

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.

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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.