GAO Highlights

Highlights of GAO-16-26, a report to the Chairman, Committee on the Budget, House of Representatives

October 2015

2013 SEQUESTRATION AND SHUTDOWN

Selected Agencies Generally Managed Unobligated Balances in Reviewed Accounts, but Balances Exceeded Target Levels in Two Accounts

Why GAO Did This Study

Both the 2013 sequestration and government shutdown highlighted the importance of actively managing public funds. Effective management of unobligated balances that are carried over for use in the next fiscal year presents agencies with an opportunity to better respond to unexpected events in the future. GAO was asked to review how balances have changed since 2012. This report evaluates how selected agencies managed and used unobligated balances in reviewed accounts, focusing on fiscal years 2012 through 2014, which covers the 2013 sequestration and shutdown.

GAO selected a nongeneralizable sample of eight accounts from four agencies for this review—Commerce, Energy, NASA, and State—based on their use of balances to address sequestration and large or significant changes in the balances. GAO analyzed data on the size and composition of unobligated balances, reviewed agency documentation on managing the balances, and interviewed budget officials responsible for the accounts.

What GAO Recommends

GAO is recommending that Energy finalize and implement a strategy and that State finalize its strategy and continue efforts to ensure more effective management of unobligated balances in the WAPA CROM account and CBSP within the D&CP account, respectively. Energy and State concurred with GAO's recommendations. Commerce, Energy, and State provided technical comments which GAO incorporated; NASA had no comments.

View GAO-16-26. For more information, contact Susan J. Irving, Director for Federal Budget Analysis at (202) 512-6806 or irvings@gao.gov.

What GAO Found

GAO found that the selected agencies—the Departments of Commerce, Energy, and State, and the National Aeronautics and Space Administration (NASA)—generally managed and tracked unobligated balances to ensure the effective use of program resources in the eight reviewed accounts. Agency estimation and management of unobligated balances in the reviewed accounts involved the following activities:

- **Regular review of unobligated balances**. Agency officials for all of the eight reviewed accounts reported having a process for managing unobligated balances throughout the year. For example, officials managing NASA's Science account reported that they monitor unobligated balances monthly by considering obligations from the prior months.
- **Tracking the appropriation year of unobligated balances**. Officials reported that agencies tracked the year of appropriation for the five reviewed accounts that receive multi-year budget authority. This action is important to help ensure that the agency obligates the authority in the order appropriated to maximize resources. All five accounts had balances that expired during fiscal years 2012 through 2014; however, there can be various reasons for an agency to not obligate funds late in the fiscal year, and in some cases, special authority expands the use of certain budget authority. For example, for State's Diplomatic and Consular Programs (D&CP) and International Narcotics Control and Law Enforcement accounts, State has the authority to use expired funds beyond their initial period of availability for specific purposes and to extend the availability of certain funds.
- **Estimating and identifying needed unobligated balances**. Officials managing three of the eight reviewed accounts identified a need to retain unobligated balances to sustain agency operations and manage financial risk. For example, officials responsible for managing Energy's Western Area Power Administration (WAPA) Construction, Rehabilitation, Operation and Maintenance (CROM) account said that two of the account's four use categories have a target to carryover equal to or up to 25 percent of funds against unexpected environmental factors that could introduce financial risk to their mission of marketing hydroelectric power. However, in fiscal year 2014, the balance for one category exceeded its target by approximately $40 million. WAPA officials reported that they have drafted a strategy to manage excess balances, but the strategy has not been fully implemented. Similarly, in fiscal year 2014, within State's D&CP account, officials reported exceeding the target to carryover about 25 percent of projected program expenditures for the next year to manage complex global visa and passport operations for the Consular and Border Security Programs (CBSP) by approximately $440 million. State officials said that they have developed a draft strategy for reducing excess unobligated balances. Officials said that they plan to finalize the strategy by June 2016. In the meantime, they reported taking steps to reduce unobligated balances for CBSP. These steps include decreasing fees or delaying fee increases when unobligated balances were adequate to cover costs.

In accordance with Office of Management and Budget guidance, the selected agencies used unobligated balances in four of the reviewed accounts to mitigate the effects of the 2013 sequestration. The agencies also used unobligated balances to fund operations in six of the accounts during the October 2013 government shutdown.