



**Congressional
Research Service**

Informing the legislative debate since 1914

Delayed Federal Grant Closeout: Issues and Impact

name redacted

Analyst in American Federalism and Emergency Management Policy

September 12, 2014

Congressional Research Service

7-....

www.crs.gov

R43726

Summary

Federal outlays for grants to state and local governments have grown from \$15.4 billion in 1940 (in constant FY2009 dollars) to \$509.7 billion in 2013 (in constant FY2009 dollars). The number of congressionally authorized grant programs has also increased over time, with over 2,179 congressionally authorized grant programs currently being administered by federal agencies. Recently, congressional interest has focused on the efficient and effective management of federal grant programs. A recent congressional hearing evaluated the impact of alleged inefficient grant management which, according to a GAO report, resulted in more than \$794 million in undisbursed federal grant funds in expired grant accounts. GAO concluded that federal agencies needed to improve the timeliness of federal grant closeouts to address the undisbursed funds issue. However, there may be underlying causes, other than inefficient grant management, that might help to explain why undisbursed funds may end up in expired grant accounts. Furthermore, it is possible, if not likely, that the estimated amount of undisbursed funds in expired grant accounts may be inflated. While the undisbursed grant funds identified by GAO represent significantly less than 1% of annual outlays for grants to state and local governments, the existence of undisbursed grant funds in expired grant accounts is an indicator of a systemic grants management challenge; suggesting a lack of coordination between the financial and program management of federal grants.

This report is designed to assist Congress in its oversight of federal grants-in-aid programs by first providing a summary of relevant processes and authorities and then analyzing the causes of undisbursed grant funds in expired grant accounts. The report also presents congressional options to reform federal grant administration to increase the timeliness, reliability, and comprehensiveness of grant management-related information.

The analysis contained in this report concludes that delays in federal grant closeout may be attributed to unclear guidance from federal agencies; that the ability of a federal agency to reprogram undisbursed grant funds in expired accounts may be limited by the type of budget authority for that particular grant program; and that federal agencies struggle to reconcile grant administration systems and grant management systems. Among other potential consequences of this disconnect, inadequate reconciliation of grant management systems could result in inflated estimates of the amount of undisbursed grant funds in expired accounts and increasing the likelihood of inefficient administration of federal grants.

Contents

| | |
|---|----|
| Introduction..... | 1 |
| General Grant Management Process..... | 2 |
| Federal Grant Closeout Process..... | 2 |
| Role of OMB in Grant Closeout | 3 |
| Role of the Treasury in Grant Closeout..... | 3 |
| Responsibilities of the Federal Administering Agency in Grant Closeout..... | 3 |
| Responsibilities of the Primary Grant Recipient in Grant Closeout..... | 4 |
| Responsibilities of the Subgrant Recipient in Grant Closeout | 4 |
| Causes of Delays in Federal Grant Closeout | 4 |
| Limiting Budget Authority: Purposes and Period of Availability..... | 5 |
| Grant Recipient Delays in Completing Closeout Documentation..... | 5 |
| Federal Agency Delays in Processing Grant Closeouts..... | 6 |
| Challenges in Reconciling Grants Administration Systems and Cash Management Systems..... | 6 |
| Congressional Options..... | 7 |
| Reforming Financial Management Structure..... | 7 |
| Evaluating Oversight of Federal Grants | 7 |
| Grant Recipient Monitoring | 7 |
| Increasing Management and Administration Amounts..... | 8 |
| Incentivizing Agency Closeout..... | 9 |
| Expanding Agency Authority | 9 |
| Congressional Considerations..... | 9 |
| Changes in OMB Grant Guidance..... | 9 |
| Reforms to Administrative Requirements | 10 |
| Reforms to Cost Principles..... | 10 |
| Reforms to Audit Requirements | 10 |
| Impact of the Grant Guidance Reform on Delayed Federal Grant Closeout..... | 10 |

Figures

| | |
|--|---|
| Figure 1. Life Cycle of a Federal Grant..... | 2 |
| Figure 2. Federal Grant Funding Stream | 4 |

Appendixes

| | |
|--|----|
| Appendix. Relevant Financial Grant Management Laws | 11 |
|--|----|

Contacts

| | |
|---------------------------------|----|
| Author Contact Information..... | 12 |
|---------------------------------|----|

Introduction

Federal outlays for grants to state and local governments have grown from \$15.4 billion in 1940 to \$509.7 billion in 2013.¹ The number of congressionally authorized grant programs has also increased over time, with over 2,179 congressionally authorized grant programs currently being administered by federal agencies.² Recently, congressional interest has focused on the efficient and effective management of federal grant programs. As a result of this interest, Congress has asked the Government Accountability Office (GAO) to conduct investigations into the grants management practices of federal agencies. These investigations have shown that federal agencies struggle with conducting timely federal grant closeouts, ensuring appropriate internal controls in the oversight of federal grants, and need to establish better monitoring of federal grant recipients and subgrant recipients to reduce the risk of waste, fraud, and abuse. Delays in closing out federal grants result in delays in identifying points in the grants management process where waste, fraud, and abuse may be occurring. Failure to identify and resolve these weaknesses increases the likelihood of continued waste, fraud, and abuse.

Grant administration tasks, such as closing out federal grants, are necessary to ensure appropriate oversight of federal grant funds. Closing out federal grants involves reviewing all expenditures made under the grant to ensure that funds were spent appropriately and identifying unspent (i.e., undisbursed) funds that should be transferred back to the Department of the Treasury. GAO has reported that it found more than \$794 million in undisbursed federal grant funds in expired grant accounts administered by federal agencies and concluded that federal agencies needed to improve the timeliness of federal grant closeouts to address the undisbursed funds issue.³ While delayed federal grant closeout may contribute to the issue of undisbursed grant funds, there may be underlying causes, other than inefficient grants management, that might help to explain how undisbursed funds end up in expired grant accounts. Furthermore, it is possible, if not likely, that the estimated amount of undisbursed funds in expired grant accounts may be inflated. While the undisbursed funds identified by GAO represent significantly less than 1% of annual federal grant outlays to state and local governments, the existence of undisbursed grant funds in expired grant accounts is an indicator of a systemic grants management challenge. It suggests a lack of coordination between the financial and program management of federal grants.

This report is designed to assist Congress in its oversight of federal grants-in-aid programs by providing a summary of relevant laws, processes, and authorities. The report analyzes the causes of undisbursed grant funds in expired grant accounts and presents congressional options to reform federal grant administration to increase the timeliness, reliability, and comprehensiveness of grant management-related information.

¹ All amounts are in constant FY2009 dollars. U.S. Office of Management and Budget, *Fiscal Year 2015 Budget of the U.S. Government Historical Tables: Table 12.1 Summary Comparison of Total Outlays for Grants to State and Local Governments, 1940 -2019*, p. 258.

² U.S. General Services Administration, *Catalog of Federal Domestic Assistance*, accessed on June 13, 2014, at <https://www.cfda.gov>.

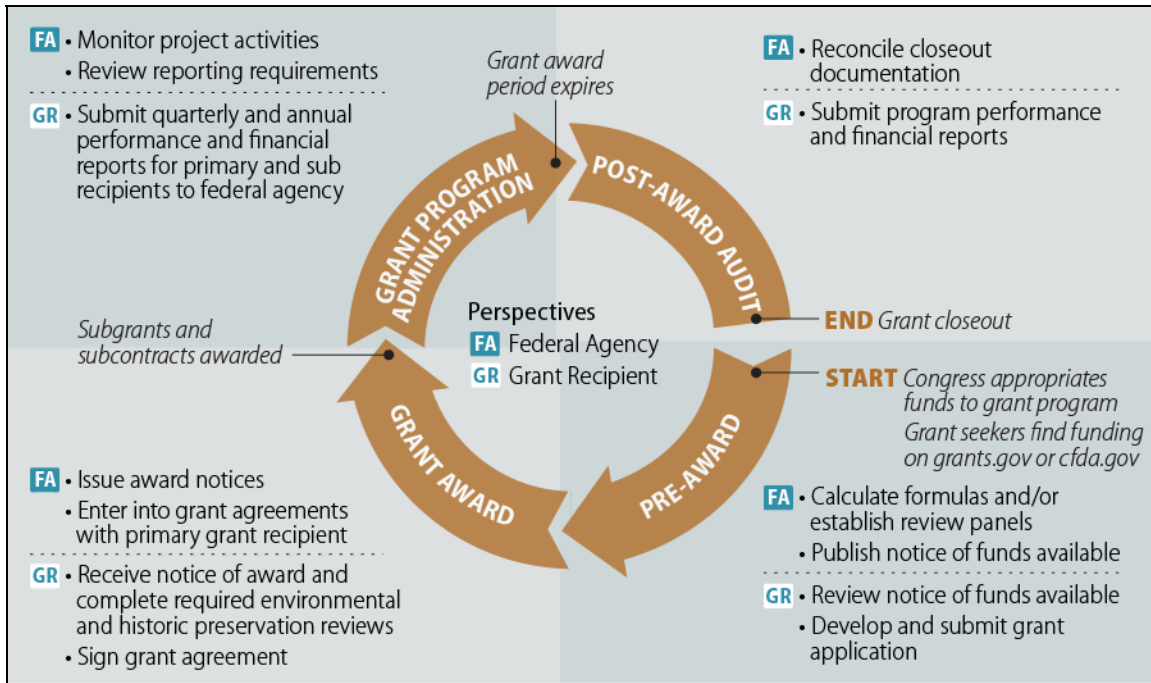
³ U.S. Government Accountability Office, *Grant Management: Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies*, GAO-12-360, April 2012, p. 11.

General Grant Management Process

The topic of undisbursed grant funds is a complex one, because it draws on specialized terms from the fields of grants and budgeting. Thus, it is necessary to explain relevant processes, uses, and relevant terms of art.

As detailed in **Figure 1**, the life cycle of a federal grant includes four stages: pre-award, grant award, grant administration, and post-award/audit.⁴

Figure 1. Life Cycle of a Federal Grant



Source: CRS analysis, June 25, 2014.

Federal Grant Closeout Process

When a grant reaches the end of the grant award period (also known as the grant end date), the grant account is identified as “expired” in the cash management system.⁵ GAO has further defined expired grant accounts as “those that remain open more than 3 months past the grant end date and for which there has been no disbursements in the preceding 9 months.”⁶ Undisbursed

⁴ Prior to these stages, Congress may appropriate budget authority to an agency for certain purposes (including a grant program) for a certain period of availability (e.g., one-year, multi-year, or no-year time windows).

⁵ Notably, an “expired” grant account is fundamentally different from an “expired” budget account. An expired grant account is established at the individual grant award level and is designated “expired” when the grant award period has elapsed and grant funds are no longer available to the grant recipient for new expenditures. An expired budget account is an account in which the budget authority has expired and the federal agency no longer has the authority to incur new obligations.

⁶ Government Accountability Office, *Grants Management: Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies*, GAO-12-360, April 2012, p. 10.

grant funds are those funds that have been obligated for a grant award but have not yet been expended by the grant recipient. Undisbursed grant funds in expired grant accounts are funds that have not been disbursed by the end of the grant award period as determined by the authorizing legislation or the grant agreement.⁷ At the end of a grant award period, the grant recipient and federal administering agency are required to “close out” the grant pursuant to the grant agreement. During the post-award/closeout phase, the grant recipient must meet a number of financial reporting requirements. These include submitting a final financial report, requesting final reimbursement for grant expenditures, and returning unspent grant funds.⁸ The federal agency has discretion in establishing the timeline for closeout procedures. Generally, the grant recipient is required to complete the financial reporting requirements identified in the grant agreement within 90 days of the end of the grant award period. The federal administering agency is required to process the closeout documentation within 90 days of receiving the closeout documentation from the grant recipient.⁹ There is some variation in this timeline across federal grant programs and agencies.

Role of OMB in Grant Closeout

The Budget and Accounting Act created OMB to undertake financial management functions. Under the provisions of the CFO Act, OMB established the Office of Federal Financial Management to improve financial management and financial systems, reduce improper payments, and improve grants management. OMB issues guidance to federal agencies on the grants closeout process. This guidance is in the form of circulars and memorandums to Chief Financial Officers (CFOs).

Role of the Treasury in Grant Closeout

The Department of the Treasury (Treasury) is responsible for disbursing grant funds to the primary grant recipient. After a grant award has been closed out, undisbursed funds are then transferred back to the Treasury.

Responsibilities of the Federal Administering Agency in Grant Closeout

Federal agencies exercise broad discretion in administering grant programs. Once a federal grant is awarded, the administering agency has the authority to place conditions on the grant award, commonly known as conditioning a federal grant. Conditions of a grant award generally include compliance with financial and performance reporting requirements and audit requirements. When the grant recipient does not comply with the conditions of a grant award, the grant recipient may face a range of consequences ranging from additional monitoring to debarment or suspension from eligibility for current and future grant awards. Generally, the determination of consequences for noncompliance is at the discretion of the administering federal agency.

⁷ Ibid, p. 9.

⁸ Unspent grant funds may be funds that were advanced to the grant recipient and were not used for purchases allowable under the grant agreement, or funds that were left over after purchases were made because the individual cost of the item was below the projected cost.

⁹ For example, see the U.S. Department of Health and Human Services regulations on grants closeout provided in 45 C.F.R. 92.50.

Responsibilities of the Primary Grant Recipient in Grant Closeout

The primary grant recipient, usually the state, is required to comply with the conditions of a grant award. This generally includes compliance with all relevant OMB circulars and performance reporting requirements of the federal agency. The primary grant recipient also must coordinate and submit subgrantee financial reports.

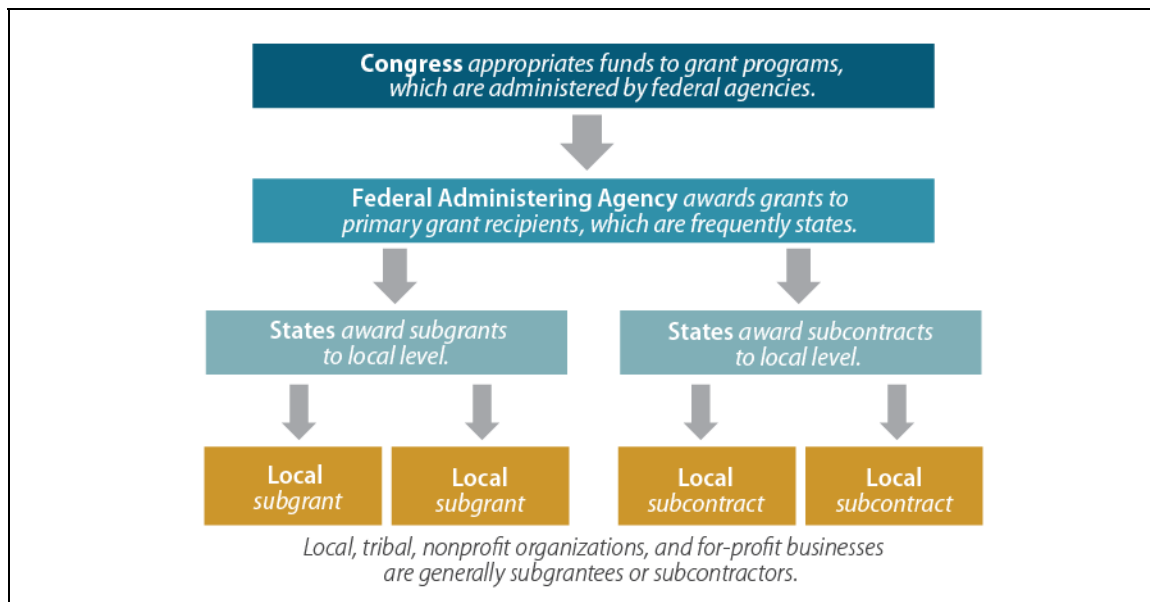
Responsibilities of the Subgrant Recipient in Grant Closeout

The states may award a grant to a subgrant recipient at the local level. The subgrant recipient must comply with the conditions of the grant award, which generally includes compliance with applicable OMB circulars. Subgrantees must also comply with any additional conditions the primary grant recipient places on the sub-award. This generally includes requirements to submit closeout documentation to the state in a certain format at a certain point in time, usually the end of the grant award period.

Causes of Delays in Federal Grant Closeout

In order to evaluate options to address undisbursed grant funds in grant accounts, it is arguably necessary to understand the primary causes of delays in grant closeouts. For example, delays in closing out a federal grant may occur when the grant recipient has not completed closeout documentation, or the federal agency has not processed the closeout documentation.

Figure 2. Federal Grant Funding Stream



Source: CRS Analysis, June 25, 2014.

As shown in **Figure 2**, federal grant funds pass through several entities before reaching the local level. While the primary grant recipient, frequently the state, is responsible for submitting

closeout documentation to the federal agency, the state often relies on the local subgrantee to submit documentation to the state before a federal grant can be closed out.

Limiting Budget Authority: Purposes and Period of Availability

Budget authority is the authority provided by federal law to federal agencies to enter into financial obligations that result in outlays involving federal government funds.¹⁰ Congress typically provides budget authority for a federal grant program through an appropriations act. The purpose for the funds and the period of availability varies across programs and agencies. Budget authority is divided by purpose and period of availability into budget accounts for the purposes of budget execution. A federal agency then obligates the funds pursuant to guidelines issued by OMB. The obligation of funds by an agency constitutes a definite commitment, making the government legally liable for the payment of goods and services ordered or received.¹¹ The budget authority expires once the statutory duration for which the funds were provided ends. For federal grant programs, the budget authority may be for one fiscal year, multiple fiscal years, or for an indefinite period (no-year authority) during which budget authority does not expire and funds continue to be available until expended.

The duration of a grant account does not necessarily align with the budget authority that funds it. For example, a grant program may be funded under no-year budget authority but the grant award period may be for only one fiscal year. The agency's authority to reprogram undisbursed grant funds in expired accounts may be limited by the type of budget authority provided for that particular grant program. When GAO conducted its analysis of grant close-out activities, which was discussed earlier, it did not specify the nature of the budget authority provided for the grant accounts it examined. As a result, it is unclear the extent to which the nature of the budget authority provided influences the amount of undisbursed grant funds in expired accounts.

Currently, it is difficult to identify the type of budget authority associated with all federal grant programs, so the extent to which budget authority may need to be revised to address grant closeout issues is unclear.

Grant Recipient Delays in Completing Closeout Documentation

Traditionally, grant recipients may delay completing grant closeout procedures due to a lack of resources or, as mentioned above, due to delays by subgrant recipients in submitting closeout documentation to the primary grant recipients. States cannot submit closeout documentation until all of the subgrant recipient documentation is received. Subgrant recipient closeout documentation may be delayed due to a lack of guidance from the primary grant recipient in proper closeout procedures, insufficient internal controls at the state level, or a lack of management and administration resources.¹²

¹⁰ U.S. Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP, Sept. 2005, p. 20.

¹¹ Ibid, p. 70.

¹² Examples of insufficient internal controls at the state level were identified in Inspector General investigations, anecdotal articles, and state audit reports, including the following: U.S. Department of Homeland Security, Office of Inspector General, *Annual Report to Congress on States' and Urban Areas' Management of Homeland Security Grant Programs, Fiscal Year 2011*, OIG-12-22, December 2011; Center for Investigative Reporting, *Homeland Security* (continued...)

Federal Agency Delays in Processing Grant Closeouts

Federal agencies may delay closing out expired grant accounts because of a lack of resources, ongoing disputes with grant recipients about allowable expenditures or matching requirements, or a lack of incentive to prioritize grant closeouts.

Given limited resources, it is possible that at least some federal agencies may have experienced delays in closing out federal grants because their resources were focused on expediting the processing of grant applications and award documentation. For example, under the American Recovery and Reinvestment Act of 2009 (P.L. 111-5), Congress directed agencies to expedite the awarding of specified federal grants.¹³ In many cases, agency personnel that process grant applications and award documentation are also charged with processing grant closeouts.

Ongoing disputes with grant recipients may include questions related to the expenditures made by the grant recipients, or documentation concerning matching requirements under the terms of the grant agreement. In some cases, federal agencies may receive closeout documentation from the primary grant recipient but cannot close out the grant until the grant recipient has complied with all of the provisions in the regulations.

Challenges in Reconciling Grants Administration Systems and Cash Management Systems

Federal agencies have discretion in determining the methods by which grant funds are administered. Most federal agencies use both a cash management system and a grants administration system and the two systems might not interface. Therefore, it is possible that the cash management system may show that a grant account as expired when, in fact, the grant end date has been extended in the grants management system. This could result in undisbursed grant funds being incorrectly categorized as “expired” because the grant recipient would still have the authority to expend funds from that account. Federal agencies offer grant extensions for a variety of reasons and this may be a fairly common occurrence for grant programs.¹⁴ As a result, any estimates of the amount of undisbursed federal grant funds in expired grant accounts are likely to be overstated if they do not take this into account.

Historically, grants management reform has occurred in the financial management component of federal grants. However, as highlighted by the existence of undisbursed grant funds in expired accounts, the program management elements may directly impact the effective financial management of federal grants.

(...continued)

Marked by Waste, Lack of Oversight, September 2009; State of California, *California State Auditor Report 2008-002*, May 2009; State of Nevada, *Department of Public Safety Division of Emergency Management Audit Report*, Sept. 10, 2008, p. 3; State of New Jersey, *Single Audit Report*, June 30, 2008, p. 75. Examples of potential embezzlement were identified in the following audit reports: State of Pennsylvania, *Special Investigation of Homeland Security Grant Funds Provided to the Northwest Central Pennsylvania Emergency Response Group*, March 2006, p. 5; State of Tennessee, *Comprehensive Annual Financial Report Bedford County, Tennessee*, June 30, 2008, p. 266. These documents are available from the author upon request.

¹³ P.L. 111-5. For a random example of language directing an agency to expedite funding, see 123 Stat 215.

¹⁴ For an example of the regulatory provisions on granting extensions for the availability of funds under a grant agreement, see 45 C.F.R., Part 92.30 for the U.S. Department of Health and Human Services grants.

Congressional Options

As discussed previously, there are several potential causes for delays in federal grant closeout. Therefore, several solutions may be necessary to provide the scope needed to resolve any recipient or agency delays in closing out federal grants. These solutions may include reforming the financial management structure, establishing mechanisms to increase congressional oversight of the monitoring activities of federal agencies and grant recipients, increasing the amount of federal grant funds that can be used by federal agencies and grant recipients for management and administration (M&A) of federal grants, and providing incentives for federal agencies to expedite grant closeouts.

Reforming Financial Management Structure

Congress has attempted to encourage collaboration within and across the financial and program management components of federal grants. However, often this collaboration has been isolated to specific council activities to identify lessons learned and make recommendations for ongoing collaboration. For example, the Recovery Board and the Transparency Board provided a forum for financial personnel and grants program personnel to come together to make recommendations. However, recent initiatives by OMB to task federal agencies with grants management and grants reform raise questions about whether there will be a mechanism for such collaboration in the future since agencies have been asked to evaluate the communication between financial and program personnel to identify ways to improve collaboration. Congress may wish to consider establishing a permanent structure for grants management and reform that encompasses both grants financial management and grants program management components.

Evaluating Oversight of Federal Grants

Once a federal grant has been awarded, federal agencies and primary grant recipients undertake several activities to monitor the grant. An inherent challenge in understanding the issues that arise from monitoring federal grants is defining what is meant by “monitoring.” The grants process generally includes two categories of grant monitoring: performance monitoring and financial monitoring. Performance monitoring includes activities such as the submittal and review of performance reports to indicate the extent to which the grant project is achieving the grant’s goals and objectives. Financial monitoring involves reviewing the disbursement of federal funds to determine the extent to which the costs were appropriate. While there are some monitoring activities that draw from both areas, generally performance monitoring can be used to measure the grant’s effectiveness while financial monitoring can be used to identify possible waste, fraud, and abuse. Currently there is not a government-wide, standardized policy regarding federal grant monitoring. Therefore it is difficult to determine best practices and to establish a baseline in order to develop a method for evaluating federal grant monitoring activities. Congress may wish to consider requiring the development of a standardized grant monitoring policy for federal grant programs.

Grant Recipient Monitoring

Federal agencies have broad discretion in determining the scale and scope of monitoring federal grant awards. This includes determining the type and frequency of monitoring activities and the

consequences of noncompliance. As discussed previously, once a grant recipient enters into a grant agreement with a federal agency, the recipient is required to comply with the terms and conditions set forth in the agreement.

The primary grant recipients, usually the states, also use grant agreements to award federal grants to the substate level. Conditions set forth in the grant agreement often include requiring the primary grant recipient to undertake specific activities for monitoring subgrant recipients. These activities include ensuring timely completion of performance plans and financial status reports, conducting site visits, and coordinating audits.

While there are general guidelines for some financial monitoring activities such as audits, how the audit findings are used by the federal agency and the degree to which the agency ensures that the corrective actions have been taken vary widely within and across federal agencies. Additionally, as discussed above, while federal agencies and grant recipients are required to conduct grant monitoring activities, there is a lack of standardized, government-wide policy regarding grant monitoring. In some cases, grant recipients may be found to be in noncompliance with the monitoring provisions in the grant agreement.¹⁵ When this happens, grant recipients are often required to develop corrective action plans to resolve the compliance issue. The consequences for noncompliance may include suspension or debarment from grant programs. It is generally left up to the discretion of the primary grant recipient and the federal agency administering the grant to assess the appropriateness of the corrective action plan and determine the consequences of noncompliance.

To increase federal agency monitoring activities, Congress may wish to require federal agencies to compile a unified list of grant recipients who are not in compliance with performance and financial reporting requirements. Currently, the list of noncompliant grant recipients is not centralized either within or across federal agencies. Additionally, while federal agencies may instruct noncompliant grant recipients to address grant management issues by issuing a corrective action notice, the federal agencies often do not follow up after the notice is sent to ensure that the specified corrective actions were taken. In addition to compiling the list of noncompliant grant recipients, federal agencies could be required to provide Congress with a status report of the corrective actions required by the grant recipient to become compliant with the terms of the grant agreement.

Increasing Management and Administration Amounts

Costs relating to monitoring activities are sometimes referred to as “management and administrative costs” (M&A). Generally, federal agencies receive a percentage of grant appropriations for M&A, though the percentage varies across and within grantor agencies. Grant recipients are generally allowed to use a percentage of grant awards for M&A to fund many of the monitoring activities. The allowable percentage of M&A for grant recipients also varies across and within agency grant programs. If Congress finds that there is a problem with grant management and closeout activities, it could provide incentives for federal agencies to improve their grant management and close out activities by establishing a higher, uniform percentage for M&A across all federal grant programs (or within functional categories) to ensure greater consistency in the allowable activities and portions of funds used by federal agencies and grant

¹⁵ For example, auditors may identify internal control weaknesses in the state audits.

recipients to conduct financial management activities for federal grants (i.e., adopt a carrot approach). Alternatively, Congress could also consider increasing the M&A percentages just for those programs identified as having grant management and/or grant closeout issues (i.e., adopt a targeted carrot approach). Or, Congress could require federal agencies to supplement existing funding for M&A activities from the agency's discretionary funds, or reduce funding for agencies that are identified as having grant management and closeout activity deficiencies (i.e., adopt a stick approach).

Incentivizing Agency Closeout

Federal agencies have asserted that there is limited capacity to conduct grant closeout activities due to reductions in appropriations which, in turn, reduced the amount of M&A available to complete grant closeouts. During the closeout phase, federal agencies are able to identify undisbursed grant funds that may be available for reprogramming for other grant-related purposes, depending on the budget authority of the grant program. If Congress finds that there is a problem with grant management and close out activities, it could consider incentivizing federal agencies to expedite grant closeouts by allowing the agency to reprogram recaptured funds identified when grant accounts are closed out.

Expanding Agency Authority

The budget authority provided by Congress may limit the ability of a federal agency to reprogram funds recaptured during the closeout of expired grant accounts. In order to reprogram grant funds, those grants would have to have multi-year, or no-year budget authority because funds that may be recaptured are traditionally identified during closeout at the end of the fiscal year. Unless the law specified differently, providing one-year budget authority would result in those funds being returned to the Treasury. Once the budget authority allows for the reprogramming of funds, then Congress could determine what activities the federal agencies can fund when the captured funds are reprogrammed. These activities can vary widely, and Congress could allow broad agency discretion in determining the activities, or specifically direct recaptured funds for identified purposes, such as increasing monitoring of federal grants or increasing the oversight capability of the agency's Office of Inspector General.

Congressional Considerations

Changes in OMB Grant Guidance

On December 26, 2013, OMB published new guidance to implement reforms to federal policies relating to federal grant management, including administrative requirements, cost principles, and audit requirements. The new OMB guidance combines requirements from several existing OMB circulars into one document, the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.¹⁶

¹⁶ 2 C.F.R., Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230.

Reforms to Administrative Requirements

The final guidance consolidates the administrative requirements of several circulars into the uniform guidance.¹⁷ In addition to consolidating the circulars, the final guidance requires federal agencies to provide grant recipients with clear performance goals, indicators, and milestones, includes a new provision on internal controls, and expands guidance on grant closeout requirements.

Reforms to Cost Principles

The final guidance consolidates circulars that regulate cost principles for grant recipients, including general principles for determining allowable costs, cost allocation plans, and indirect costs.¹⁸

Reforms to Audit Requirements

The final guidance included new provisions relating to the audit requirements.¹⁹ These provisions include requiring federal awarding agencies to designate a senior agency official to oversee the audit resolution process and additional changes to audit resolution practices.

Impact of the Grant Guidance Reform on Delayed Federal Grant Closeout

Because the reform of the OMB grant guidance is a recent occurrence, it is unclear how the changes in guidance to federal agencies regarding federal grant closeouts and audit requirements may affect delayed closeout.

¹⁷ The uniform guidance consolidates circulars A-102, *Grants and Cooperative Agreements with State and Local Governments*; A-110, *Uniform Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*; and A-89, *Catalog of Federal Domestic Assistance*.

¹⁸ The uniform guidance consolidates circulars A-21, *Cost Principles for Educational Institutions*; A-87, *Cost Principles for State, Local, and Indian Tribal Governments*; and A-122, *Cost Principles for Non-Profit Organizations*.

¹⁹ Audit requirements are contained in circulars A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and A-50, *Audit Follow-Up*, which were consolidated under the final uniform guidance.

Appendix. Relevant Financial Grant Management Laws

Congressional interest in oversight of the financial aspects of federal grants is evident in at least six key legislative efforts to reform the federal financial management structure: the Budget and Accounting Act of 1921 (P.L. 67-13), the Single Audit Act of 1984 (P.L. 98-502), the Chief Financial Officers Act of 1990 (P.L. 101-576), the Federal Financial Assistance Management Improvement Act of 1999 (P.L. 106-107), the Federal Funding Accountability and Transparency Act of 2006 (P.L. 109-282), and the Digital Accountability and Transparency Act of 2014 (P.L. 113-101).

With these laws, Congress created a framework for government-wide leadership roles in federal financial management, established uniform requirements for audits of federal grants, and reformed federal financial management systems to create a financial leadership structure within federal agencies in an effort to ensure efficient management of federal funds.

Budget and Accounting Act of 1921²⁰

Among other things, the Budget and Accounting Act of 1921, as amended and currently codified in Title 31 of the U.S. Code, created the General Accounting Office, now known as the Government Accountability Office, to evaluate, investigate, and audit federal funds, including federal grant funds.

Single Audit Act of 1984²¹

The Single Audit Act of 1984, as amended, establishes uniform audit requirements for recipients of federal grant funds.²² The Single Audit Act sought to promote sound financial management, establish uniform requirements for audits of federal awards, promote efficient and effective use of audit resources, reduce the burden on state, local, and tribal governments, and ensure that federal departments and agencies rely upon and use the audit work.²³ The act allowed grant recipients to consolidate financial reviews into a single audit rather than conduct individual reviews for each federal grant award. OMB is tasked with developing policies, procedures, and guidelines for single audits. Audit findings are a critical activity in the financial monitoring of federal grants and can provide information to evaluate whether grant funds were used appropriately.

Chief Financial Officers Act of 1990²⁴

The Chief Financial Officers Act (CFO Act) reformed the financial management structure by providing broad authority to the Office of Management and Budget (OMB) to direct financial

²⁰ P.L. 67-13.

²¹ P.L. 98-502.

²² The act is codified at 31 U.S.C., Chapter 75.

²³ P.L. 104-156.

²⁴ P.L. 101-576, currently codified in Title 31 of the U.S. Code.

management, modernize financial management systems, and strengthen financial management reporting.²⁵

Federal Financial Assistance Management Improvement Act of 1999²⁶

Under the provisions of the Federal Financial Assistance Management Improvement Act of 1999 (FFAMIA), Congress set out to improve the effectiveness of grant programs, simplify grant reporting requirements, and foster greater coordination within and across federal agencies administering federal grants.²⁷

Federal Funding Accountability and Transparency Act of 2006²⁸

The Federal Accountability and Transparency Act of 2006 (FFATA), as amended, was enacted to expand oversight into federal spending by requiring OMB to establish a publicly available database containing award information for a variety of federal assistance, including grants and contracts. In response to this directive, OMB established USAspending.gov to provide a means of tracking the distribution of federal grant funds.²⁹

Author Contact Information

(name redacted)

Analyst in American Federalism and Emergency Management Policy
/redacted/@crs.loc.gov, 7-....

²⁵ U.S. General Accounting Office (now Government Accountability Office), *The Chief Financial Officers Act: A Mandate for Federal Financial Management Reform*, GAO/AFMD-12.19.4, p. 6.

²⁶ P.L. 106-107, as amended.

²⁷ P.L. 106-107, 113 Stat. 1486. For additional information on FFAMIA, see CRS Report R40610, *Federal Financial Management Reform: Past Initiatives and Future Prospects*, by (name redacted). The author of this report is retired from CRS. For questions regarding the contents of the report, please contact CRS analyst (name redacted).

²⁸ P.L. 109-282.

²⁹ For additional information on the history of FFATA, see CRS Report RL33680, *The Federal Funding Accountability and Transparency Act: Background, Overview, and Implementation Issues*, by (name redacted).

EveryCRSReport.com

The Congressional Research Service (CRS) is a federal legislative branch agency, housed inside the Library of Congress, charged with providing the United States Congress non-partisan advice on issues that may come before Congress.

EveryCRSReport.com republishes CRS reports that are available to all Congressional staff. The reports are not classified, and Members of Congress routinely make individual reports available to the public.

Prior to our republication, we redacted names, phone numbers and email addresses of analysts who produced the reports. We also added this page to the report. We have not intentionally made any other changes to any report published on EveryCRSReport.com.

CRS reports, as a work of the United States government, are not subject to copyright protection in the United States. Any CRS report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS report may include copyrighted images or material from a third party, you may need to obtain permission of the copyright holder if you wish to copy or otherwise use copyrighted material.

Information in a CRS report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to members of Congress in connection with CRS' institutional role.

EveryCRSReport.com is not a government website and is not affiliated with CRS. We do not claim copyright on any CRS report we have republished.