees the grantee. The grantee and the awarding agency close the grant once the grantee has completed all the work associated with a grant agreement, the grant period of performance end date (or grant expiration date) has arrived, or both. The closeout stage includes preparation of final reports, financial reconciliation, and any required accounting for property. Closeout procedures ensure that the grantee has met all financial requirements, provided all final reports, and returned any unspent balances.

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<sup>11</sup>For the purposes of this report we refer to grants and cooperative agreements as grants.

**Figure 1: Grant Life Cycle for Federal Grant-Making Agencies and Grant Recipients**



Sources: GAO analysis of OMB guidance, agency policies and regulations, and program specific statutes. | GAO-16-362

## OMB's Uniform Guidance and Grant Closeout

All stages of the grant life cycle, including grant closeout, are subject to a wide range of requirements derived from a combination of OMB guidance, agency regulations, agency policy, and program-specific statutes. OMB is responsible for developing government-wide policies to ensure that grants are managed properly and the grant funds are spent in

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accordance with applicable laws and regulations. For decades, OMB has published circulars to aid grant-making agencies on various subjects, including administration, audit, record keeping, and allowability of costs.<sup>12</sup> In December 2013, OMB consolidated its grants management circulars into a single document, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance) to streamline its guidance, promote consistency among grantees, and reduce administrative burden on nonfederal entities.<sup>13</sup> The Uniform Guidance includes revised rules that set the standard requirements for financial management of federal awards across the federal government.<sup>14</sup> In December 2014, OMB, along with federal grant-making agencies, issued a joint interim final rule implementing OMB's Uniform Guidance for new grant awards made on or after December 26, 2014.<sup>15</sup> Federal agencies that award and administer grants and agreements are responsible for issuing regulations—with which grantees must comply—that are consistent with the Uniform Guidance, unless

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<sup>12</sup>In 1971, OMB published Circular No. A-102, *Uniform Administrative Requirements for Grants-In-Aid to State and Local Governments*. In 1976, OMB published Circular No. A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations*, 41 Fed. Reg. 32,016 (July 30, 1976). Other key circulars and guidance have included OMB Circulars Nos. A-21, A-87, and A-122 establishing principles for determining costs applicable to grants, contracts, and other agreements with educational institutions, state, local, and tribal governments, and nonprofit organizations, and OMB Circular A-133 setting forth standards for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and nonprofit organizations expending federal awards.

<sup>13</sup>2 C.F.R. pt. 200, 78 Fed. Reg. 78,590 (Dec. 26, 2013). OMB's Uniform Guidance consolidated eight grants management circulars, including A-21, *Cost Principles for Educational Institutions*; A-87, *Cost Principles for State, Local and Indian Tribal Governments*; A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*; A-122, *Cost Principles for Non-Profit Organizations*; A-89, *Federal Domestic Assistance Program Information*; A-102, *Grants and Cooperative Agreements with State and Local Governments*; A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and A-50, *Audit Follow-up*. The new Uniform Guidance went into effect for grantees on December 26, 2014.

<sup>14</sup>2 C.F.R. pt. 200, 78 Fed. Reg. 78,590 (Dec. 26, 2013).

<sup>15</sup>The Uniform Guidance followed from a Notice of Proposed Guidance issued February 1, 2013 (available at 78 Fed. Reg. 7282) and an Advanced Notice of Proposed Guidance issued February 28, 2012 (available at 77 Fed. Reg. 11778). The final guidance incorporated feedback received from the public in response to those earlier issuances. OMB also worked with the Council on Financial Assistance Reform (COFAR) to develop the Uniform Guidance. 79 Fed. Reg. 75,871 (Dec. 19, 2014).

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different provisions are required by federal statute or are approved by OMB.

Agency regulations issued under the Uniform Guidance typically impose closeout procedures upon both the grantee and the awarding agency. To close an awarded grant, the grantee and the awarding agency must complete certain actions within the time frames specified by agency regulations and the Uniform Guidance (see figure 2).<sup>16</sup> Generally, within 90 calendar days from the period of performance end date, the grantee must submit all financial, performance, and other reports as required by the terms and conditions of the award and liquidate all permissible expenses incurred under the award.<sup>17</sup> Grantees then are to promptly refund any remaining balances to the awarding agency and account for any real and personal property acquired with federal funds or received from the federal government.<sup>18</sup> The awarding agency must make prompt payments to the grantee for allowable reimbursable costs under the award being closed out.<sup>19</sup> If required by the terms and conditions of the award, the awarding agency must also make a settlement for any upward or downward adjustments to the federal share of costs after the closeout reports are received. Upon the receipt and acceptance of all required final reports from the grantee, the awarding agency should complete all closeout actions within 1 year. Some federal agencies' grant policies require less than the 1 year closeout period allowed by the Uniform Guidance. For example, HHS's grant policies specify that all closeout actions must be completed within 180 days of the receipt and acceptance of all required grantee final reports, allowing for a maximum of 270 days for the total closeout process.<sup>20</sup>

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<sup>16</sup>2 C.F.R. pt. 200, 78 Fed. Reg. 78,590 (Dec. 26, 2013).

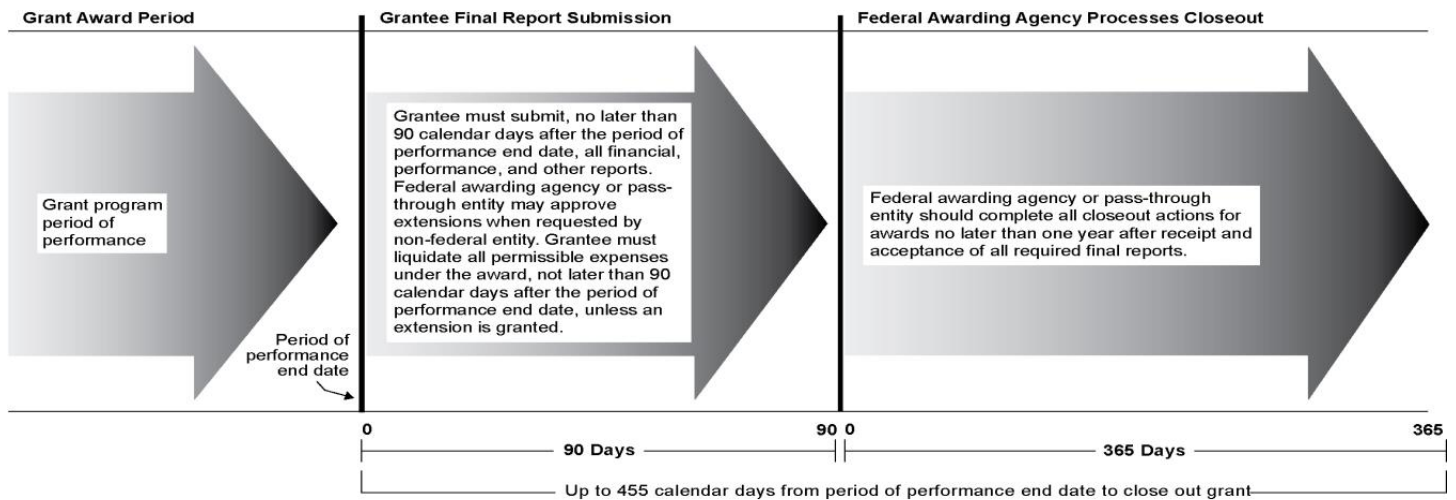
<sup>17</sup>Generally, agency regulations specify that the period for closeout may be extended under certain circumstances, including when the grantee requests an extension of the period of performance or there are delays in completing the final financial reports.

<sup>18</sup>2 C.F.R. § 200.343.

<sup>19</sup>Except where otherwise authorized by statute, costs must meet general criteria to be allowable under federal awards. 78 Fed. Reg. 78,640 (Dec. 26, 2013).

<sup>20</sup>HHS adapted OMB's final Uniform Guidance with certain amendments, based on existing HHS regulations, to supplement the guidance as needed for the department. HHS's amendments are incorporated into its implementing regulations at 45 C.F.R. pt. 75.

**Figure 2: Uniform Guidance Timeline for Federal Award Closeout Actions**



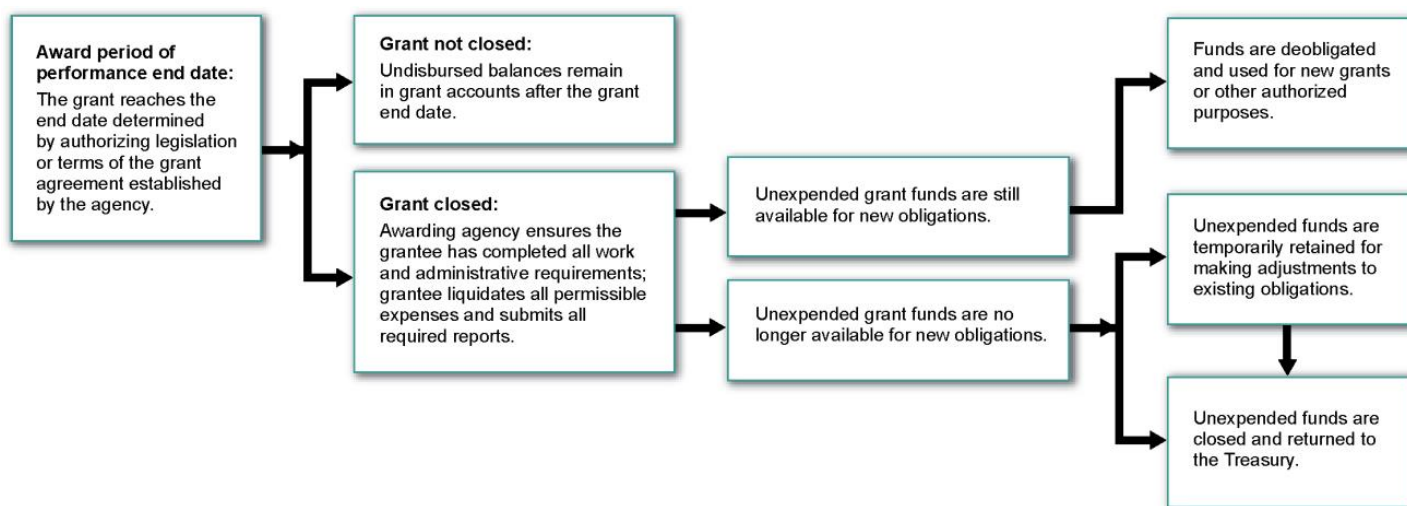
Source: GAO analysis of 2 C.F.R. 200. | GAO-16-362

Closing out grants could allow an agency to redirect resources toward other projects and activities or return unspent funds to the Treasury (see figure 3). Generally, if the undisbursed balances that are deobligated from closed grant accounts are still available for incurring new obligations, the agency may use the funds to enter into new grant agreements.<sup>21</sup> This may allow the federal agencies to use existing resources to fund new grant projects. If the undisbursed balances are returned to expired appropriation accounts, the agency may not use the deobligated funds to make new grants. However, the agency may use the deobligated funds to make adjustments to, or liquidate existing, obligations that were incurred before the appropriations account expired. Expired appropriations accounts remain available for 5 years to make adjustments, after which the undisbursed balances are canceled and returned to the Treasury. At this point, these funds are no longer available for agency use. This helps

<sup>21</sup>An appropriation's period of availability for making new obligations lasts a set number of years, which is established in law. Annual budget authority lasts for one fiscal year. Multiple-year budget authority lasts for longer periods, and no-year authority generally lasts until the funds are expended for their designated purpose. A notable exception to using undisbursed balances for new obligations is balances deobligated from grants made under the American Recovery and Reinvestment Act of 2009, which must be deposited in the general fund of the Treasury. Pub. L. No. 111-203, § 1306, 124 Stat. 2135 (July 21, 2010).

ensure that federal agency resources are properly spent and helps agencies maintain accurate accounting of their budgetary resources. It may also reduce future federal outlays relative to the federal government's original estimated amount of spending for these programs.

**Figure 3: Deobligating Undisbursed Balances in Expired Grant Accounts**



Sources: GAO analysis of 2 C.F.R. 200 and federal regulations. | GAO-16-362

Note: An agency may have statutory authority that would allow it to deobligate undisbursed balances from a grant and roll those funds into another appropriation. For example, the Department of Justice has the authority to transfer prior year undisbursed balances in expired grant accounts to its working capital fund not later than 5 years after the fiscal year for which the funds were appropriated or otherwise made available.

## Tracking and Closing Out Grants in Federal Payment Systems

One way agencies can track whether grants are closed out and undisbursed grant balances are deobligated in a timely manner is through federal payment systems. Some agencies make grant payments directly to grantees using their own payment systems, while others enter into arrangements with payment systems that serve multiple agencies to make payments on their behalf. Payment systems represent an important control point for managing federal grant funds. After a grant agreement reaches the period of performance end date, an agency may need to close out a grant in multiple systems including in its payment system, the agency's general ledger, or in a separate grant management system. Failure to close out a grant in the payment system could prevent the timely deobligation of unspent funds and limit agencies' ability to regain budget authority that could be used for other purposes.

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The largest civilian federal payment system is the Payment Management System (PMS). Operated by HHS's Program Support Center (PSC), PMS allows grantees and awarding agencies to manage all payment-related activities, including grant payment requests, drawing down federal funds from preauthorized grant accounts, and disbursement reporting.<sup>22</sup>

Grantees request payments from PMS, which then transmits authorized payments to either the Federal Reserve Bank or Treasury for deposit into the grantee's bank account.<sup>23</sup> Each PMS account represents a different grant agreement with a specified period of performance end date. To help federal grant-making agencies identify and close out grant accounts in a timely manner, PSC makes available a quarterly "closeout" report. The closeout report lists expired grant accounts that meet the following conditions: (1) remain open more than 3 months past the grant period of performance end date and (2) not having any disbursements in the preceding 9 months.

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### Appropriations Acts for Selected Agencies Continue to Call Attention to Undisbursed Balances in Expired Grant Accounts

Appropriations acts for selected agencies have called attention to the issue of undisbursed balances in expired grant accounts. For example, Section 530 of the Commerce, Justice, Science, and Related Agencies Appropriations Act of 2016 required the Director of OMB to instruct any affected agencies receiving funds under that act to track undisbursed balances in expired grant accounts and report on their efforts to address the issue in their annual performance plans and performance and accountability reports.<sup>24</sup> Further, Section 530 requires OMB to instruct the

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<sup>22</sup>PSC charges PMS customers using two rate types for each open account in PMS. PSC officials said PMS is part of HHS's Service and Supply Fund (SSF), which is a revolving fund authorized under 42 U.S.C. §231. The SSF does not have an annual appropriation but is funded entirely through charges to its customers which include HHS's Operating Divisions and other federal departments and agencies.

<sup>23</sup>According to HHS officials, since 2012 PMS has undergone two major changes. First, in 2013 PMS began to require that all accounts be set up as sub-accounts, unless approved by the HHS Office of Grants and Acquisition Policy and Accountability. Officials said this new policy would enhance visibility into all accounts. Second, PMS now notifies an awarding agency if a grantee submits a payment request more than 90 days after the period of performance end date.

<sup>24</sup>For a list of the affected agencies receiving funds under the Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016, see appendix I. OMB's requirements under § 530 apply only to those agencies receiving appropriated funds under Division B of the Consolidated Appropriations Act for Fiscal Year 2016. See Pub. L. 114-113, § 3 (Dec. 18, 2015).



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affected agencies to report on their methods to track undisbursed amounts in expired grants and future actions to resolve the issue, the amount of the undisbursed balances that may be returned to the U.S. Treasury, the total number of expired accounts with undisbursed balances in the preceding 3 fiscal years, and the total finances remaining in expired accounts that have not been obligated to a specific project.<sup>25</sup>

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## GONE Act Will Affect Reporting on Expired Grants

On January 28, 2016, the Grants Oversight and New Efficiency Act (GONE Act) was signed into law.<sup>26</sup> This law requires that not later than 180 days after enactment the Director of OMB instruct the head of each agency, in coordination with the Secretary of HHS, to provide a report to Congress and the Secretary on grants for which the grant's period of performance has been expired for more than 2 years, including those with undisbursed balances and with zero dollar balances remaining in the accounts. The report, to be delivered by December 31, 2017, is also to describe the challenges leading to delays in grant closeout and explain why each of the 30 oldest grant awards has not been closed out. It is expected that this identification will help lead to a reduction in the number of expired grants that have not been properly closed out from the financial payment systems, improve financial accountability over grant programs, and save taxpayer money on costs associated with maintaining the grants in open status.<sup>27</sup>

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<sup>25</sup>Pub. L. 114-113, div. B, title V, § 530 (Dec.18, 2015).

<sup>26</sup>Pub. L. 114-117 (Jan. 28, 2016).

<sup>27</sup>S. Rep. No. 114-169, at 1-2 (2015).

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Approximately \$994  
Million in Undisbursed  
Balances Remained  
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Accounts in the  
Payment  
Management System

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Undisbursed Balances  
Increased While the  
Number of Expired Grant  
Accounts Decreased  
Since 2011

As of September 30, 2015, \$993.5 million in undisbursed balances remained in 8,832 expired grant accounts in PMS (see figure 4).<sup>28</sup> The total undisbursed balances comprised about 0.2 percent of the \$479 billion disbursed through PMS in fiscal year 2015, unchanged from the percentage of the \$415 billion disbursed through PMS in fiscal year 2011. The undisbursed balances comprised about 3 percent of the amount authorized for these expired grant accounts, similar to the percentage we found in 2011.<sup>29</sup> Among the departments and agencies that are customers of PMS, the undisbursed balances as a percentage of the authorized amounts available for these expired grant accounts ranged from less than 1 percent to 31 percent.<sup>30</sup> These expired grant accounts should be considered for closeout based on OMB's Uniform Guidance, which specifies that within 90 calendar days from the period of performance end date, grantees must submit all financial, performance, and other reports as required by the terms and conditions of the award.

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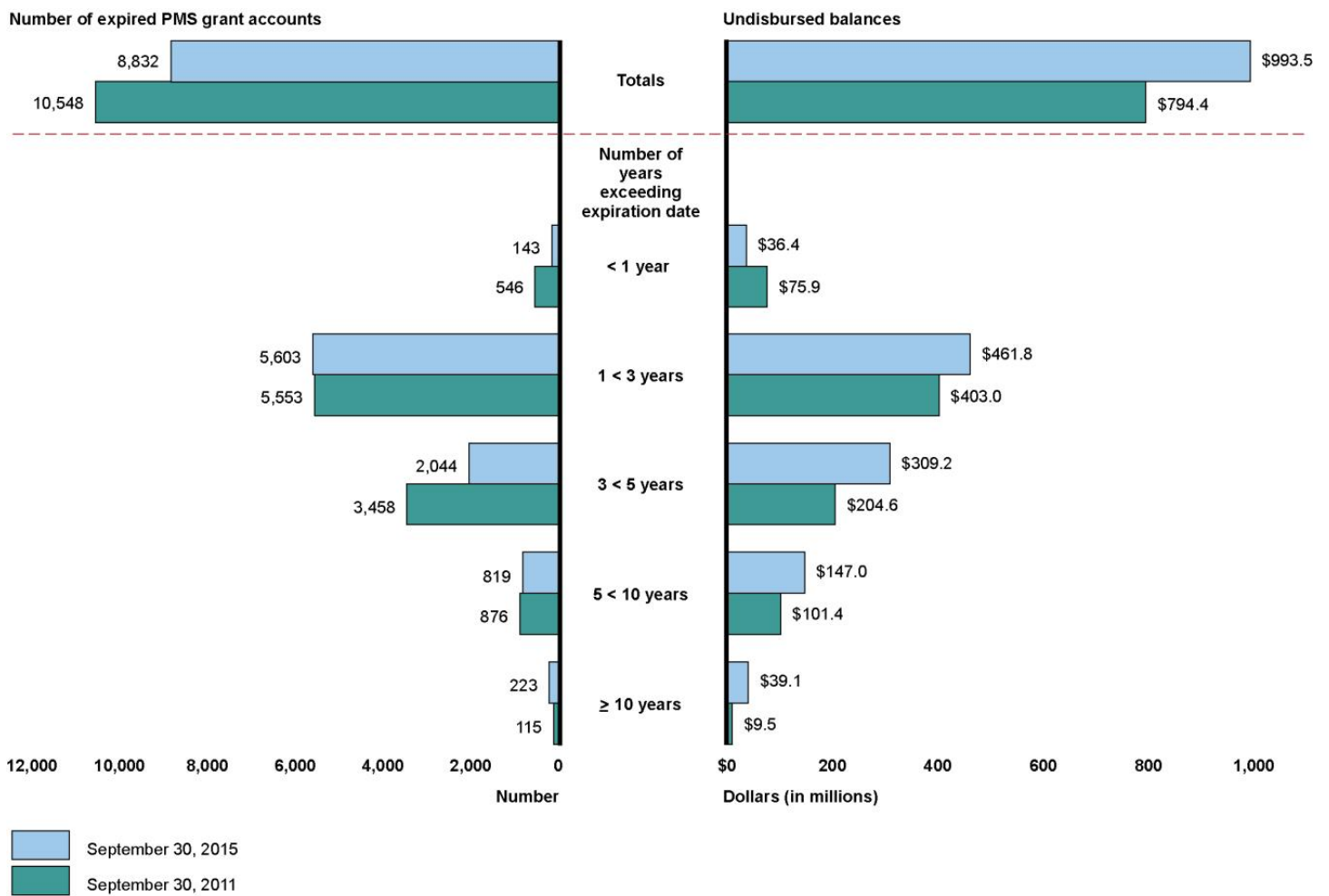
<sup>28</sup>The 8,832 expired grant accounts do not include expired grant accounts that have no balances—that is, expired grant accounts in which the amount disbursed equals the amount authorized for the account. We discuss the expired grant accounts with no balances separately. These results exclude PMS accounts associated with grant programs for which the duration of the grant is not limited to a specified period, such as Temporary Assistance for Needy Families (TANF) and Medicaid grants to states (see appendix I).

<sup>29</sup>The total authorized amount available for the expired grant accounts we found with undisbursed balances as of September 30, 2015 was about \$32 billion as compared to \$24 billion in September 30, 2011.

<sup>30</sup>In 2015, three agencies had undisbursed balances as a percentage of the authorized amounts below 3 percent while 5 had percentages over 10 percent indicating grantees spent the majority of available funds. For a list of PMS customers, see appendix II.

Grantees must also liquidate all permissible expenses incurred under the award. Moreover, within 1 year of receiving the final reports, awarding agencies should close out grant accounts that are past their period of performance end date (expired grant accounts).

**Figure 4: Number and Amount of Undisbursed Balances in Expired Payment Management System (PMS) Grant Accounts by Years Exceeding Grant Expiration Dates, September 30, 2011 and 2015**



Source: GAO analysis of HHS PMS data. | GAO-16-362

As figure 4 shows, in 2015, the undisbursed balances increased to \$993.5 million while the number of expired grant accounts decreased to 8,832, in comparison with 2011. The distribution of expired grant accounts and their associated undisbursed balances categorized by the

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number of years the accounts exceed their grant expiration dates were roughly similar for 2015 and 2011. More than half of the accounts exceeded their expiration date by 1 to 3 years. However as of September 30, 2015, we found expired grant accounts exceeding their grant expiration date by at least 10 years almost doubled to 223 accounts with undisbursed balances increasing fourfold to \$39.1 million. Given the general 3 year federal record retention period, there is an increased risk that these grant accounts expired for 10 years or more may not have the necessary financial documents and other information available for account reconciliation.<sup>31</sup>

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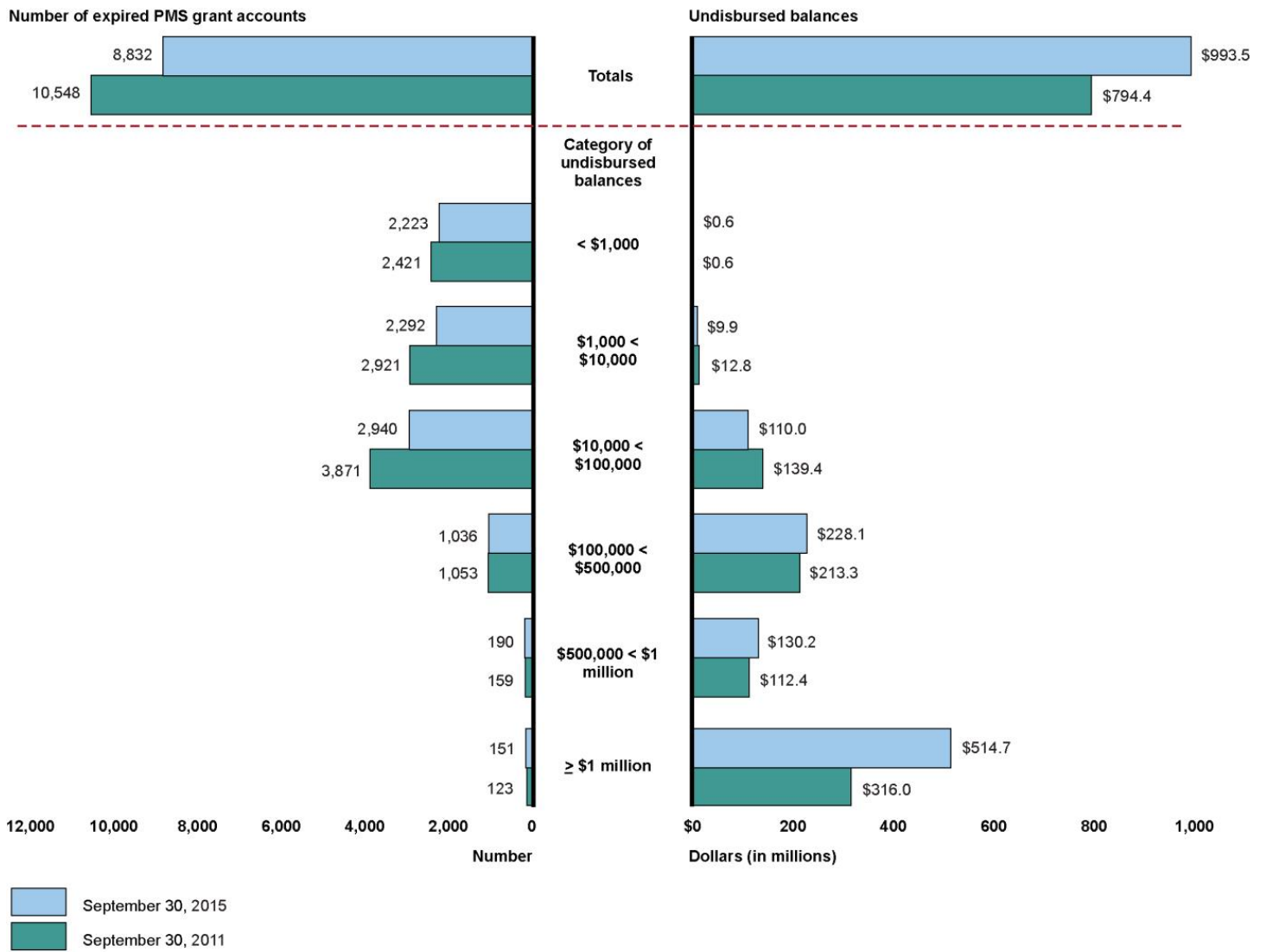
**Expired Grant Accounts with Large Undisbursed Balances Comprised a Small Share of Total Expired Accounts, but a Large Share of Total Undisbursed Balances**

As of September 30, 2015, 151 expired grant accounts with undisbursed balances of \$1 million or more comprised approximately 2 percent of the 8,832 expired grant accounts (see figure 5). However, grants in this category had a total of \$514.7 million in undisbursed balances that made up 52 percent of the \$993.5 million in PMS undisbursed balances, an increase from \$316 million or about 40 percent in 2011. This indicates that targeting efforts to close out a small number of expired grant accounts with high undisbursed balances could reduce the total undisbursed balance significantly. It is worth noting that many of the expired grant accounts did not have large undisbursed balances—about half of the expired grant accounts had undisbursed balances of less than \$10,000.

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<sup>31</sup>2 C.F.R. § 200.333.

**Figure 5: Number and Amount of Undisbursed Balances in Expired Payment Management System (PMS) Grant Accounts by Size of Undisbursed Balances, September 30, 2011 and 2015**



Source: GAO analysis of HHS PMS data. | GAO-16-362

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About \$651 Million of Undisbursed Balances in Expired HHS Grant Accounts Comprised More than Half of Those in PMS

As of September 30, 2015, \$651.3 million in undisbursed balances in expired HHS grant accounts made up 66 percent of the total \$993.5 million in undisbursed balances in PMS (see figure 6). This is down from HHS's 75 percent of the total \$794 million in undisbursed balances in 2011.

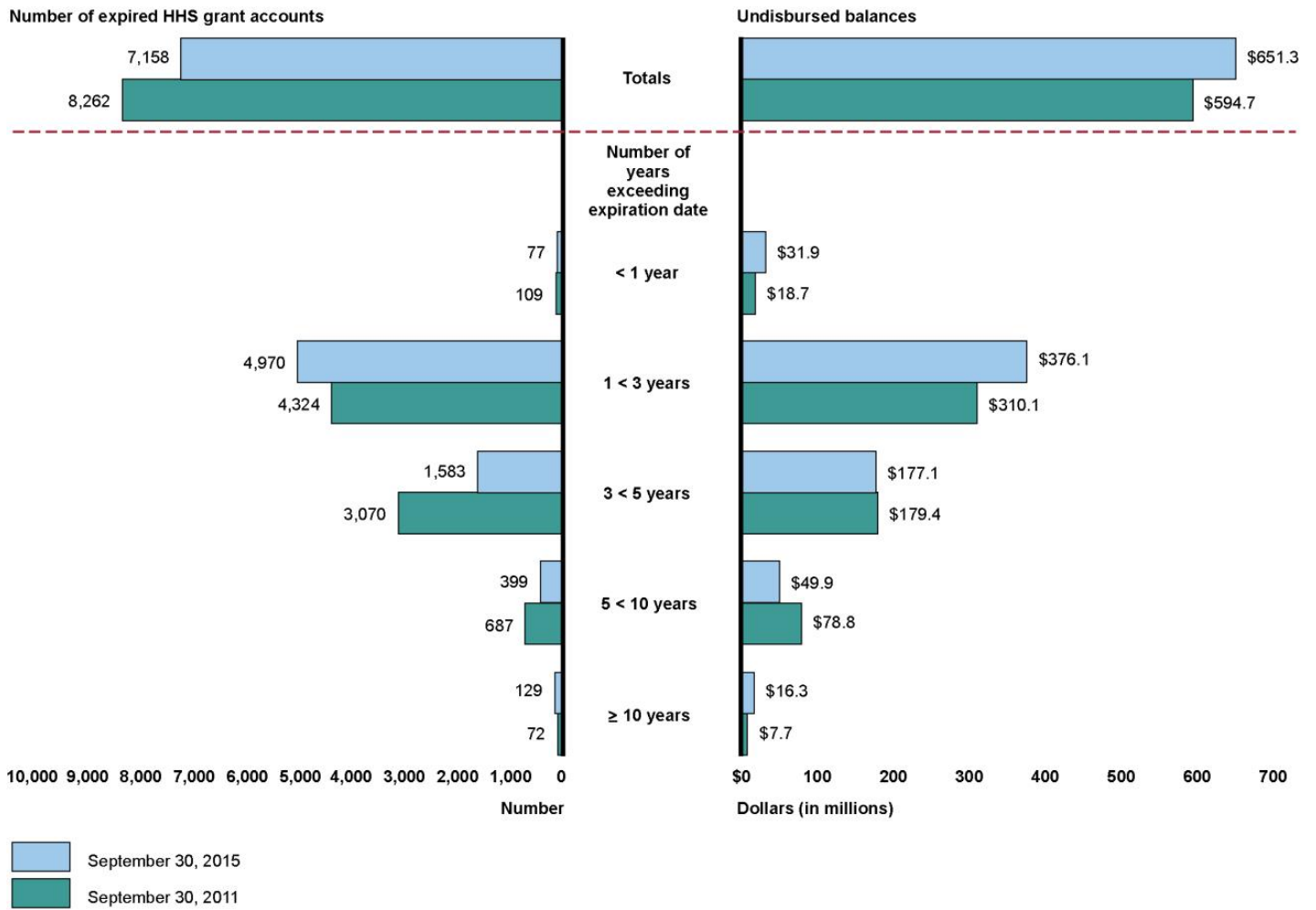
HHS had 7,158 expired grant accounts (81 percent of all expired PMS grant accounts in the data we analyzed), a decrease from 8,262 accounts in 2011. These accounts comprised the bulk of the expired grant accounts among the 11 federal agencies and departments that are PMS customers.<sup>32</sup> Similar to all PMS expired grant accounts and undisbursed balances, about half of expired HHS grant accounts and undisbursed balances exceeded their expiration dates by 1 to 3 years. In 2015, expired HHS grant accounts exceeding their expiration dates by at least 10 years increased to \$16.3 million in undisbursed balances and 129 accounts. HHS's undisbursed balance as a percentage of the authorized amount available for these expired grant accounts, increased to 3.3 percent, up from 2.7 percent in 2011. These expired grant accounts far exceeded HHS's 270-day window for closing out grants after the grant expiration date as outlined in HHS's Grant Policy Administration Manual.<sup>33</sup>

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<sup>32</sup>In addition to the federal agencies and departments with expired grant accounts in PMS (see appendix II), the Office of National Drug Control Policy under the Executive Office of the President also uses PMS. In September 30, 2015, the Executive Office of the President did not have any expired grant accounts in PMS.

<sup>33</sup>Department of Health and Human Services, *Grant Policy Administration Manual*, Part H: Post-Award, Chapter 5: Closeout of Awards and Programs, (Dec. 31, 2015).

**Figure 6: Number and Amount of Undisbursed Balances in Expired Health and Human Services Grant Accounts in Payment Management System (PMS) by Years Exceeding Grant Expiration Dates, September 30, 2011 and 2015**



Source: GAO analysis of HHS PMS data. | GAO-16-362

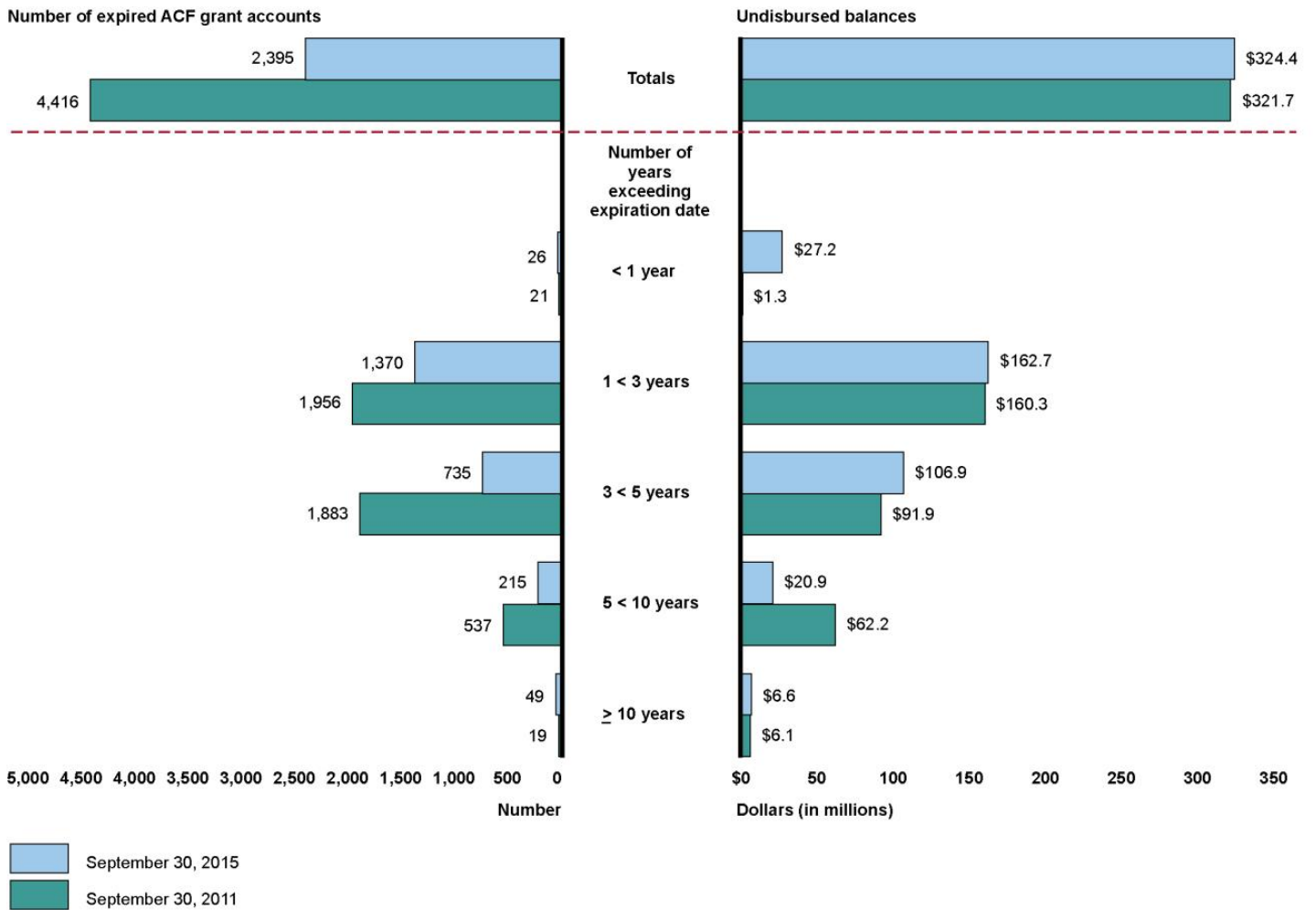
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**Administration for Children and Families' \$324 Million in Undisbursed Balances in Expired Grant Accounts Comprised the Largest Share of HHS's Undisbursed Balances**

Of the 11 HHS sub-organizations with grant accounts in PMS, the Administration for Children and Families (ACF) continued to make up a large proportion of the expired HHS grant accounts and undisbursed balances in 2015 (see appendix II for HHS sub-organizations). However, in comparison to 2011, ACF's proportion of the total expired HHS grant accounts decreased. ACF's \$324.4 million in undisbursed balances, up slightly from \$321.7 million in 2011, made up about half of HHS's undisbursed balances in 2015, compared to 54 percent in 2011 (see figure 7). In 2015, ACF's 2,395 expired grant accounts decreased to about one-third of HHS's total, as compared to the 53 percent in 2011. Despite the drop in the number of expired grant accounts, a significant number of expired accounts remain open. HHS and ACF grant managers have failed to appropriately monitor expired grant accounts and adhere to HHS closeout policies.



**Figure 7: Number and Amount of Undisbursed Balances in Expired Administration for Children and Families (ACF) Grant Accounts in Payment Management System (PMS) by Years Exceeding Grant Expiration Dates, September 30, 2011 and 2015**



Source: GAO analysis of HHS PMS data. | GAO-16-362

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## Expired Grant Accounts Flagged by PMS for Closeout Continue to Incur Fees

As of September 30, 2015, PMS data identified 5,906 expired grant accounts which had no undisbursed balance remaining as ready for closeout processing pending instructions from the awarding agency to finalize the process.<sup>34</sup> The percentage of expired grant accounts ready for immediate closeout varied across all PMS customers. According to PMS officials, the 5,906 accounts incurred about \$29,000 in fees for the month of September 2015, a significant reduction from the 28,000 accounts with fees totaling about \$173,000 that we reported for 2011. In 2015, 3,922 expired HHS grant accounts made up 66 percent of the 5,906 grants PMS flagged for closeout, down from 79 percent (more than 21,000) in 2011.

Promptly closing out expired grants in the PMS system would minimize the monthly service fees charged to the agencies. As HHS's Program Support Center (PSC) does not close out grant accounts until instructed to do so by the awarding agency, expired accounts flagged by PMS for closeout continue to incur fees until they are closed. PMS fees are set to recover operating costs.<sup>35</sup> PSC uses two billing rates for federal grant-making agencies—one rate generally applies to grants awarded to state, local, and tribal governments and the second rate generally applies to grants awarded to nonprofit agencies, hospitals, and universities. Agencies are billed monthly for all open accounts making it difficult to disaggregate the fees attributable to different types of grantees and those attributable to expired accounts with (1) undisbursed balances, (2) no remaining undisbursed balance (not flagged for closeout), and (3) no remaining undisbursed balances that have been flagged for closeout.

The September 2015 fee of \$29,000 for the 5,906 grant accounts PMS has flagged for closeout is small relative to the grant award amounts. But, it is important to note that it represents only a portion of the total fees

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<sup>34</sup>In its closeout report, PMS flagged certain expired grant accounts available to PMS users to indicate that the awarding agency need only submit a closeout code to finalize grant closeout. These accounts PMS identifies for closeout represent only a portion of the accounts with no undisbursed balance remaining.

<sup>35</sup>Other services PSC provides to the PMS users include standardized electronic forms for meeting federal grant reporting requirements, a audit support, and collection services on overdrawn grants and disallowed costs. PSC operates PMS under HHS's Service and Supply Fund (SSF) as a revolving fund authorized under 42 U.S.C. § 231. SSF is funded entirely through charges for business services provided to HHS as well as other federal departments and agencies. SSF bills its customers by either fee-for-service billing or by an allocated methodology.

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customers pay to keep open expired grant accounts that should have been closed out by the awarding agency. In particular, the estimate does not include expired accounts which should have been closed and have undisbursed balances nor does it include those with zero balances that have not been flagged for closeout by PMS. However, without examining each expired grant account individually, we cannot determine whether expired grant accounts that have exceeded their expiration date should be closed or not. For example, the awarding agency may be renewing the grant or there could be pending action as a result of an audit.

The monthly charges for expired grant accounts which have been flagged by PMS for closeout can accumulate over time and can be considerable.<sup>36</sup> For example, of the 5,906 accounts PMS flagged for closeout in September 2015, 359 of these accounts had also been flagged for closeout in September 2011. Of these 359 expired grant accounts, 260 belong to HHS. If the grant has otherwise been administratively and financially closed out, then agencies paying fees for expired accounts with a zero dollar balance are paying for services that are not needed. The presence of expired grant accounts with no undisbursed funds remaining also raises concerns that administrative and financial closeout—the final point of accountability for these grants, which includes important tasks such as the submission of financial and performance reports—may not have been completed.

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<sup>36</sup>Of the 5,906 accounts which PMS has flagged for closeout, 29 percent have exceeded their expiration dates by more than 3 years. Although an account flagged for closeout may have remained open 3 years beyond its expiration date, it is unclear when a particular account became eligible for closeout in PMS.

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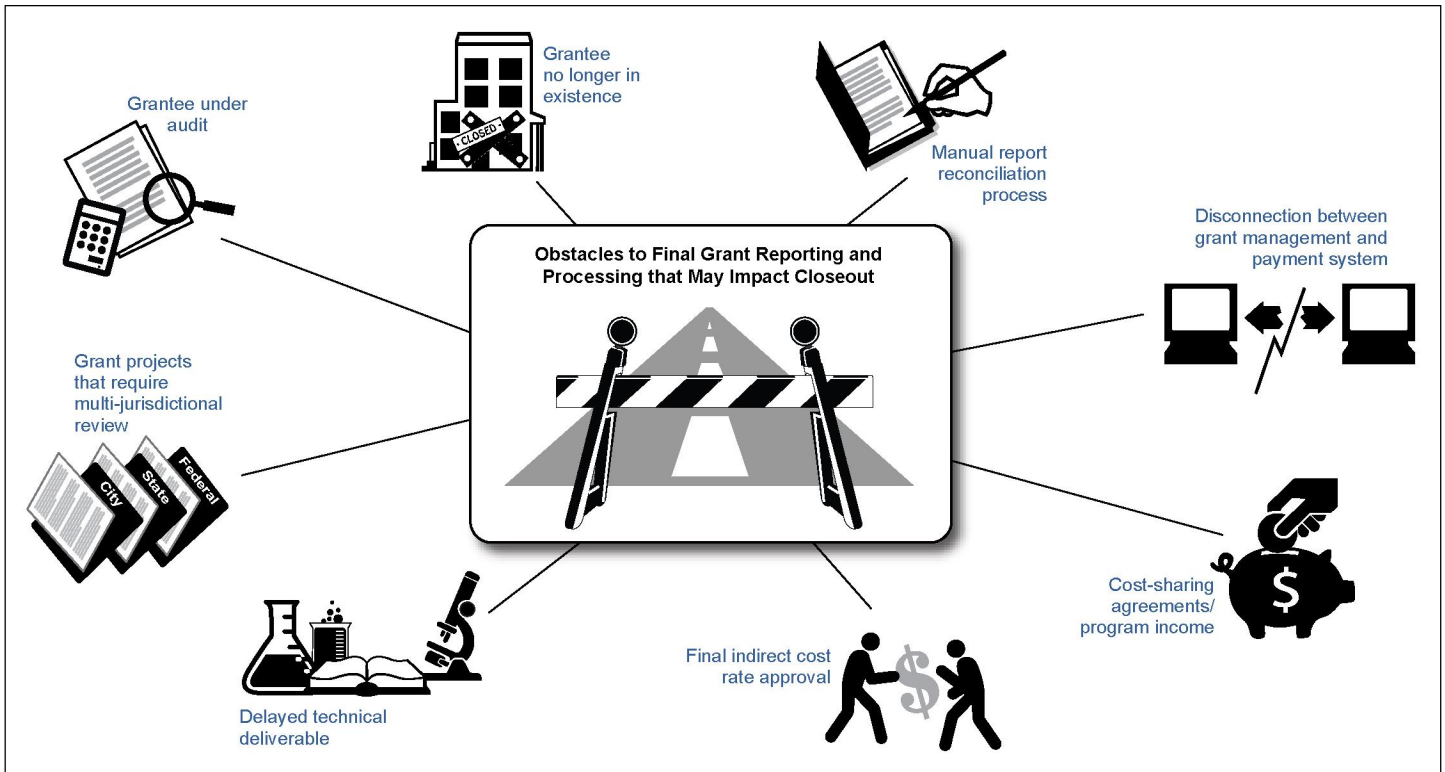
## Final Reporting and Processing Challenges Contribute to Delayed Grant Closeout, but Selected Agencies Have Begun to Implement Policies to Improve Closeout Timeliness

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### Agencies Cite Various Reasons for Grant Closeout Delays

Grant closeout is a necessary step for all types of grant programs that serve a variety of missions and provide different services. As the final stage of the grant life cycle, grant closeout requires the submission and approval of all final grantee reports. Agency officials told us that grant closeout delays can occur for a number of reasons that may be placed into several larger categories, and sometimes these reasons can be attributed to more than one category: grantee failure to submit final reporting in a timely manner; agency failure to review, process, and reconcile final reporting in a timely manner; and external processes or factors. Officials we spoke with at Commerce, Justice, NASA, and NSF—agencies that reported on undisbursed balances in expired grant accounts in their 2010 and 2011 annual performance reports—as well as ACF which accounted for the largest share of undisbursed expired grant balances at HHS as of September 30, 2015, told us that the grantee and awarding agency face the following challenges that may delay grant closeout (see figure 8).

**Figure 8: Agencies Note Multiple Reasons for Delayed Grant Closeout**



Sources: GAO analysis of federal agency information. | GAO-16-362

### Grantee Delayed Technical Deliverables

Federal grant awards may fund projects that generate research products or technical deliverables. Untimely submission of these deliverables on the part of the grantee can delay grant closeout. For example, certain grant awards at NASA require specialized reporting if the work funded by the grant is for developmental research or leads to new research accomplishments. According to NASA officials, grant award closeout can be delayed if the grantee has yet to submit required new technology reports, summary of research reports, or property reports.<sup>37</sup> Justice

<sup>37</sup>Parties performing experimental, developmental, or research work under NASA funding agreements, including contracts, grants, and cooperative agreements, are required by law to submit new technology reports. Summary of Research reports must include a comprehensive summary of significant accomplishments during the duration of the grant. Property reports are required for final disposition of all federally owned property under the contract or grant.

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officials also told us missing technical deliverables would prevent the National Institute of Justice (NIJ) from closing out grants in a timely manner. Justice officials said NIJ grants typically require a technical deliverable and they cannot close the grant until it has received the deliverable and deemed it acceptable.<sup>38</sup>

Grantee No Longer in Existence

There are instances in which a recipient of a federal award may cease to exist. Grantees that cease operations after receiving a grant award may not be able to submit their final financial or performance reports to the federal awarding agency. For example, Commerce officials said if a grantee is late in submitting reports, further investigation may find that the grantee is no longer operational or is bankrupt. Commerce officials noted that, while grant awards involving grantee bankruptcies are uncommon, they could present challenges for grant closeout.

Grants with Cost-Sharing Agreements and Grants that Earn Program Income

Some grant programs may have cost-sharing or matching funds requirements in the award that are designed to supplement the resources available to the project from grant funds and to foster the dedication of state, local, and community resources to the purposes of the project.<sup>39</sup> In addition, some federally funded grants support programs that earn program income or income generated from activities funded by the grant.<sup>40</sup> Grant awards affected by these types of arrangements may require additional layers of review by the grantee and agency and delay grant closeout. For example, Commerce officials said grant programs with cost-sharing can experience closeout challenges if the grantee inaccurately documents the agreed upon shared costs and fails to meet

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<sup>38</sup>According to the NIJ website, NIJ may award grants for physical and social science research, development, and evaluation projects about criminal justice. Grantees are required to submit final progress reports that address achievement of the goals and objectives of the award, significant results, and any products developed under the award, such as journal publications, technologies, or techniques resulting from the research activities.

<sup>39</sup>Cost sharing or matching is the portion of project costs not paid by federal funds ( unless otherwise authorized by federal statute). 2 C.F.R. 200.29.

<sup>40</sup>Program income is gross income earned by the non-federal entity that is directly generated by a supported activity, or earned as a result of the federal award during the period of performance. Program income includes but is not limited to income from fees for services performed, the use of rental or real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. 2 C.F.R. 200.80.

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Reconciliation and the  
Disconnection between Grants  
Management and Payment  
Systems

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the matching costs. Commerce officials said in cases where the grantee is short on the matching costs, Commerce's bureaus would be required to investigate the issue and in some cases require that grantees return excess funds, which can delay grant closeout.

Grant-making agencies may use grants management systems to track their grants and payment systems, sometimes operated by a different federal agency, to make payments to their grantees. As we have previously reported, the separation of grant management and payment functions in different systems could make it possible for an agency to close a grant in a grants management system but not close the grant in a separate payment system.<sup>41</sup> In addition, it is possible for a grant expiration date to be extended in the grant management system and not in the payment system. ACF officials said the separation between grants management systems and payment systems can present challenges when awarding agencies attempt to reconcile final reports and close out grants in the two separate systems. According to ACF officials, grant closeout can become a manual process that presents challenges for agencies that may have a limited number of grants specialists. Specifically, officials explained that this process requires ACF grant managers to compare their internal grant reports with the PMS closeout report, identify grant awards to be closed, and request to close all eligible awards in PMS.

ACF officials told us that, after completing this step, they have noted instances where grants they previously requested be closed continue to appear on subsequent PMS closeout reports—meaning that the grants for which they requested closure were not closed in the payment system. According to these officials, it could be possible for ACF to close a grant award in its grants management system while the grant remains open in the payment system due to a difference in the payments reported to the awarding agency and PMS.<sup>42</sup> As a result, the disconnection between these systems can lead to undisbursed funds remaining in the payment system when the grant is closed in the agencies' grants management

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<sup>41</sup>[GAO-12-360](#).

<sup>42</sup>According to HHS officials, ACF and PMS, as of February 2016, are working together on a pilot program for grant financial reporting. This pilot will consolidate financial reporting and payment into one system which should help resolve the disconnection between the systems.

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system. In these cases, ACF grant managers may need to deobligate funds from the grant and this requires taking additional steps to reopen the grant in the grant management system. The disconnection between these two systems and, in some cases, the manual steps needed to reconcile the differences between systems can lead to additional administrative burden and resource use to close out grants.

## Grantee under Audit

Recipients of federal grant awards may be subject to certain federal oversight requirements including having audits conducted.<sup>43</sup> Under a federal audit, the grantee must prepare appropriate financial statements, follow up and take corrective action on audit findings, and provide the auditor access to records, as needed. Agency officials told us grant audits, and the related work, can delay grant closeout. For example, Justice officials noted that open inspector general (IG) audits and investigations, agency financial and programmatic monitoring activities, or open legal or compliance issues can delay grant closeout. Commerce officials also told us grants undergoing audit present closeout challenges. They also said that grants under audit resolution remain open until the audit is complete and a final decision has been issued. Certain types of grants may have audits that take years to complete. For example, NASA officials told us they have faced challenges in closing out grants to for-profit entities that require incurred cost audits by the Defense Contract Audit Agency (DCAA).<sup>44</sup> NASA officials said these audits for commercial

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<sup>43</sup>For example, a grantee that expends \$750,000 or more in federal awards during the grantee's fiscal year must have a single or program -specific audit conducted for grant awards issued after December 26, 2014.

<sup>44</sup>For an incurred cost audit at DCAA, "The auditor's primary objective is to examine the contractor's cost representations, in whatever form they may be presented (such as interim and final public vouchers, progress payments, incurred cost proposals, termination claims, and final overhead claims), and to express an opinion as to whether such incurred costs are reasonable, applicable to the contract, determined under generally accepted accounting principles and cost accounting standards applicable in the circumstances, and not prohibited by the contract, by statute or regulation, or by previous agreement with, or decision of, the contracting officer." Department of Defense, Defense Contract Audit Agency, *DCAA Contract Audit Manual*, 6-102.1 (Sept. 16, 2015).



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grants may take up to 3 years to complete as the federal audit agency faces an ongoing audit backlog.<sup>45</sup>

### Grants Requiring Multi-jurisdictional Levels of Review

Some grant programs fund inherently complex projects. These projects may involve multiple levels of review to comply with state statutes which can delay grant closeout. For example, Commerce officials said grant closeout delays can occur if grant reports are required to be reviewed by various jurisdictions—including universities and state and local governments—before the federal awarding agency. These officials noted that construction grant programs such as the Broadband Technology Opportunities Program (BTOP), a federal grant program to promote the expansion of broadband infrastructure, have a complex review process and have presented challenges for grantees in submitting reports in a timely manner.<sup>46</sup> The officials said BTOP construction grant projects involve many equipment purchases that grantees must have reviewed through state and local jurisdictions.<sup>47</sup> The officials explained that grant projects, such as the BTOP projects, that have a complex multi-jurisdictional review process require extra filings and additional grants management, which can cause grant closeout delays.

### Final Indirect Cost Rate Negotiation

Indirect costs represent a grantee's general support expenses that cannot be specifically identified with an individual grant project. Indirect costs include, for example, building utilities and administrative staff salaries. To determine the share of indirect costs that may be charged to federally funded awards, grantees use a mechanism called the indirect cost rate, which may be applied to a portion of direct costs and is available to the grantee for a given period. A grantee may continue using a provisional rate until agreement is reached on a new final rate. The procedure for

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<sup>45</sup>According to DCAA's fiscal year 2014 report to Congress, the time to complete an incurred cost audit is measured from the time an adequate annual incurred cost submission is received until the date of the audit report issuance. In fiscal year 2014 the average elapsed days for these audits were 1,006. Defense Contract Audit Agency, *Report to Congress on FY 2014 Activities* (Fort Belvoir, VA: Mar. 25, 2015).

<sup>46</sup>The National Telecommunications and Information Administration, a Commerce agency, was authorized to award BTOP grants under the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, div. B, title VI, 123 Stat. 128 (Feb. 17, 2009).

<sup>47</sup>For example, Commerce officials said obtaining the BTOP grant recipients' Uniform Commercial Code (UCC)-1 filings, which are required for the BTOP closeout process, lead to grant closeout delays. According to a U.S. Department of Commerce Inspector General report, the UCC-1 filing is made to secure the federal interest in the property, in accordance with the applicable state's law.

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requesting an indirect cost rate varies based on the type of grantee organization, but it entails submitting an indirect cost rate proposal and negotiating with the grantee's cognizant rate-setting agency.<sup>48</sup>

Agency officials told us negotiating an approved indirect cost rate can delay grant closeout. For example, NASA officials said grant closeout challenges can occur if the final approved rate differs from the provisional indirect cost rate used when the grant was awarded. The officials said that in those cases the grantee must make reporting adjustments based on the final approved rate for the period of performance. In some cases, NASA officials said negotiating a final indirect cost rate agreement can take years. OMB staff told us that one of the main reasons for grant closeout delays involves the complexity of finalizing indirect cost rate agreements. OMB staff explained that while a majority of grantees have negotiated indirect cost rate agreements, the status of the agreement, whether it is a provisional or a final negotiated indirect cost rate, can affect when a grantee can close out. OMB staff said if a rate is not finalized and the award has reached the end date, closing out a grant using a provisional rate may involve subsequent complexities. Indirect cost rate agreements are also an issue for closing grants at the National Institute of Standards and Technology (NIST). According to NIST officials, grantees have to negotiate a final rate in order for NIST to properly close an award, and grantees have to wait for their next audit cycle to be able to negotiate a final rate, which could be over a year after the award has expired. Consequently it may not be ideal to close out grants without a final rate. For example if the final indirect rate after closeout is lower, the grantee owes money to the federal government, and the agency would have to recover the funds. However, other agencies we spoke with did not view indirect cost rate agreements as a major challenge that delays grant closeout.

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<sup>48</sup>An entity may establish an indirect cost rate by submitting a proposal to its cognizant rate-setting agency. For educational institutions, this is determined by which federal agency provides the greatest amount of funds to the entity for the most recent 3 years. After the proposal has been reviewed or audited, the cognizant rate-setting agency and the school negotiate and come to agreement on the rate. The rate is then documented in a formal indirect cost rate agreement. Any non-federal entity that has never received an indirect cost rate may elect to charge a de minimis rate of 10 percent of modified total direct costs. If chosen, the non-federal entity must use this methodology consistently for all federal awards until the non-federal entity chooses to negotiate for a rate.

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## Grant Closeout Delays and Undisbursed Balances Are a Recurring Audit Issue

We and the federal inspectors general (IG) have continued to report on grant closeout issues and actions taken by federal agencies. These reports, in addition to our 2008 and 2012 reports, identified grant closeout issues at federal award-making agencies and reported on agency progress addressing concerns with grant closeout activities.<sup>49</sup> For example, in 2014 we reported that the Department of State (State) generally did not adhere to its policies and procedures relating to documenting internal-control activities such as grant closeout activities. Through a grants file review, we found four grant awards that State grant officers had closed without evidence that they had reviewed the recipient's final reports. We recommended that grant officials complete all required documentation for all grants. State concurred with the recommendation and said it would increase the emphasis on the file documentation and will expand the extent of file reviews.<sup>50</sup> In another example, in 2014 we issued a follow-up report on the status of recommendations we made in 2012 to Justice for its Bureau of Justice Assistance to improve grantee accountability in the use of federal funds. We found that Justice took actions to address our 2012 recommendations, including implementing an annual process to review and deobligate all undisbursed grant funds.<sup>51</sup>

Issues with final grantee reporting and awarding agency oversight of closeout procedures have also been cited in federal IG reports. Since 2012, IGs at the Departments of Agriculture, Commerce, Energy, Housing and Urban Development, Labor, and State, the United States Agency for International Development, and NASA have issued reports identifying grant closeout challenges experienced in their respective agencies. For example, the IGs at Agriculture and Energy found agency officials were waiting for final grantee reporting for expired grants but also noted that

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<sup>49</sup>GAO-12-360 and GAO-08-432.

<sup>50</sup>GAO, *State Department: Implementation of Grants Policies Needs Better Oversight*, GAO-14-635 (Washington, D.C.: July 21, 2014).

<sup>51</sup>GAO, *Law Enforcement Body Armor: Status of DOJ's Efforts to Address GAO Recommendations*, GAO-14-610R (Washington, D.C.: May 14, 2014).

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the agency failed to send a closeout letter as required by regulation and its standard operating procedures.<sup>52</sup>

Federal IGs have also reported on closeout issues related to oversight and internal controls. For example, an IG report from State cited significant deficiencies in the agency's grant-management process including insufficient oversight caused by too few staff managing too many grants, insufficient training of grant officials, and inadequate documentation and closeout of grant activities.<sup>53</sup> Two separate Agriculture IG reports highlight issues related to grant closeout oversight. A 2013 Agriculture IG report found one of its grant-making agencies had weaknesses in controls for deobligating grant funds remaining after projects were completed.<sup>54</sup> In a 2014 report, the Agriculture IG found that another of its grant-making agencies lacked effective controls, including the lack of established time frames and milestones for completing closeout reviews.<sup>55</sup> The Commerce IG found that one of its grant-making agencies had incomplete grant closeout procedures and another had incomplete standard operating procedures.<sup>56</sup> The Housing and Urban Development IG found that one of its grant-making agencies lacked adequate controls over the closeout process. This included written policies and procedures for management's oversight to ensure that closeout data were consistently and accurately tracked and grants were

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<sup>52</sup>Department of Agriculture, Office of the Inspector General, *Section 2501 Program Grants Awarded FYs 2010-2011*, Audit Report 91099-0003-21 (Washington, D.C.: March 2015); and Department of Energy, Office of the Inspector General, *Audit Report: The Department of Energy's Small Business Innovation Research and Small Business Technology Transfer Programs*, DOE/IG-0876 (Washington, D.C.: November 2012).

<sup>53</sup>Department of State, Office of the Inspector General, *Management Alert (Grants Management Deficiencies)*, MA-14-03 (Washington, D.C.: September 2014).

<sup>54</sup>Department of Agriculture, Office of the Inspector General, *Rural Utilities Service Controls Over Recovery Act Water and Waste Loans and Grants Expenditures and Performance Measures*, Audit Report 09703-0001-22 (Washington, D.C.: March 2013).

<sup>55</sup>Department of Agriculture, Office of the Inspector General, *Private Voluntary Organization Grant Fund Accountability*, Audit Report USDA 07601-0001-22 (Washington, D.C.: March 2014).

<sup>56</sup>Department of Commerce, Office of the Inspector General, *Closeout Procedures for the Broadband Technology Opportunities Program Need Strengthening*, OIG-14-010 (Washington, D.C.: December 2013). According to Commerce officials, these agencies have completed their standard operating procedures.

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closed in a timely manner.<sup>57</sup> The NASA IG found NASA lacked a uniform closeout process and that the agency had not deobligated grant funds in a timely manner. In addition to untimely deobligation, the NASA IG found that the agency incurred unnecessary service fees associated with expired grants.<sup>58</sup> The United States Agency for International Development IG found an agency grant program was not performing grant closeout procedures on schedule and that millions of dollars of grant funds sat idle while awaiting deobligation.<sup>59</sup> The Labor IG reported that one of its grant-making agencies had delays in closing out expired grants because of agency resource constraints developed over several years.<sup>60</sup>

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## Selected Agencies Implemented Systems and Policies to Improve the Timeliness of Grant Closeout

### Selected Agencies Use Features in their Grants Management and Payment Systems to Monitor Expired Grants

Agency officials told us grants management and payment systems with automated system closeout features provide agencies with useful methods to monitor, track, and close out expired grants. For example, HHS officials told us about an automated feature in PMS that had a positive impact in identifying late requests for payments for expired grants. HHS officials said the feature allows the system to flag payment requests for expired grants more than 90 days past the period of performance end date and require the awarding agency to approve the request. Justice officials told us its grant-awarding components use a

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<sup>57</sup>Department of Housing and Urban Development, Office of the Inspector General, *Indian Community Development Block Grant Closeout*, 2014-LA-0006 (Washington, D.C.: August 2014).

<sup>58</sup>National Aeronautics Space Administration, Office of the Inspector General, *NASA's Award Closeout Process*, Report No. IG-14-014 (Washington, D.C.: February 2014).

<sup>59</sup>U.S. Agency for International Development, Office of the Inspector General, *Audit of the Management of Grants Awarded by USAID's Office of American Schools and Hospitals Abroad*, Audit Report No. 9-000-12-002-P (Washington, D.C.: March 2012).

<sup>60</sup>Department of Labor, Office of the Inspector General, *Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2014*, Report Number 22-15-006-13-001 (Washington, D.C.: March 2015).

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combination of the grants management system (GMS) and financial systems to track undisbursed balances in expired grants. Justice officials told us that their systems, particularly GMS and the Community Oriented Policing Services (COPS) Office's Enterprise Content Management System, helped Justice's components reduce their closeout backlog. Justice officials cited a useful feature in both systems that includes an automatic notification to the grantee as the award approaches its period of performance end date. Commerce officials told us that the National Oceanic and Atmospheric Administration (NOAA) grants management system, Grants Online (GOL), offers automated features that assist agencies in managing grant closeout. For example, Commerce officials said GOL notifies the grantee of award expiration; due dates for final progress and financial reports; report overdue notices; and issues a copy of any enforcement actions. Commerce officials said GOL provides NOAA the ability to electronically review and complete deobligation memorandums, complete a closeout checklist, and view a workflow history that includes dates, times, and electronic signatures of progress and financial report submissions and approvals by grants managers. Commerce officials also noted that GOL provides the option to generate a report that tracks expired awards.<sup>61</sup>

NSF officials told us NSF implemented its new award payment management system, the Award Cash Management Service (ACMS), in 2013. NSF officials explained an advantage of using the new system is that ACMS provides award payment and expenditure detail upon each grantee drawdown of funds.<sup>62</sup> NSF uses the payment and expenditure detail from ACMS to notify grantees that have grants with large undisbursed balances 3 months prior to the grants period of performance end date. NSF officials said this approach has improved the timeliness of no cost extension requests.

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<sup>61</sup>Commerce said that NIST uses the Grant Management Information System (GMIS) and the Economic Development Administration uses the Operations Planning and Control System for grant processing and tracking; both NIST and the Economic Development Administration would migrate to GOL in 2017.

<sup>62</sup>Under NSF's previous payment system, grant financial information may not have been current for up to 90 days as NSF previously relied on quarterly Federal Financial Reporting to collect final grant expenses. NSF officials said the previous reliance on quarterly information can result in grant closeout delays of up to 3 to 6 months.

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Selected Agencies Have Implemented Policies and Practices to Track and Manage Grant Closeout

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NASA officials said the contractor responsible for the agency's award closeout process uses a database tracking tool to facilitate grant closeout and track undisbursed balances. NASA officials said the contractor prepares monthly reports for NASA including reports that may highlight reasons why expired grants remain open. This can help inform NASA's analysis of undisbursed balances and efforts to close out expired grants.

Selected agencies have developed and implemented various policies to manage the grant closeout process. OMB's Uniform Guidance clarified language on award closeout to help standardize federal agencies' policies for the award closeout process. In their implementing regulations, some federal award-making agencies have provided additional language beyond the Uniform Guidance. This additional language provided more detail with respect to how these agencies intend to implement their award policies with regard to OMB's new guidance.<sup>63</sup>

In addition to the additional guidance on federal award policies used by some agencies to complement the Uniform Guidance, agency officials told us about various internal policies and practices they implemented to manage the grant closeout process. Specifically, selected agencies incorporated expired grant review analyses and established goals to reduce the number of expired grants in their portfolios. For example, Justice officials told us that Office of Justice Programs (OJP) set an internal grant closeout goal to have no more than 10 percent or 250, whichever is greater, of all expired grants in a fiscal year extend 180 days past the period of performance end date. OJP officials told us they produce monthly and annual grant closeout analyses that track the number of expired grant awards and potential deobligation amounts. These reports compare awards past their period of performance end date by 120-179 days and 180 days or more and present the total number of expired grants that fall into these two categories. According to officials in Justice's Community Oriented Policing Services (COPS) Office, they use a similar internal grant closeout goal to process at least 90 percent of all expired grants within 180 days of the grant performance end date. The office prepares an annual report to identify the total number of grants to be closed within 180 days of the grant end date. A quarterly analysis is completed to measure the number of expired grant awards that have

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<sup>63</sup>79 Fed. Reg. 75,871 (Dec. 19, 2014).

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completed the closeout process and the total grant funding that has been deobligated.

Similarly, Commerce has established a Grants Council that serves as an informal working group that meets every 2 months to discuss intergovernmental grant policies and ways to improve Commerce's grant business processes. Commerce officials told us that their bureaus provide the Grants Council information on their expired grants that are more than 180 days past the period of performance end date. At each Grants Council meeting, the council reviews closeout trends and any undisbursed balances in expired grants that are more than 180 days past the period of performance end date. Commerce officials said this process helps the council categorize the reasons why grants have not been closed. NSF officials also told us that they conduct an analysis at the end of each fiscal year to determine the number of awards which have expired and the amount of undisbursed balances remaining for each award.

Compared to other agencies we contacted, NASA took a different approach to managing its grant closeout backlog. It uses a contractor to facilitate its award-closeout process and track undisbursed balances across the entire agency. NASA officials said the contractor coordinates with the NASA grants management office on all aspects of closeout. The contractor provides a monthly report to NASA's Shared Service Center, which performs various transactional, administrative, and business functions including financial management for NASA grants, highlighting reasons grants remain open. According to NASA officials, using a contractor to facilitate the closeout process ensures consistency with award closeout across the agency. However, similar to other agencies, NASA conducts an analysis of expired grants. In addition, NASA's Shared Service Center's finance office conducts an analysis of undisbursed balances. NASA officials explained that since a 2014 IG review, the agency has evaluated and refined its award closeout process, reduced closeout duplication, and placed more emphasis on tracking expired grants.<sup>64</sup>

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<sup>64</sup>National Aeronautics and Space Administration, Office of the Inspector General, *NASA's Award Closeout Process*, Report No. IG-14-014 (Washington, D.C.: February 2014). NASA IG officials confirmed to us they closed all recommendations related to this report on grant closeout.



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Selected Agencies Report an Increased Use of Unilateral Grant Closeout

Officials from Commerce and Justice also told us their respective agencies have developed training guides for grantees or awarding agency grant managers. NOAA officials told us they conducted grants workshop training for grantees and provided training materials on grant closeout. For example, NOAA training materials provide information on grant closeout topics including Commerce closeout policies and regulations, responsibilities of the grantee and awarding agency, closeout checklists, definitions, and a list of closeout issues for grant managers to raise awareness for potential challenges.<sup>65</sup> Justice also placed an emphasis on developing closeout training for grantees and awarding agency grant managers. Officials from OJP, the Office on Violence Against Women, and the COPS Office, which represent all of Justice's grant-making agencies, said their respective offices provide closeout training and financial management training for grantees. For example, the OJP training guide covers closeout topics such as the OJP closeout process and time frame, key grant closeout terms and definitions, responsibilities, and a step-by-step guide to assist the grantee in using the closeout module in the GMS to close the grant. By developing training and information resources for both grantees and awarding agencies, these agencies are using training as a method of informing all grant stakeholders of the importance of a timely grant closeout.

OMB's 2012 Controller Alert advised grant-making agencies to consider establishing policy and procedures for unilaterally closing out expired grants. Selected agency officials also told us they have implemented various internal policies that address administrative obstacles which can cause grantees to fail to meet the terms of the agreement and delay grant closeout processing. For example, Commerce officials said they implemented a policy in 2013 that allowed the grants officer to carry out an administrative closeout of expired and unexpired awards when the recipient was no longer in existence or the recipient was unresponsive to

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<sup>65</sup>In 2013, NOAA developed training materials for grant managers that identified issues that could prevent a timely grant closeout. This included late or incomplete grantee reports, issues related to indirect costs, grantee failure to sign documents, late progress report certifications, understanding the difference between award and closeout extensions, grantee failure to make the final drawdown of funds, grantee not meeting cost share requirements, grantee failing to return excess funds, and issues involving the deobligation of funds.

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attempts to make contact.<sup>66</sup> OJP, COPS, and the Office on Violence Against Women use a similar policy to carry out an administrative closeout of grant awards in which the grantee was unable or unwilling to complete the requirements of the award. Under this policy, Justice officials said the closeout process was initiated by either the grant manager or automatically by GMS for an expired grant that reached 91 days past the grant period of performance end date. NASA has an administrative closeout policy that enables the grant officer to initiate a closeout within 270 days of the end of the period of performance if the recipient is not cooperating with the terms of the award.<sup>67</sup> HHS officials explained that unilateral closeout exists as an option for closing awards, but it is used infrequently and judiciously. HHS officials noted that nuanced analysis and detailed communication should occur prior to exercising a unilateral closeout to avoid negatively impacting recipients that are cooperating. In situations where attempts to contact a recipient are unsuccessful, or when an agreement cannot be reached with a recipient, unilateral closeout is a tool of last resort when HHS operating divisions have not been successful in obtaining acceptable final reports from grant recipients.

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## OMB Does Not Monitor Selected Agencies' Reporting of Undisbursed Balances in Expired Grants

From fiscal year 2010 through 2016, the Appropriations Act for Commerce, Justice, Science and Related Agencies has required that OMB instruct any department, agency, or instrumentality of the United States receiving funds appropriated under the act to track undisbursed balances in expired grant accounts and include these balances in its annual performance plan and performance and accountability reports. In response to these laws, in 2010 and 2011 OMB issued instructions for tracking and reporting on undisbursed grant balances to these affected federal agencies. However, according to OMB staff and officials at the affected agencies we interviewed, OMB had not issued any instructions on reporting these balances since 2011, and OMB staff did not think that restating additional guidance was necessary given the language in the selected agencies' appropriations acts. OMB staff explained that they did

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<sup>66</sup>This policy does not apply to unexpired awards where the recipient is in existence but is materially noncompliant with the terms and conditions of the award. The policy also does not apply to recipients that are a party to an active bankruptcy case.

<sup>67</sup>NASA award closeout policy states "a recipient is considered non-compliant with the terms and conditions of an award when they do not provide acceptable final reports by the identified due date or an extension granted."

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not conduct a detailed review of agency reporting of undisbursed balances in expired grant accounts.

Our review included four of the affected agencies under this appropriations act—Commerce, Justice, NASA, and NSF. While all four agencies demonstrated that they have internal policies in place to review expired grants and undisbursed balances, only Justice and NSF have continually reported these undisbursed balances in expired grant accounts. NASA stopped reporting these balances in its annual performance reporting after fiscal year 2011, and Commerce stopped reporting them after fiscal year 2012. They both cited a lack of guidance from OMB related to reporting undisbursed balances in expired grants as the reason why they stopped reporting.

Our previous work has found that reporting on the status of grant closeouts in annual performance reports can raise the visibility of untimely grant closeout within federal agencies. It can also lead to improvements in grant closeouts and reduce undisbursed balances in expired grant accounts.<sup>68</sup> These reports help the President, Congress, and the American people assess agencies' accomplishments for each fiscal year by comparing agencies' actual performance against their annual performance goals, summarizing the findings of program evaluations completed during the year, and describing the actions needed to address any unmet goals. For example, in accordance with the appropriations act, both Justice and NSF have been reporting undisbursed balances in expired grant accounts in their agency performance reporting since 2010. These reports clearly point to the number of expired grants and the amount of related undisbursed grant balances. Specifically, in fiscal year 2012, NSF reported \$184.5 million in undisbursed balances in almost 8,000 expired grants. In fiscal year 2015, NSF reported an undisbursed balance of \$72.3 million in approximately 4,400 expired grant accounts. However, as we noted above, NASA and Commerce have not been reporting these balances as required since fiscal years 2011 and 2012, respectively. As a result of OMB not recognizing the language in the appropriations acts as a requirement to instruct agencies to report these balances and NASA and Commerce not recognizing the language in the appropriations acts to report, the undisbursed balances in expired grant

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<sup>68</sup>[GAO-08-432](#).

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accounts for NASA and Commerce have not been reported since fiscal years 2011 and 2012, respectively.

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**OMB Issued Updated Guidance on Grant Closeout, but Lacks Specificity on Tracking and Reporting Undisbursed Balances in Expired Grant Accounts**

In July 2012, OMB issued a Controller Alert that instructed agencies to take appropriate action to close out grants in a timely manner. This alert asked all Chief Financial Officer Act agencies to consider the following:

- determine what closeout means for their programs;
- focus on closing out grants several years past their end date or having no remaining funds;
- establish policies and procedures to unilaterally close out grants;
- leverage internal control procedures outlined in OMB Circular No. A-123, *Management's Responsibility for Internal Control*, to minimize risk associated to not closing out grants in a timely manner; and
- monitor closeout activity to track progress in reducing the closeout backlog.

In December 2013, OMB consolidated its grants management circulars into a single document, OMB's Uniform Guidance. This consolidated guidance included some changes and clarifications for federal awarding agencies and non-federal entities receiving grant funds on grant closeout time frames and final adjustments to grantee reimbursable expenses.<sup>69</sup> The major change to grant closeout in the Uniform Guidance established the period of 1 year for federal awarding agencies to complete all closeout actions. It also clarifies that this closeout period begins after receipt and acceptance of all required final reports.

While the 2012 Controller Alert and the Uniform Guidance take steps in the right direction to increase government-wide awareness related to timely grant closeout, these alerts and guidance documents continue to lack instruction on tracking and reporting undisbursed balances in grant accounts eligible for closeout, as we recommended in 2008. At that time, in response to our recommendation, OMB stated that it did not believe that having agencies report on these balances in their performance

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<sup>69</sup>2 C.F.R. pt. 200, 78 Fed. Reg. 78,590 (Dec. 26, 2013).

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reporting would reduce undisbursed balances in expired grant accounts.<sup>70</sup> According to federal standards for internal control, information should be recorded and communicated to management and others within the entity who need it. It should also come in a form and within a time frame that enables the entity to carry out its internal control and other responsibilities.<sup>71</sup> Encouraging effective external communication on undisbursed balances in expired grant accounts would serve to further transparency efforts and promote informed decision making.

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## Conclusions

Grant closeout is an important final point of accountability for grantees that helps to ensure they have met all financial requirements and have provided final reports as required. Closing out grants also allows agencies to identify and redirect unused funds to other projects and priorities as authorized or to return unspent balances to the Treasury.

We have previously reported that agencies can improve their grant closeout process when they direct their attention to the issue and make timely grant closeout a high priority. We have also stated that tracking undisbursed balances in expired grant accounts, including the status of grant closeouts on annual performance reports, could raise the visibility of the problem within individual agencies and across the federal government. However, our analysis of PMS data indicates that expired grant accounts, and, in some cases, the undisbursed balances associated with these expired accounts, persisted as an issue for agencies in 2015. The number of expired grant accounts decreased since we last reported these data in 2012. However, the amount of undisbursed balances in expired grant accounts has increased. HHS has not effectively used PMS data to help target agency efforts toward closing accounts that have the largest undisbursed balances and is missing an opportunity to help agencies significantly reduce undisbursed balances and deobligate funds from expired grant accounts, consistent with its

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<sup>70</sup>OMB said it supported the intent of our recommendations to strengthen grants management by explicitly requiring federal agencies to track and report the amount of undisbursed grant funding remaining in expired grant accounts and that it believes agencies should design processes with strong internal controls to promote effective funds management for all types of obligations. OMB's comments did not indicate a commitment to implement our recommendations.

<sup>71</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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grant closeout policies to close out grants within 270 days of their expiration.

In January 2016, the GONE Act was signed into law. This act requires government-wide reporting of undisbursed balances in certain expired grants and provides a basis for government-wide reporting of these balances. In addition, OMB's implementation of Section 537 of the Commerce, Justice, Science, and Related Agencies Appropriations Act of 2010 and subsequent annual legislation creates a framework for such reporting. However, affected agencies have varied in the reporting of these balances and have said they need clearer instructions from OMB on where and how to report these balances. Effective implementation of grant closeout requirements in the GONE Act and appropriations acts depends on clear instructions for where and how to report this information and on appropriate agency policies for timely closeout. Improved grant closeout processes can in turn allow federal agencies to make better use of their appropriated funds.

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## Recommendations for Executive Action

We recommend that:

1. The Director of OMB resume instructing all affected and independent agencies receiving funds under the 2016 appropriations act to track and report undisbursed balances in expired grant accounts.
2. The Administrator of NASA resume reporting on the undisbursed balances in expired grant accounts in the agency's annual performance reporting.
3. The Secretary for the Department of Commerce resume reporting on the undisbursed balances in expired grant accounts in the agency's annual performance reporting.
4. The Secretary of HHS, to improve the enforcement of existing HHS Grant Policy Manual grant closeout guidance and reduce undisbursed balances in expired grant accounts, require all HHS grant-making operating divisions to take the following two actions:
  - identify grants expired for more than 1 year past their period of performance end date and to either close the expired grant in the Payment Management System or to determine why these grants are not closed; and
  - identify expired grant accounts designated for immediate closure by the Payment Management System and require these operating

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divisions to close the expired grant accounts in PMS or explain why these grants are not closed.

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## Agency Comments and Our Evaluation

We provided a draft of this report to the Director of the Office of Management and Budget; the Administrator of the National Aeronautics and Space Administration; the Assistant Attorney General for Administration of the Department of Justice; the Office of the Director of the National Science Foundation; and the Secretaries of the Departments of Commerce, Health and Human Services, and the Treasury. Commerce, HHS, NASA and OMB responded with written comments, which we have reprinted in appendixes III, IV, V, and VI, respectively. OMB concurred with the recommendation and said it will issue guidance to the heads of the Selected Agencies to report on balances in expired grant accounts in the agencies' fiscal year 2016 performance and accountability reports. In addition, OMB stated it is currently analyzing the requirements of the GONE Act and will be issuing government-wide guidance on the reporting of the required information by July 2016. NASA partially concurred with GAO's recommendation, saying it would resume reporting on undisbursed balances in expired grant accounts once guidance was provided by OMB. Commerce concurred with GAO's recommendation. HHS concurred with GAO's recommendations and said it will implement strategies, in accordance with the recommendations, to address and reduce grant closeout delays and further enhance compliance with HHS' Grants Policy Administrative Manual. Staff from OMB, HHS, Justice, NSF, and Commerce also provided technical comments, which were incorporated as appropriate. NASA and Treasury had no technical comments.

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We are sending copies of this report to the heads of the Departments of Health and Human Services, Treasury, OMB, Commerce, Justice, NASA, and NSF, as well as interested congressional committees and other interested parties. This report will also be available at no charge on the GAO website at <http://www.gao.gov>.

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If you or your staff has any questions about this report, please contact me at (202) 512-6806 or [sagerm@gao.gov](mailto:sagerm@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of our report. Key contributors to this report are listed in appendix VII.

A handwritten signature in black ink that reads "Michelle Sager". The signature is written in a cursive, flowing style.

Michelle Sager  
Director, Strategic Issues



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# Appendix I: Objectives, Scope, and Methodology

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This report examines (1) the extent to which there are undisbursed balances remaining in expired grant accounts in the federal government's largest civilian payment management system—the Payment Management System (PMS) administered by the Department of Health and Human Services (HHS); (2) the reasons selected agencies give for their grant accounts remaining open past their end dates; and (3) the extent to which the Office of Management and Budget (OMB) monitors agency progress with regard to tracking and reporting on undisbursed balances in expired grant accounts.

To address the first objective, we analyzed data from PMS administered by HHS's Program Support Center (PSC). Federal payment systems facilitate the transfer of cash payments from federal awarding agencies to grantees. Some agencies make grant payments directly to grantees using their own proprietary payment systems. Others enter into arrangements with payment systems that serve multiple agencies to make payments on their behalf. PMS was selected based on the following criteria:

- PMS provides payment services to other federal departments and entities. In 2015, offices from 12 federal departments and agencies used PMS for making grant disbursements.
- PMS accounts for a significant percentage of civilian federal grant disbursements. Based on fiscal year 2014 data, the most recent available at the time of our selection, PMS made about \$429 billion in grant disbursements, or 74 percent of all civilian federal grants disbursements in fiscal year 2014.

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## Analysis of Expired Grant Account Data from PMS

### Description of PMS

PMS is a centralized grant payment and cash management system, operated by PSC in the Division of Payment Management (DPM) at HHS. According to DPM, the main purpose of PMS is to serve as the fiscal intermediary between awarding agencies and the recipients of grants and contracts. Its main objectives are to expedite the flow of cash between the federal government and recipients, transmit recipient disbursement data back to the awarding agencies, and manage cash flow advances to grant recipients. PSC personnel operate PMS, making payments to grant recipients, serving as user/recipient liaisons, and reporting disbursement data to awarding agencies. Awarding agencies' responsibilities include

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entry of authorization data into PMS, program and grant monitoring, grant closeout, and reconciliation of their accounting records to PMS information. Awarding agencies pay PSC a service fee for maintaining accounts and executing payments through PMS. PMS continues to charge agency customers a servicing fee until a grant account is closed.

## PMS Closeout Reports

To update our previous analysis of undisbursed balances in expired grant accounts and provide a degree of comparability, we replicated the methodology used in our 2008 and 2012 reports.<sup>1</sup> To determine the amount of undisbursed balances in expired grant accounts, we analyzed PMS data from closeout reports PSC makes available to PMS customers each quarter. These closeout reports list all expired grant accounts that, according to the data system, have not completed all of their closeout procedures. A grant account is considered expired in PMS if (1) the grant end date is more than 3 months old, and (2) the latest date of disbursement was at least 9 months old. PMS does not close a grant account until instructed to do so by the awarding agency. For each grant account, the report includes such information as the identification number, the amount of funding authorized for the grant, the amount disbursed, and the beginning and end dates for the grant. The grant end date is a mandatory field completed by the awarding agency.

PSC provided us with the PMS quarterly closeout report for the end of fiscal year 2015 (September 30, 2015). PSC appended to the closeout data an additional field showing the applicable number from the Catalog of Federal Domestic Assistance (CFDA) for each grant account. We used the CFDA number provided by PSC to help determine which accounts to exclude from our analysis. The purpose of these exclusions was to avoid including accounts that would distort the calculation of undisbursed funds in expired PMS grant accounts and to provide comparability with our previous findings. Our criteria for excluding accounts were consistent with the methodology we used in our 2008 and 2012 reports. We excluded 127 programs from our review. We included programs that

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<sup>1</sup>GAO, *Grants Management: Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies*, [GAO-12-360](#) (Washington, D.C.: Apr. 16, 2012); and GAO, *Grants Management: Attention Needed to Address Undisbursed Balances in Expired Grant Accounts*, [GAO-08-432](#) (Washington, D.C.: Aug. 29, 2008).

- were grants or cooperative agreements;<sup>2</sup>
- had a time limit for spending;<sup>3</sup>
- had a zero or positive undisbursed balance;
- had a readily identifiable CFDA number and program description in the CFDA; and
- did not have special financial reporting procedures.

For reporting purposes, we separated data into two sets of expired grant accounts: (1) one set consisted of expired accounts for which all of the funds made available had been disbursed and (2) a second set of accounts included expired accounts with a positive undisbursed balance. To obtain an estimate of the total amount of fees paid for maintaining accounts with no undisbursed balances remaining, we requested data from PSC for all accounts that appear on the year-end fiscal year 2015 closeout report (i.e., as of September 30, 2015) with a unique accounting status symbol indicating that no undisbursed balances remained and that the awarding agency only needed to submit the final closeout code to PSC to finalize grant closeout. According to data provided by PSC, PMS users were charged a total of roughly \$29,000 September 2015 to maintain more than 5,900 expired grant accounts with no undisbursed balances remaining listed on the year-end closeout report.

#### Reliability Testing of PMS Data

To test the reliability of PMS closeout data, we (1) reviewed existing documentation related to PMS, including the most recent audit of the design and operating effectiveness of the system's controls, (2) interviewed officials responsible for administration of the database on data entry and editing procedures and the production of closeout reports, and (3) conducted electronic testing for obvious errors in completeness and accuracy. We discussed with HHS officials any known limitations associated with the data. According to HHS officials, no-cost extensions

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<sup>2</sup>Federal grants and cooperative agreements are forms of assistance authorized by statute in which a federal agency transfers something of value, such as money, to a party for a purpose, undertaking, or activity of the grantee that the government has chosen to assist. The distinction between these two forms of assistance is that substantial involvement is expected between the executive agency and the state, local government, or other recipient when carrying out the activity contemplated in a cooperative agreement, whereas such involvement is not expected in carrying out a grant agreement (see 31 U.S.C. §6304 and 31 U.S.C. §6305).

<sup>3</sup>According to HHS officials, some no-cost extensions that extend the grant period without changing the authorized amount of funding may not be reflected in PMS data. As a result, data may include some grants that have received an extension and are therefore not eligible for closeout.

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that extend the grant period without changing the authorized amount of funding may not be reflected in PMS data. As a result, PMS closeout reports may include grants that have received an extension and are therefore not eligible for closeout. No obvious errors in completeness and accuracy were identified during electronic testing. After conducting these assessment steps, we found that the PMS closeout data were sufficiently reliable for the purposes of this report.

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Review of Dormant Account Report Data from Treasury’s Automated Standard Application for Payments System

In our 2012 report, we included an analysis of data contained in “dormant account reports” that were provided to users of a second payment system, the Automated Standard Application for Payments (ASAP), administered by the Department of the Treasury (Treasury) and the Federal Reserve Bank. We were unable to include the results of a similar analysis of the data contained in the most recent dormant account report (dated October 2015) because the number of grant accounts identified was below the threshold at which we could report without potentially identifying the recipients.

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Review of Agencies’ Progress with Grant Closeout

To address our second objective and identify why selected agencies have expired grants open past their end dates, we collected and reviewed audit reports from GAO and inspectors general (IG) at the 24 Chief Financial Officers Act (CFO Act) agencies that focused on undisbursed funds in expired grants accounts and grant closeout.<sup>4</sup> We reviewed IG reports from the 24 CFO Act agencies from September 2011 to March 2015 in order to provide coverage of the major grant-making agencies and because this approach updated the review we performed as part of the work on our 2008 and 2012 reports, which included IG reports issued between 2000 and 2011. We also reviewed annual performance reports for all 24 agencies to determine how the major grant-making agencies

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<sup>4</sup>The 24 agencies identified in the CFO Act of 1990 are the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs, as well as the Agency for International Development, Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, National Science Foundation, Nuclear Regulatory Commission, Office of Personnel Management, Small Business Administration, and Social Security Administration. Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990), codified, in relevant part, as amended, at 31 U.S.C. § 901(b).

were reporting on undisbursed balances in expired grant accounts. We also reviewed available data on grant closeout from selected agencies.

We interviewed agency officials at selected grant-making agencies to determine reasons why grants remain open past their end date and determine to what extent there are promising practices related to grant closeout. Agencies selected for interviews reflect a mix of PMS customers, one from within HHS that, according to preliminary analysis of March 31, 2015 PMS data, had a large undisbursed balance. We also interviewed officials from the United States Department of Commerce, the United States Department of Justice, the National Aeronautics and Space Administration, and the National Science Foundation as agencies that have been instructed through their appropriations acts since 2010 to report on undisbursed balances in expired grant accounts.

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## Review of Relevant OMB Guidance and Appropriations Acts

To address our third objective and understand the extent to which OMB monitors agency progress with regard to tracking and reporting progress on reducing undisbursed balances in expired grant accounts, we reviewed relevant OMB guidance, including: *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and OMB Circular No. A-136, *Financial Reporting Requirements*. We reviewed two memorandums related to tracking undisbursed balances in expired grant accounts issued by OMB in 2010 and 2011 to selected agencies receiving funding under the Commerce, Justice, Science, and Related Agencies appropriations act, and the related appropriations acts from 2010 through 2016.<sup>5</sup> We also reviewed an OMB 2012 Controller Alert focused on timely grant closeout. We interviewed OMB staff on providing government-wide guidance for grants management and grant closeout and officials at the four agencies that reported undisbursed balances in expired grant accounts in 2010 and 2011 annual performance reports—the United States Department of Commerce, the United States Department of Justice, the National Aeronautics and Space Administration, and the National Science Foundation—to discuss their implementation of OMB’s instructions.

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<sup>5</sup>Pub. L. 111-117, div. B, title V, § 537, 123 Stat. 3158 (Dec. 16, 2009); Pub. L. 112-10, 125 Stat. 38 (Apr. 15, 2011); Pub. L. 112-55, div. B, title V, § 536, 125 Stat. 638 (Nov. 18, 2011); Pub. L. 113-6, div. B, title V, § 534, 127 Stat. 277 (Mar. 26, 2013); Pub. L. 113-76, div. B, title V, § 531, 128 Stat. 84 (Jan. 17, 2014); Pub. L. 113-235, div. B, title V, § 531, 128 Stat. 2215 (Dec. 16, 2014); Pub. L. 114-113, div. B, title V, § 530 (Dec. 18, 2015).

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# Appendix II: Federal Agencies Using the Payment Management System (PMS) as of April 2015

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## Department of Health & Human Services

Health Resources and Services Administration  
Food and Drug Administration  
National Institutes of Health  
Center for Disease Control and Prevention  
Substance Abuse and Mental Health Services Administration  
Indian Health Service  
Centers for Medicare & Medicaid Service  
Administration for Children and Families  
Administration for Community Living  
Agency for Healthcare Research & Quality  
Office of the Secretary/Assistant Secretary for Administration and Management

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## Department of Labor

Mine Safety and Health Administration  
Bureau of Labor Statistics  
Occupational Safety and Health Administration  
Veterans Employment and Training  
Employment and Training Administration

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## Department of Agriculture

Food Safety and Inspection Service  
National Institute of Food and Agriculture  
Agriculture Research Service  
Forest Service  
Office of Advocacy and Outreach

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## Department of the Treasury

Internal Revenue Service

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## Department of State

Bureau of Educational and Cultural Affairs  
Bureau of Educational and Cultural Affairs Fulbright Commission, Europe  
Bureau of Educational and Cultural Affairs Fulbright Commission, Western Hemisphere  
Bureau of Educational and Cultural Affairs Fulbright Commission, East Asia  
Bureau of Educational and Cultural Affairs Fulbright Commission, Near East/South Asia  
Office of Global Partnership  
Bureau of Conflict and Stabilization Operations

Bureau of East Asian and Pacific Affairs  
Bureau of Oceans and International Environmental Scientific Affairs  
Bureau of Democracy, Human Rights and Labor  
Bureau of International Narcotics and Law Enforcement Affairs  
Bureau of Administration, Office of Overseas Schools  
Bureau of Political-Military Affairs, Office of Humanitarian Demining Programs  
Bureau of Population, Refugees and Migration  
Bureau of Diplomatic Security – Multiple Regions  
Bureau of Diplomatic Security – South Asia  
Bureau of Diplomatic Security – Africa  
Bureau of Diplomatic Security – North East Asia  
Bureau of Diplomatic Security – Eastern Asia Pacific  
Bureau of Diplomatic Security – Western Hemisphere  
Bureau of Diplomatic Security – Europe  
Bureau of Diplomatic Security and Foreign Missions  
Bureau of European and Eurasian Affairs  
Bureau of Human Resources  
Bureau of Intelligence and Research  
Bureau of Near Eastern Affairs  
Bureau of Near Eastern Affairs – Iran Awards  
Bureau of Nonproliferation, Office of Export Control Cooperation  
Bureau of International Security and Nonproliferation  
Bureau of International Security and Nonproliferation, Office of Nonproliferation & Disarmament Fund  
Bureau of South and Central Asian Affairs  
Bureau of African Affairs  
Office of International Information Programs  
Office of Global Women's Issues  
Bureau of Economic and Business Affairs  
Bureau of Western Hemisphere Affairs – PDA  
Bureau of Western Hemisphere Affairs – PPC  
Bureau of Public Affairs  
Office to Monitor and Combat Trafficking in Persons  
Office of Policy, Planning, and Resources for Public Diplomacy and Public Affairs  
Office of Counterterrorism

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Department of Veterans  
Affairs

National Cemetery Administration  
Capital Asset Management  
Healthcare for Homeless Veterans  
Supported Services for Veteran Families

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Appendix II: Federal Agencies Using the  
Payment Management System (PMS) as of  
April 2015

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Office of National Veterans Sports  
Rural Veterans Coordination Pilot  
Highly Rural Transportation Grants

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Department of Homeland  
Security

Federal Emergency Management Administration  
Bureau of Customs and Border Protection  
Office of the Chief Procurement Officer

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Executive Office of the  
President

Office of National Drug Control Policy

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United States Agency for  
International Development

Agency for International Development

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National Aeronautics and  
Space Administration

Ames Research Center  
Armstrong Flight Research Center (Dryden Flight Research Center)  
Glenn Research Center  
Goddard Space Flight Center  
Headquarters  
Johnson Space Center  
Kennedy Space Center  
Langley Research Center  
Marshall Space Flight Center  
Stennis Space Center  
Management Office

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Corporation for National  
and Community Service

Corporation for National and Community Service

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Small Business  
Administration

Office of Women's Business Ownership



# Appendix III: Comments from the Department of Commerce



THE DEPUTY SECRETARY OF COMMERCE  
Washington, D.C. 20230

March 9, 2016

Mr. Tom James  
Assistant Director  
U.S. Government Accountability Office  
Washington, DC 20548

Dear Mr. James:

Thank you for the opportunity to review and comment on the Government Accountability Office's (GAO) March 2016 draft report to Congress regarding government-wide grants management titled *Grants Management: Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues* (GAO-16-362).

The Department of Commerce agrees with GAO's recommendation specific to the Department that we resume reporting on undisbursed balances in expired grant accounts in the Department's annual performance reporting. We will resume annual reporting of Undisbursed Balances in Expired Grant Accounts in two places: a) the Department's annual performance plan reporting; and b) the Department's annual Agency Financial Report.

If you have any questions, please contact Ellen Herbst, Chief Financial Officer and Assistant Secretary of Administration, at (202) 482-4951.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Andrews", is written over a horizontal line.

Bruce Andrews

# Appendix IV: Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation  
Washington, DC 20201

MAR 17 2016

Michelle Sager  
Director, Strategic Issues  
U.S. Government Accountability Office  
441 G Street NW  
Washington, DC 20548

Dear Ms. Sager:

Attached are comments on the U.S. Government Accountability Office's (GAO) report entitled, "*Grants Management: Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues*" (GAO-16-362).

The Department appreciates the opportunity to review this report prior to publication.

Sincerely,

A handwritten signature in cursive script that reads "Jim R. Esquea".

Jim R. Esquea  
Assistant Secretary for Legislation

Attachment

**GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S DRAFT REPORT ENTITLED: GRANTS MANAGEMENT: ACTIONS NEEDED TO ADDRESS PERSISTENT GRANT CLOSEOUT TIMELINESS AND UNDISBURSED BALANCE ISSUES (GAO-16-362)**

The Department appreciates the opportunity to review and comment on this draft report. HHS is dedicated to the proper management of grants awards and has extensive regulations and policies in place to assist with the management and monitoring of all aspects of the grants lifecycle, including ensuring the appropriate and timely closeout of grant awards. In effort to strengthen and streamline the already rigorous pre-award screening and post-award management of grant awards, HHS is working towards improving processes, data analysis, oversight, and workforce training related to closeout and other aspects of grants administration.

**GAO Recommendation**

Improve the enforcement of existing HHS Grants Policy Manual grant closeout guidance and reduce undisbursed balances in expired grants accounts, require all HHS grant-making operating divisions to:

- Identify grants expired for more than 1 year past their period of performance end date and to either close the expired grants in the in the Payment Management System or to determine why these grants are not closed; and
- Identify expired grant accounts designated for immediate closure by the Payment Management System (PMS) and require these operating divisions to close the expired grant accounts in PMS or explain why these grants are not closed

**HHS Response**

HHS concurs with GAO's recommendations. HHS will implement strategies, in accordance with the recommendations, to address and reduce grant closeout delays and further enhance compliance with HHS's Grants Policy Administration Manual.

In order to reduce undisbursed balanced in expired grants accounts, HHS will identify grants that have been expired for more than 1 year past their period of performance end date and require HHS's grants making operation divisions to either close the expired grants in the in the Payment Management System (PMS), or to determine why these grants are not closed.

Additionally, HHS will identify expired grant accounts designated for immediate closure by the PMS and require operating divisions to close the expired grant accounts in PMS or provide an explanation as to why the grants are not closed.

# Appendix V: Comments from the National Aeronautics and Space Administration

National Aeronautics and Space Administration  
Headquarters  
Washington, DC 20546-0001



March 8, 2016

Reply to Attn of:

Office of Procurement

Michelle Sager  
Director, Strategic Issues  
United States Government Accountability Office  
Washington, DC 20548

Dear Ms. Sager:

The National Aeronautics and Space Administration (NASA) appreciates the opportunity to review and comment on the Government Accountability Office (GAO) draft report entitled, "Grant Management: Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues" (GAO-16-362), dated February 23, 2016.

In the draft report, GAO makes one recommendation addressed to the NASA Administrator intended to better manage undisbursed grant balances. Specifically, GAO recommends the NASA Administrator:

**Recommendation 1:** Resume reporting on the undisbursed balances in expired grant accounts in the Agency's annual performance reporting.

**Management's Response:** Partially Concur. The Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, serves as the central point of reference for all Federal financial reporting guidance for Executive Branch agencies that are required to submit an audited financial report. NASA will continue to meet the OMB required reporting requirements and will resume reporting on the undisbursed balances in expired grant accounts once guidance is provided by the OMB.

**Estimated Completion Date:** Proposed action will be completed within the time requirements once identified by OMB.

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**Appendix V: Comments from the National  
Aeronautics and Space Administration**

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2

Once again, thank you for the opportunity to review and comment on this draft report.  
If you have any questions or require additional information, please contact Barbara  
Orlando at (202) 358-3911.

Sincerely,



William P. McNally

Assistant Administrator for Procurement

# Appendix VI: Comments from the Office of Management and Budget



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

THE CONTROLLER

March 15, 2016

Ms. Michelle Sagar  
Director, Strategic Issues  
United States Government Accountability Office  
441 G Street NW  
Washington, D.C. 20548

Dear Ms. Sagar:

Thank you for the opportunity to review the draft report, GAO-16-362, *Grants Management: Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues*. OMB concurs with the report recommendation to resume instructing all affected and independent agencies receiving funds under the 2016 appropriations act to track and report undisbursed balances in expired grant accounts.

As you know, in response to Section 537 of the Commerce, Justice, Science, and Related Agencies Appropriations Act of 2010, in October 2010, OMB issued a memorandum to the heads of the Departments of Commerce, Justice, National Aeronautics and Space Administration (NASA), and National Science Foundation (selected agencies), requiring the reporting of undisbursed balances in expired grant accounts in Agency Financial Reports and performance plans/budgets. Although OMB did not issue subsequent guidance to restate this requirement, this memo laid out these agencies' reporting responsibilities, which were not relieved in subsequent appropriations acts.

Since 2011, OMB has worked diligently on issues with a nexus to grant management and closeout. OMB issued a Controller Alert to these selected agencies in July 2012 that acknowledged that timely closeout of grants is an area of financial management that could be improved and instructed agencies to prioritize closing expired grants that are several years past their end date or have no remaining funds. Between 2011 and 2013, OMB worked collaboratively with the Federal and non-Federal grants community to develop and implement the Uniform Grant Guidance—adopted in December 2013, which consolidated eight OMB Circulars into a streamlined guidance for Federal awards to ease administrative burden and strengthen oversight to reduce risks of fraud, waste, and abuse. Among the many tenets of the guidance, it specifically established a consistent timeline for grant closeout within one year after receiving the final required reports, and provided specific direction to agencies to liquidate unobligated balances within 90 days (§ 200.343). OMB continues its efforts, in partnership with the Council of Financial Assistance Reform, to promote a unified approach to implementation on emergent and persistent issues in the Federal grants management arena.

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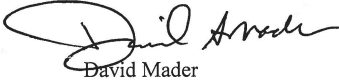
**Appendix VI: Comments from the Office of  
Management and Budget**

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In December 2015, Congress passed the FY 2016 Omnibus Appropriations Act, which reaffirmed the requirement of the 2010 Appropriations Act for the heads of the selected agencies, to report undisbursed balances in expired grant accounts in their FY 2016 Performance and Accountability Reports. In addition, on January 28, 2016, Congress passed the Grant Oversight and New Efficiency (GONE) Act, that requires a one-time report submission of all agencies listing each Federal grant held by the Agency that is expired more than two years. In light of these recent requirements, OMB will issue guidance pursuant to Section 530 of the FY 2016 Omnibus Appropriations Act to the heads of the Selected Agencies to report undisbursed balances in expired grant accounts in their FY 2016 Performance and Accountability Reports. In addition, OMB is currently analyzing the requirements of the GONE Act and will be issuing government-wide guidance on the reporting of the required information by July 2016.

We respectfully request that these comments be reflected in the final report. If you have any questions, please contact me at (202) 395-3895. Your staff may contact Karen F. Lee, Branch Chief for Management Controls and Assistance Branch, at (202) 395-8083.

Sincerely,

  
David Mader  
U.S. Controller

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# Appendix VII: GAO Contact and Staff Acknowledgments

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## GAO Contact

Michelle Sager, (202) 512-6806 or [sagerm@gao.gov](mailto:sagerm@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Thomas M. James (Assistant Director), Keith O'Brien (Analyst-in-Charge), Sara L. Daleski, Bertha Dong, and Michael Sweet made major contributions to this report. Other key contributors include Joy Booth, Michael Grogan, Kimberly McGatlin, Robert Robinson, and Cynthia Saunders.



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# Appendix VIII: Accessible Data

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## Agency Comment Letter

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Text of Appendix III:  
Comments from the  
Department of Commerce

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Page 1

THE DEPUTY SECRETARY OF COMMERCE

Washington, D.C. 20230

March 9, 2016

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Assistant Director

U.S. Government Accountability Office

Washington, DC 20548

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Sincerely,  
Bruce Andrews

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Text of Appendix IV:  
Comments from the  
Department of Health and  
Human Services

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Page 1

DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation

Washington, DC 20201

MAR 17 2018

Michelle Sager

Director, Strategic Issues

U.S. Government Accountability Office

441 G Street NW

Washington, DC 20548

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Sincerely,

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Jim R. Esquea

Assistant Secretary for Legislation

Attachment

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Page 2

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S DRAFT REPORT ENTITLED: GRANTS MANAGEMENT: ACTIONS NEEDED TO ADDRESS PERSISTENT GRANT CLOSEOUT TIMELINESS AND UNDISBURSED BALANCE ISSUES (GAO-16-362)

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Text of Appendix V:  
Comments from the  
National Aeronautics and  
Space Administration

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Page 1

National Aeronautics and Space Administration

Headquarters

Washington, DC 20546-0001

March 8, 2016

Reply to Attn of:

Office of Procurement

Michelle Sager

Director, Strategic Issues

United States Government Accountability Office

Washington, DC 20548

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Estimated Completion Date: Proposed action will be completed within the time requirements once identified by OMB.

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Page 2

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Sincerely,

William P. McNally

Assistant Administrator for Procurement

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Text of Appendix VI:  
Comments from the Office  
of Management and  
Budget

Page 1

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D. C. 20503

THE CONTROLLER

March 15, 2016

Ms. Michelle Sagar

Director, Strategic Issues

United States Government Accountability Office

441 G Street NW

Washington, D.C. 20548

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Page 2

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We respectfully request that these comments be reflected in the final report. If you have any questions, please contact me at (202) 395-3895. Your staff may contact Karen F. Lee, Branch Chief for Management Controls and Assistance Branch, at (202) 395-8083.

Sincerely,

David Mader

Data  
Tables/Accessible  
Text

**Accessible Text for Figure 2: Uniform Guidance Timeline for Federal Award Closeout Actions**

**Grant Award Period:**

Grant program period of performance

**Grantee Final Report Submission(90 days):**

Grantee must submit, no later than 90 calendar days after the period of performance end date, all financial, performance, and other reports. Federal awarding agency or pass-through entity may approve extensions when requested by non-federal entity. Grantee must liquidate all permissible expenses under the award, not later than 90 calendar days after the period of performance end date, unless an extension is granted.

**Federal Awarding Agency Processes Closeout(365 days):**

Federal awarding agency or pass-through entity should complete all closeout actions for awards no later than one year after receipt and acceptance of all required final reports.

Source: GAO analysis of 2 C.F.R. 200. | GAO-16-362

**Data Table for Figure 4: Number and Amount of Undisbursed Balances in Expired Payment Management System (PMS) Grant Accounts by Years Exceeding Grant Expiration Dates, September 30, 2011 and 2015**

Total PMS	FY 2011				FY 2015			
	Years exceeding grant expiration date	Number of Expired grant accounts	Undisbursed balances (\$ in millions)	% of total accounts	% of total balance	Number of Expired grant accounts	Undisbursed balances (\$ in millions)	% of total accounts
Total	10,548	794.4	100%	100%	8,832	993.5	100%	100%
< 1 year	546	75.9	5.2%	9.6%	143	36.4	1.6%	3.7%
1 < 3 years	5,553	403.0	52.6%	50.7%	5,603	461.8	63.4%	46.5%
3 < 5 years	3,458	204.6	32.8%	25.8%	2,044	309.2	23.1%	31.1%
5 < 10 years	876	101.4	8.3%	12.8%	819	147.0	9.3%	14.8%
10 years or more	115	9.5	1.1%	1.2%	223	39.1	2.5%	3.9%



**Data Table for Figure 5: Number and Amount of Undisbursed Balances in Expired Payment Management System (PMS) Grant Accounts by Size of Undisbursed Balances, September 30, 2011 and 2015**

Total PMS Size of undisbursed balances	FY 2011				FY 2015			
	Number of Expired grant accounts	Undisbursed balances (\$ in millions)	% of total accounts	% of total balance	Number of Expired grant accounts	Undisbursed balances (\$ in millions)	% of total accounts	% of total balance
< \$1,000	2,421	0.6	23.0%	0.1%	2,223	0.6	25.2%	0.1%
\$1,000 < \$10,000	2,921	12.8	27.7%	1.6%	2,292	9.9	26.0%	1.0%
\$10,000 < \$100,000	3,871	139.4	36.7%	17.5%	2,940	110.0	33.3%	11.1%
\$100,000 < \$500,000	1,053	213.3	10.0%	26.8%	1,036	228.1	11.7%	23.0%
\$500,000 < \$1 million	159	112.4	1.5%	14.1%	190	130.2	2.2%	13.1%
\$1 million or more	123	316.0	1.2%	39.8%	151	514.7	1.7%	51.8%
Total	10,548	794.4	100.0%	100.0%	8,832	993.5	100.0%	100.0%

**Data Table for Figure 6: Number and Amount of Undisbursed Balances in Expired Health and Human Services Grant Accounts in Payment Management System (PMS) by Years Exceeding Grant Expiration Dates, September 30, 2011 and 2015**

HHS Years exceeding grant expiration date	FY 2011				FY 2015			
	Number of Expired grant accounts	Undisbursed balances (\$ in millions)	% of total accounts	% of total balance	Number of Expired grant accounts	Undisbursed balances (\$ in millions)	% of total accounts	% of total balance
Total	8,262	594.7	100%	100%	7158	651.3	100%	100%
< 1 year	109	18.7	1.3%	3.1%	77	31.9	1.1%	4.9%
1 < 3 years	4,324	310.1	52.3%	52.1%	4970	376.1	69.4%	57.7%
3 < 5 years	3,070	179.4	37.2%	30.2%	1583	177.1	22.1%	27.2%
5 < 10 years	687	78.8	8.3%	13.3%	399	49.9	5.6%	7.7%
10 years or more	72	7.7	0.9%	1.3%	129	16.3	1.8%	2.5%

**Data Table for Figure 7: Number and Amount of Undisbursed Balances in Expired Administration for Children and Families (ACF) Grant Accounts in Payment Management System (PMS) by Years Exceeding Grant Expiration Dates, September 30, 2011 and 2015**

ACF	FY 2011				FY 2015			
	Years exceeding grant expiration date	Number of Expired grant accounts	Undisbursed balances (\$ in millions)	% of total accounts	% of total balance	Number of Expired grant accounts	Undisbursed balances (\$ in millions)	% of total accounts
Total	4,416	321.7	100%	100%	2,395	324.4	100%	100%
< 1 year	21	1.3	0.5%	0.4%	26	27.2	1.1%	8.4%
1 < 3 years	1,956	160.3	44.3%	49.8%	1,370	162.7	57.2%	50.2%
3 < 5 years	1,883	91.9	42.6%	28.6%	735	106.9	30.7%	33.0%
5 < 10 years	537	62.2	12.2%	19.3%	215	20.9	9.0%	6.5%
10 years or more	19	6.1	0.4%	1.9%	49	6.6	2.0%	2.0%

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## GAO's Mission

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