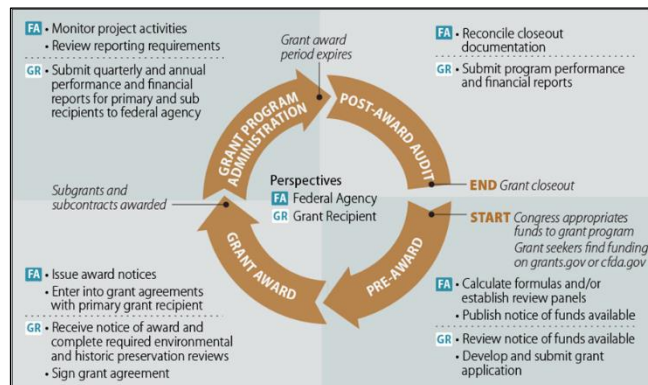


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Federal Grant Closeout

Federal grants provide significant financial resources to state and local governments, as well as to certain nonprofit organizations. As shown in **Figure 1**, there are several stages in the life cycle of a federal grant: the pre-award phase, grant award phase, grant project administration phase, and the post-award phase.

Figure 1. Life Cycle of a Federal Grant



Source: Congressional Research Service.

Notes: For more details, see CRS Infographic IG10075, *How Federal Grant Funds Flow*.

In the post-award phase, grant recipients submit closeout documentation, including performance and financial reports. The federal awarding agency then reviews that closeout documentation and determines any final actions.

This In Focus discusses a typical version of these federal grant closeout procedures, including required reports, timelines, and roles for federal awarding agencies and grant recipients.

Source of Closeout Procedure Guidance

Closeout procedures for federal grants are broadly established in 2 C.F.R. Part 200. 2 C.F.R. Part 200, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, establishes guidance for grant management across the federal government, although certain federal agencies have adopted modified versions as regulation. Grant closeout procedures are specifically laid out in 2 C.F.R. §200.344.

Grant Closeout Responsibilities

Grant closeout is the process by which a federal awarding agency, grant award recipient and, in applicable cases, subrecipient, determine that the recipient has completed all required work and administrative actions related to the grant award. During closeout, an awarding agency reconciles all disbursements made under the grant and closes all cash management and program management accounts. Closeout generally begins following the

completion of the award's period of performance, which is usually defined in the grant award agreement between the awarding agency and the recipient.

Broadly, a grant recipient's responsibilities related to closeout fall into three categories: financial closeout, reporting, and property disposition. Specific tasks include:

- submitting all final accounting requirements;
- ensuring all financial obligations have been incurred within the award period of performance;
- liquidating all financial obligations;
- making final determinations regarding the disposition of property purchased with federal funds;
- completing and submitting all final performance and financial reports; and
- contacting the awarding agency for any additional instructions.

The awarding agency's responsibilities related to closeout include:

- reviewing the recipient's closeout package and reports;
- determining if changes to final grant reporting are necessary;
- settling any repayments related to the grant award; and
- completing a final closeout of the award.

Financial Closeout

Generally, recipients must liquidate all financial obligations incurred under the grant award no later than 120 calendar days after the end date of the grant's period of performance. *Liquidation* is the process by which the recipient draws down (or requests payment from) funds awarded by the agency for obligations incurred under the award. *Financial obligations* refer to "orders placed for property and services, contracts and subawards made, and similar transactions that require payment by a recipient or subrecipient under a federal award." Subrecipients (entities that receive subawards through a recipient) have 90 calendar days after the end date of the subaward's period of performance to liquidate all financial obligations incurred under the subaward.

Required Reports

Recipients and subrecipients are required to submit several final reports to the awarding agency or to the recipient (in the case of a subrecipient) as part of closeout. These include a performance measurement report, federal financial report, tangible personal property status report, and real property status report. Generally, recipients have 120 calendar days after the end date of the grant's period of performance to submit all reports to the awarding agency, and subrecipients have 90 calendar days after the end date of the subaward's period of performance to submit the reports to the recipient.

The **performance measurement report** should show progress made towards the award's goals, objectives, and outcomes. Recipients must connect financial data related to the award to outcomes or performance accomplishments achieved through the award, and must provide information to demonstrate cost-effective practices pertaining to the award. There is not a standard, federal government-wide performance measurement form; rather, recipients follow awarding agency guidelines and award terms and conditions for reporting. Generally, recipients have 120 calendar days after the end date of the grant's period of performance to submit the performance measurement report to the awarding agency, and subrecipients have 90 calendar days to submit the report to the recipient.

The **federal financial report** contains details on disbursements made under the grant award, among other things. Federal grant award agreements often require recipients and subrecipients to submit periodic financial reports during the award's period of performance (before closeout), either quarterly, semi-annually, or annually.

The **tangible personal property report** collects information related to personal property (such as computers) obtained by the recipient under the grant award. As discussed below, recipients and subrecipients are required to dispose of property acquired under a grant award but no longer needed under guidance elsewhere in 2 C.F.R. Part 200.

The **real property status report** provides the status of real property (such as land) that was provided as government-furnished property or acquired in whole or in part under the grant award. The report must detail any real property in which the federal government retains an interest.

Property Disposition

Recipients and subrecipients are required to dispose of property acquired with grant funds that is no longer needed for the original purpose, as the federal government retains the interest in such property. Guidance for disposition is primarily laid out in 2 C.F.R. §200.310 through 2 C.F.R. §200.316. There are three methods of disposition available to recipients and subrecipients:

- the recipient/subrecipient retains the property title after compensating the awarding agency or, if the current fair market value of the property is \$10,000 or less, may retain, sell, or otherwise dispose of the property with no further responsibility to the awarding agency;

- the recipient/subrecipient sells the property to a third party and compensates the awarding agency for its contribution towards the original purchase of the property; or
- the recipient/subrecipient transfers the property title to the awarding agency or a third party approved by the awarding agency, provided that the recipient/subrecipient is compensated for its contribution towards the property's original purchase.

Final Procedures

The awarding agency and recipients must reconcile final accounts for the award. This includes determining if a final payment should be made from the awarding agency to the recipient or whether the recipient has unspent grant funds that should be returned to the awarding agency. The awarding agency should complete closeout within one year of the recipient's submission of all closeout reports. Recipients are expected to keep records pertinent to the award for three years after submitting final closeout reports.

Congress and Closeout

Congress has acted previously with respect to grant closeout. The Grants Oversight and New Efficiency Act (commonly referred to as the GONE Act, P.L. 114-117) required the Office of Management and Budget (OMB), in coordination with the Department of Health and Human Services, to instruct all federal agencies to submit a report to Congress that, among other things, provided the total number of agency grant awards, including the number of expired grants with zero dollar balances and undisbursed balances—in other words, the number of expired grants that had not been properly closed out. The law's committee report noted that there could be a financial cost to not closing out expired grants, citing a 2012 Government Accountability Office (GAO) report that found that the federal government's largest civilian payment system for grants was being charged approximately \$173,000 per month to maintain around 28,000 expired but unclosed grant accounts with zero dollar balances.

Over the years, observers have also noted some delays in grant closeout among executive agencies. Such delays can contribute to various issues, including undisbursed balances remaining in expired grant accounts. Congress may have an interest in continuing to monitor timely grant closeout among executive agencies.

Congress may also have an oversight concern in ensuring that awarding agencies comply with all grant reporting requirements, and that executive branch reporting guidance aligns with congressional directives. For example, the Commerce, Justice, Science, and Related Agencies Appropriations Act, 2021 (Division B of P.L. 116-260) stipulated that certain executive agencies report on expired grants for the "preceding 3 fiscal years." However, GAO found in 2023 that OMB guidance on grant reporting requirements did not make clear exactly which fiscal years the requirement applied to, leading to incomplete reporting from some executive agencies.

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