



Highlights of [GAO-08-432](#), a report to the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In 2006, the subcommittee concluded there was a need for increased accountability and transparency for unspent funds in federal programs and agencies, and requested GAO review the status of balances not drawn down by grantees by the time the grants' period of availability had ended. GAO was asked to answer these questions: (1) to what extent are there undisbursed grant balances in expired grant accounts and do they share any program characteristics?; and (2) do these expired grants share grant management challenges and how have federal agencies improved grant closeout and diminished undisbursed balances? To do this, GAO analyzed grant balance data from the largest federal grant payment system; reviewed grant management problems and corrective actions from more than 150 audit reports; and reviewed guidance from the Office of Management and Budget (OMB) and the Code of Federal Regulations.

What GAO Recommends

GAO recommends OMB instruct all executive departments and independent agencies to track undisbursed balances in expired grant accounts and report on the resolution of this funding in their annual performance plan and Performance and Accountability Reports. OMB said it supported the intent of our recommendations but did not specify whether it would implement them.

To view the full product, including the scope and methodology, click on [GAO-08-432](#). For more information, contact Stanley L. Czerwinski at (202) 512-6806 or czerwinskis@gao.gov.

GRANTS MANAGEMENT

Attention Needed to Address Undisbursed Balances in Expired Grant Accounts

What GAO Found

During calendar year 2006, about \$1 billion in undisbursed funding remained in expired grant accounts in the largest civilian payment system for grants—the Payment Management System (PMS). PMS is administered by the Department of Health and Human Services and makes payments for about 70 percent of grants and for 12 federal entities. Undisbursed funding is funding the federal government has obligated through a grant agreement, but which the grantee has not entirely spent. Among all of the expired grant accounts in PMS that remained open, these undisbursed funds typically represented about 1 percent of the total funds originally made available for these grants—meaning grantees had spent most of their available funds. However, when expired grant accounts with no funds remaining were excluded and the focus was narrowed to just expired grant accounts with undisbursed balances, GAO found the amount of undisbursed funding represented, on average, about 26 percent of the original funding made available. The expired but still open grant accounts were associated with thousands of grantees and over 325 different federal programs. GAO also found that expired grant accounts with the largest undisbursed balances in PMS for calendar years 2003 through 2006 shared a few common program characteristics. However, the results could not be compared to program characteristics for all closed federal grants or all closed grants using PMS, during this period, due to the burden of collecting comparable data for all closed federal grants from eight other federal civilian payments systems or for all closed grants from PMS.

Past audits of federal agencies by GAO and Inspectors General and annual performance reports by at least 8 federal agencies in 2006 and 2007 suggested that grant management challenges including grant closeouts and undisbursed balances are a long-standing problem. Closeout procedures ensure grantees have met all financial requirements, provided final reports, and that unused funds are deobligated. The audits generally attributed the problems to inadequacies in awarding agencies' grant management processes, including closeouts as a low management priority, inconsistent closeout procedures, poorly timed communications with grantees, or insufficient compliance or enforcement. However, when federal agencies, such as the Departments of Health and Human Services and Justice, and the Environmental Protection Agency, took corrective actions, there were improvements in grant closeouts and resolution of undisbursed funding. The actions taken by these three agencies generally focused on making grant closeouts a higher agency management priority, as noted in their recent performance reports, and on improving overall closeout processing. Using federal payment systems to track undisbursed funding in expired grant accounts and including the status of grant closeouts in annual performance reports could raise the visibility of the problem both within the agency and governmentwide, and lead to improvements in grant closeouts and minimize undisbursed balances. OMB circulars do not currently require federal agencies to track and report on undisbursed funding in expired grant accounts.