

## Why GAO Did This Study

In 2008, GAO reported that about \$1 billion in undisbursed funding remained in expired grant accounts in the largest civilian payment system for grants, PMS, operated by the Department of Health and Human Services' Program Support Center. GAO was asked to update its 2008 analysis evaluating: (1) the amount of undisbursed funding remaining in expired grant accounts, including the amounts that have remained unspent for at least 5 years or more and for 10 years or more; (2) issues raised by GAO and federal inspectors general related to timely grant closeout by federal agencies; and (3) actions OMB and agencies have taken to track undisbursed balances in grants eligible for closeout. To do this, GAO analyzed data from two federal payment systems disbursing 79 percent of all civilian federal grant awards—PMS and the ASAP system, which is operated jointly by the Department of the Treasury and the Federal Reserve Bank of Richmond. In addition, GAO also reviewed audit reports that it and federal inspectors general issued; relevant OMB circulars and guidance; and performance reports from federal agencies.

## What GAO Recommends

GAO recommends 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. OMB staff said that they generally agreed with the recommendations and will consider them as they review and streamline grant policy guidance.

View [GAO-12-360](#). For more information, contact Stanley J. Czerwinski at (202) 512-6806 or [czerwinski@gao.gov](mailto:czerwinski@gao.gov) or Beryl H. Davis at (202) 512-2623 or [davisbh@gao.gov](mailto:davisbh@gao.gov).

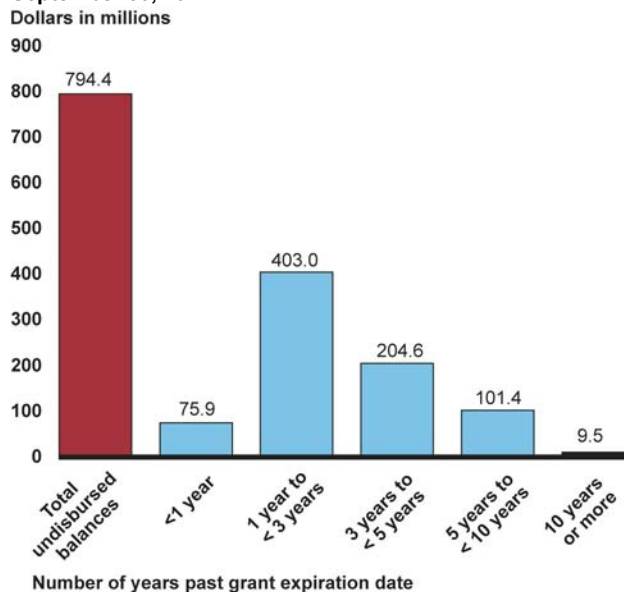
## GRANTS MANAGEMENT

### Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies

## What GAO Found

At the end of fiscal year 2011, GAO identified more than \$794 million in funding remaining in expired grant accounts—accounts that were more than 3 months past the grant end date and had no activity for 9 months or more—in the Payment Management System (PMS). GAO found that undisbursed balances remained in some grant accounts several years past their expiration date: \$110.9 million in undisbursed funding remained unspent more than 5 years past the grant end date, including \$9.5 million that remained unspent for 10 years or more (see fig. below). GAO also found \$126 million in grant accounts in the Automated Standard Application for Payments (ASAP) for which there had been no activity for 2 years or more, including \$11 million that remained inactive for 5 years or more. However, data from these two systems are not comparable because, unlike PMS, ASAP accounts can include multiple grant agreements between a federal agency and a grantee, only some of which may be eligible for closeout.

**Amount and Aging of Undisbursed Balances in Expired Grant Accounts in PMS as of September 30, 2011**



Source: GAO analysis of HHS PMS data.

GAO and agency inspectors general have raised concerns in audit reports about timely grant closeout. These reports found that some agencies lack adequate systems or policies to properly monitor grant closeout or did not deobligate funds from grants eligible for close out in a timely manner.

OMB issued guidance to certain agencies at the direction of Congress for reporting undisbursed balances in expired grant accounts that instructed agencies to report on expired appropriations accounts rather than grant accounts eligible for closeout. By focusing on grants eligible for closeout, OMB could better direct agency management toward grants in need of more immediate attention. Grant closeout makes funds less susceptible to fraud, waste, and mismanagement; reduces the potential costs in fees related to maintaining grants; and may enable agencies to redirect resources to other projects.