

CONTROLLER ALERT: Grants Closeout

This is the first in a series of Controller Alerts that are designed to bring your attention to emerging financial management issues that may require agency attention or action. These Alerts are designed to make sure that the CFO community is aware of key issues where OMB believes further action may be warranted, but do not constitute official guidance or include specific tasks for agencies beyond consideration of appropriate steps to address the issue.

In April 2012, the Government Accountability Office (GAO) issued a report entitled “GRANTS MANAGEMENT: Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies” ([GAO-12-360](#)). The report highlights potential consequences of not closing out grants in a timely manner. Specifically, the report notes:

- Grant funds could be more susceptible to fraud, waste, and mismanagement;
- Potential costs in fees related to maintaining grants could increase; and
- The ability to redirect resources to other projects may be negatively impacted.

GAO expressed particular concern with the large number of grant accounts that remained open even though the grants were several years past their end dates or did not have any remaining funds. In the report, GAO estimated that the total amount of funds in these expired accounts exceeded \$794 million.

Although we found examples of where the GAO report may have overstated the extent of the timely closeout issue, we agree with GAO that timely closeout of grants is an area of financial management that can be improved. Agencies should take appropriate action to closeout grants in a timely manner. To achieve this objective the following strategies should be considered:

- Establish strong program/CFO linkages to determine what timely closeout means for your programs and how to achieve it.
- Focus first on closing out expired grants that are several years past their end dates or have no remaining funds.
- Establish policy and procedures describing when it is appropriate for the agency to unilaterally closeout grants.
- Establish annual or semi-annual performance targets for timely grant closeout.
- Leverage internal control procedures per OMB Circular A-123 to mitigate risk associated with not closing out grants in a timely manner.
- Monitor closeout activity and track progress in reducing closeout backlog, if any.

If you have any questions regarding this alert, please contact Marguerite Pridgen at mpridgen@omb.eop.gov.