



United States General Accounting Office
Washington, DC 20548

Resources, Community, and
Economic Development Division

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March 2, 2000

The Honorable F. James Sensenbrenner
Chairman, Committee on Science
House of Representatives

Subject: National Institute of Standards and Technology: Carryover Balances for the
Advanced Technology Program

Dear Mr. Chairman:

This report responds to your request for information on the carryover balances of the Advanced Technology Program (ATP), which is administered by the National Institute of Standards and Technology (NIST) within the Department of Commerce. ATP, which began in 1990, makes competitive awards on a cost-sharing basis to industry for research and development projects considered to have significant potential for improving the competitiveness of U.S. industry and stimulating economic growth. From 1990 until December 1999, ATP had cofunded 468 projects at a cost of about \$1.5 billion in federal matching funds.

Carryover balances are essentially funds from prior fiscal years that an agency has either not yet obligated for a specific purpose—unobligated funds—or has obligated but not yet spent—unliquidated funds. While some carryover balances are necessary for an agency to fund multiyear research projects, total balances larger than necessary could possibly be available to offset an agency's budget request. Interested in carryover balances in ATP, you asked us to identify (1) such balances in the program for fiscal years 1995 through 1999 and (2) any balances that might exist at the end of fiscal year 2000 that could be used as offsets for NIST programs in the fiscal year 2001 budget.

Summary

ATP carried over balances in excess of \$400 million in each of the fiscal years 1995 through 1999. These balances remained at this level even though the program's annual budget authority was considerably reduced during that time—from \$341 million in fiscal year 1995 to \$197 million in fiscal year 1999. These balances remained above \$400 million for several reasons, including full (or forward) funding of multiyear projects that began prior to fiscal year 1997 and a backlog of projects that had been completed but for which funds had not been liquidated. By far the largest portion of ATP's carryover balances is the unliquidated funds—totaling \$309 million in fiscal year 1995 and \$333 million in fiscal year 1999. ATP has reduced the unobligated portion of its carryover balances from a high of \$136 million in fiscal year 1995 to a low of \$15 million in fiscal year 1997. In fiscal year 1999, the unobligated balance was \$68 million.

ATP officials estimate that the program will carry over approximately \$262 million at the end of fiscal year 2000, about \$36.5 million of which is expected to remain unobligated and available to offset NIST's 2001 budget request. The remaining \$225.3 million represents funds that have been obligated for projects but that will remain unliquidated (or unspent) at the end of fiscal year 2000. ATP officials explained that the unliquidated \$225.3 million will be needed for the continued funding of ongoing multiyear research projects. Our analysis of ATP project data confirms their explanation since funding carried over for ongoing projects represented about 88 percent of ATP's unliquidated balance at the end of calendar year 1999. They justify their estimate of the lower than usual balance on the basis of new procedures that NIST's Grants Office has put in place for more timely liquidation of account balances and the fact that a large number of projects will be ending and therefore liquidated in fiscal year 2000.

Background

ATP's mission is to accelerate the development of innovative technologies for broad national benefit through partnerships with the private sector. The cost-sharing program awards funds through cooperative agreements to both single for-profit companies and joint ventures of at least two separately owned for-profit companies. Universities, governmental laboratories, and independent research organizations can participate as subcontractors and, for joint ventures only, as partners, with some restrictions. Participants in one joint venture totaled 26 members. Single companies can receive up to \$2 million over 3 years. Joint ventures have a maximum of 5 years with no funding limitation other than the announced availability of funds. Therefore, the projects vary in time and cost. For example, one project for a single company ran about 21 months at a cost of less than \$1 million. Meanwhile, a joint venture project ran for 5 years at a cost of over \$31 million. Of the 468 projects as of December 31, 1999, 193 were ongoing, 236 had been completed, and 39 had been terminated before completion.

The Congress appropriates ATP's funding generally near the beginning of the fiscal year. Since fiscal year 1998, the Congress has specifically earmarked the amount of money for new awards, for the continuation of projects started in prior years, and for program administration. According to ATP officials, once the appropriation is finalized, ATP announces competitions for new awards, for which companies submit project proposals. ATP reviews the proposals and notifies the award recipients, at which point ATP obligates funds for the first year of the projects. Although ATP intends to carry projects through to completion, ATP decides annually whether to continue multiyear awards on the basis of satisfactory performance of the recipient and the availability of funds from the Congress. Once a project is completed, NIST's Grants Office closes out the project, and any remaining funds are deobligated.

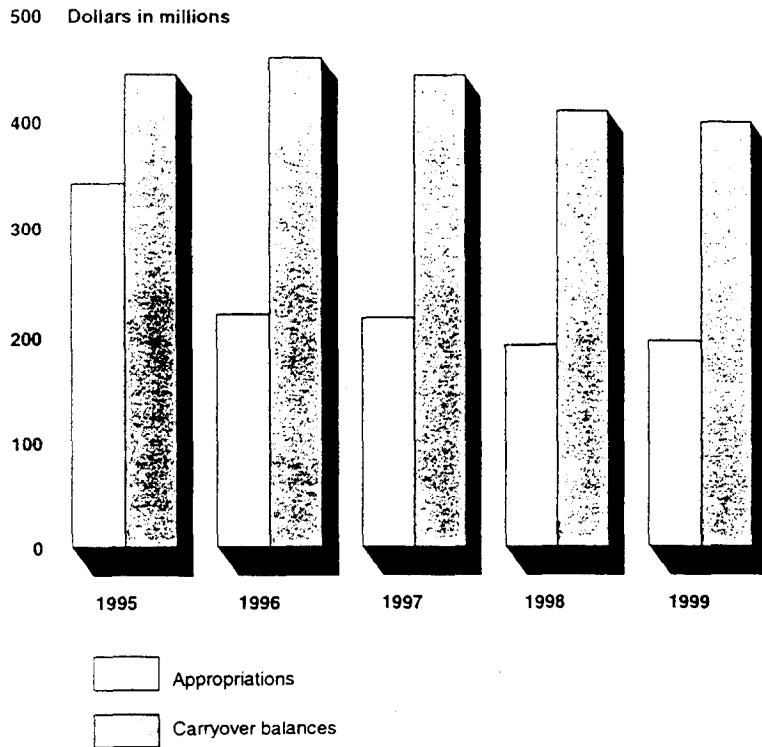
Carryover Balances From Fiscal Years 1995 Through 1999

ATP continued to carry balances in excess of \$400 million during each of fiscal years 1995 through 1999. Carryover balances at the end of fiscal year 1995 totaled \$445 million, and by the end of fiscal year 1999 the balances totaled \$401 million, a reduction of about 10 percent.¹ In the meantime, appropriations dropped from \$341 million for fiscal year 1995 to \$197

¹ See the related reports National Institute of Standards and Technology: Carryover Balances for Fiscal Year 1997 (GAO/RCED-97-144R, Apr. 30, 1997) and NIST's Unobligated Funds (GAO/RCED-95-166R, May 4, 1995).

million in fiscal year 1999—or about 42 percent.² The disparity between the carryover balances and appropriations is due in part to the previous forward funding of multiyear projects. During fiscal years 1995 and 1996, concern about the future of the program prompted ATP to obligate funds for the total amount of multiyear projects that were in progress, including ones from prior-year competitions. Thus, funds that were obligated might not be liquidated for several years. Also, according to officials, NIST's Grants Office has a backlog of projects that have ended but for which it has not received final bills from the recipients. So the funds for these projects continued to remain obligated pending receipt of final bills and were carried over from year to year. Figure 1 compares the appropriations to the carryover balances during this period.

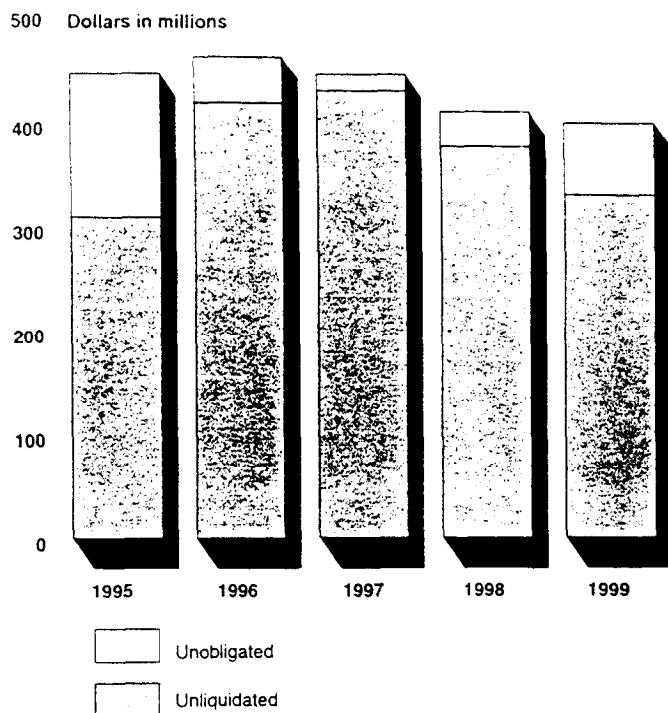
Figure 1: ATP's Annual Appropriations and Carryover Balances, Fiscal Years 1995 to 1999



Source: GAO's presentation of ATP's data.

Of the total carryover balances from fiscal years 1995 through 1999, ATP's unobligated balances varied from \$136 million in fiscal year 1995, to \$15 million in fiscal year 1997, to \$68 million in fiscal year 1999. Meanwhile, the unliquidated balances increased from \$309 million in fiscal year 1995 to as much as \$430 million in fiscal year 1997 before dropping to \$333 million in fiscal year 1999. Figure 2 shows both the unliquidated and unobligated amounts of ATP's carryover balances for fiscal years 1995 through 1999.

² These are the appropriations available to ATP after funds were rescinded.

Figure 2: ATP's Carryover Balances, Fiscal Years 1995 to 1999

Source: GAO's presentation of ATP's data.

Carryover Balances at the End of Fiscal Year 2000

At the end of fiscal year 2000, ATP officials estimate that the program will carry over approximately \$262 million from prior years' funding, about \$36.5 million of which is expected to remain unobligated and available to offset NIST's 2001 budget request. Approximately \$29 million of this represents award money ATP expects to deobligate from projects that have been completed or terminated.

The estimated \$225.3 million remaining represents funds that ATP has obligated for projects but that will remain unliquidated (or unspent) at the end of fiscal year 2000. ATP officials explained that most of the unliquidated funds will be needed for the continuation of ongoing research projects. Indeed, our analysis of ATP project data shows that, at the end of calendar year 1999, funding being carried over for ongoing projects represents about 88 percent of ATP's unliquidated balance. The rest represents small amounts being held for completed or terminated projects that are awaiting final billing to close out and liquidate the accounts.

The \$225.3 million unliquidated balance represents a considerable reduction from the prior 5 years' unliquidated balances, which totaled \$333 million in fiscal year 1999. Based on our analysis of ATP's historic spending rates, NIST officials agree that their expectation to reduce this balance by the end of fiscal year 2000 may be optimistic. Officials told us that one reason they expect a reduction is that they have expedited the process of closing out projects that are completed or terminated. In addition, the officials said that many multiyear projects funded in earlier years will be finishing up during the year and the companies will liquidate their award money. Our review of ATP's 193 ongoing projects shows that the projects started

at various times during fiscal years 1995 through 2000 and that many were scheduled to run 3 to 5 years. We agree that both of these factors are likely to reduce the unliquidated balance, but the reduction may not be as much as NIST officials anticipate.

We also note that the program will continue to carry substantial unliquidated balances at the end of each fiscal year because the liquidating (or spending) of award money by the recipients typically lags the awarding of such funds by ATP. For example, for a multiyear project awarded in 1998, the company may not start the project immediately or begin the regular drawdown of its funds until 1999 or later. ATP officials maintain that they need to have these funds because they have obligated them to the recipients and must be able to pay bills as they are submitted. The officials also say that they want to show recipients that they have stable funding through the full course of a project.


Agency Comments

We provided a draft of this report to the Department of Commerce for its review and comment. The Department had no comments on our report.

We did not verify the reliability of NIST's information on unobligated and unliquidated balances contained in the agency's accounting system. However, NIST's financial accounting system is the basis for its financial statements, which were recently audited and which received an unqualified opinion from an independent certified public accounting firm. We performed our work from October 1999 through March 2000 in accordance with generally accepted government auditing standards. (See enc. I for our detailed scope and methodology.)

We plan to distribute additional copies of this report to the appropriate congressional committees, to the Honorable William M. Daley, Secretary of Commerce; Raymond G. Kammer, Director, National Institute of Standards and Technology; Cita M. Furlani, Acting Director, ATP; and Johnnie E. Frazier, Inspector General, Department of Commerce. We will also make copies available to others upon request. If you have any questions about this report, please contact me at (202) 512-3841. Key contributors to this report were Robin Nazzaro, Casandra Joseph, and Anne McCaffrey.

Sincerely yours,



(Ms.) Gary L. Jones
Associate Director, Energy, Resources,
and Science Issues

Enclosure

Scope and Methodology

To determine the Advanced Technology Program's (ATP) carryover balances for fiscal years 1995 through 1999, we interviewed ATP and National Institute of Standards and Technology (NIST) grant officials, obtained relevant financial information for these years, and estimated the balance at the end of fiscal year 2000. We examined the unobligated and unliquidated balances for fiscal years 1995 through 1999, as well as the annual appropriations, rescissions, and obligations. We obtained and analyzed program, budget, procurement, and accounting information. We also reviewed the regulations, standards, and procedures concerning ATP and a Department of Commerce Inspector General review of the program's management.

To determine what the carryover balance might be at the end of fiscal year 2000, we asked ATP officials to estimate fiscal year 2000 unobligated funds and unliquidated obligations. We also estimated ATP's end-of-fiscal-year-2000 carryover balance. Specifically, we analyzed ATP's historical pattern of liquidating funds and used that pattern as our basis for estimating overall liquidations in the year 2000. To estimate the carryover balance, we then subtracted the estimated liquidations for 2000 from the actual total fiscal year 2000 funding resources available to ATP and discussed our fiscal year 2000 estimates with program officials. Then, to determine what balances might be available at the end of fiscal year 2000 to rescind or to offset funds for other NIST programs, we considered ATP's estimate of unobligated funds. We also obtained from NIST a database of all the ATP projects awarded since the program began in 1990 in order to review individual projects. To determine spending patterns by the awardees, we reviewed all 468 projects, including those that are ongoing and those that had been completed or terminated. We analyzed the funds awarded and the unliquidated funds being held for each of the fiscal years.

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