

GAO Highlights

Highlights of [GAO-23-105700](#), a report to congressional requesters

Why GAO Did This Study

In FY 2021, federal agencies awarded more than \$1.2 trillion in grants to state and local governments. GAO has previously reported on significant amounts of undisbursed balances from expired grants—grants that agencies have not closed out on time. To help improve financial accountability over grant programs, various laws and directives have required federal agencies to report undisbursed balances from expired grants.

GAO was asked to update its prior work on grant closeout. Among other things, this report examines the extent to which selected agencies met reporting requirements for expired grants for FYs 2017 through 2021.

GAO selected five agencies—Commerce, HHS, DOJ, NASA, and NSF—based on criteria such as whether they were required to report under their appropriations act and the total dollars awarded to state and local governments. The grants awarded by these five agencies comprised about 51 percent of total awards in FY 2021. GAO reviewed legislation and agency documentation, and interviewed officials from the five agencies. GAO also reviewed OMB documentation and interviewed OMB staff.

What GAO Recommends

GAO is making three recommendations, including two to OMB to clarify its instructions for reporting on undisbursed balances, and one to DOJ to resume required reporting of expired grants with undisbursed balances. OMB neither agreed nor disagreed with the recommendations. DOJ agreed with the recommendation.

View [GAO-23-105700](#). For more information, contact Jeff Arkin at (202) 512-6806 or arkinj@gao.gov.

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GRANTS MANAGEMENT

Actions Needed to Improve Agency Reporting of Expired Grants

What GAO Found

Federal agencies that award grants must close out the grants—ensuring that all applicable administrative actions and all required work of the grant have been completed—within an allotted time frame, generally 1 year after the grant ends. Generally, until the grants are closed out, any undisbursed balance remains in the grant award and cannot be repurposed or canceled and returned to the Department of the Treasury.

The agencies in GAO's review fully met some requirements on expired grants but not others. Specifically, the Office of Management and Budget's (OMB) Circular A-136 requires federal agencies government-wide to report on expired grants with undisbursed balances annually. GAO found that all five of the selected agencies in its review—the Departments of Commerce, Health and Human Services (HHS), and Justice (DOJ); the National Aeronautics and Space Administration (NASA); and the National Science Foundation (NSF)—fully met applicable OMB Circular A-136 reporting requirements.

In addition, the Commerce, Justice, Science, and Related Agencies Appropriations Act (Section 530 requirements) requires affected federal agencies—including Commerce, Justice, NASA, and NSF—to report on expired grants with undisbursed balances annually. GAO found various instances where some agencies did not fully meet the reporting requirements because some aspects of OMB's guidance on the reporting requirements were unclear.

For example, Section 530 requires agencies to report on expired grants for the "preceding 3 fiscal years." Although OMB staff told GAO that agencies' annual reports should include the most recent fiscal year that ended in the year of the reports, OMB's guidance does not define the term "preceding." As a result, NASA's fiscal year (FY) 2021 report included data on expired grants from FYs 2018 through 2020, rather than from 2019 through 2021. Without OMB providing additional clarification about the Section 530 reporting requirements, agencies could continue reporting inaccurately.

Additionally, Section 530 requires agencies to report on the amount of undisbursed balances that may be returned to the Treasury. However, OMB's guidance instructs agencies to report on their process for identifying these balances rather than the amounts themselves. GAO found that only NASA complied with this Section 530 requirement. Commerce, DOJ, and NSF reported their process to identify undisbursed balances—consistent with OMB's guidance—but did not report the amount of undisbursed balances, as directed by Section 530. By providing revised guidance or instructions, OMB would help increase transparency for Congress and others of the amount of undisbursed balances that may be returned to the Treasury.

GAO also found that DOJ stopped explicitly reporting Section 530 information starting in FY 2019. DOJ interpreted OMB Circular A-136 as OMB's instructions for complying with both government-wide and Section 530 requirements. OMB staff confirmed that the two requirements are different. By not reporting this information, DOJ is providing incomplete information to Congress and the public.