

Calendar No. 303

114TH CONGRESS }
1st Session }

SENATE

{ REPORT
114-169

GRANTS OVERSIGHT AND NEW EFFICIENCY
ACT

R E P O R T

OF THE

COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 1115

TO CLOSE OUT EXPIRED, EMPTY GRANT ACCOUNTS



NOVEMBER 30, 2015.—Ordered to be printed

U.S. GOVERNMENT PUBLISHING OFFICE

59-010

WASHINGTON : 2015

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

RON JOHNSON, Wisconsin, *Chairman*

JOHN McCAIN, Arizona	THOMAS R. CARPER, Delaware
ROB PORTMAN, Ohio	CLAIRE McCASKILL, Missouri
RAND PAUL, Kentucky	JON TESTER, Montana
JAMES LANKFORD, Oklahoma	TAMMY BALDWIN, Wisconsin
MICHAEL B. ENZI, Wyoming	HEIDI HEITKAMP, North Dakota
KELLY AYOTTE, New Hampshire	CORY A. BOOKER, New Jersey
JONI ERNST, Iowa	GARY C. PETERS, Michigan
BEN SASSE, Nebraska	

KEITH B. ASHDOWN, *Staff Director*

CHRISTOPHER R. HIXON, *Chief Counsel*

PATRICK J. BAILEY, *Chief Counsel for Governmental Affairs*

GABRIELLE D'ADAMO SINGER, *Deputy Chief Counsel for Governmental Affairs*

DREW C. BANEY, *Professional Staff Member*

GABRIELLE A. BATKIN, *Minority Staff Director*

JOHN P. KILVINGTON, *Minority Deputy Staff Director*

MARY BETH SCHULTZ, *Minority Chief Counsel*

PETER P. TYLER, *Minority Senior Professional Staff Member*

LAURA W. KILBRIDE, *Chief Clerk*

Calendar No. 303

114TH CONGRESS }
1st Session }

SENATE

{ REPORT
{ 114-169

GRANTS OVERSIGHT AND NEW EFFICIENCY ACT

NOVEMBER 30, 2015.—Ordered to be printed

Mr. JOHNSON, from the Committee on Homeland Security and Governmental Affairs, submitted the following

R E P O R T

[To accompany S. 1115]

The Committee on Homeland Security and Governmental Affairs, to which was referred the bill (S. 1115) to close out expired, empty grant accounts, having considered the same, reports favorably thereon with an amendment and recommends that the bill, as amended, do pass.

CONTENTS

I. Purpose and Summary	Page 1
II. Background and Need for the Legislation	2
III. Legislative History	3
IV. Section-by-Section Analysis	4
V. Evaluation of Regulatory Impact	4
VI. Congressional Budget Office Cost Estimate	4
VII. Changes in Existing Law Made by the Bill, as Reported	5

I. PURPOSE AND SUMMARY

The purpose of S. 1115, the Grants Oversight and New Efficiency Act (or “GONE Act”), is to identify certain expired grants. The bill as amended by a substitute amendment requires the Office of Management and Budget (OMB) to direct agencies, in coordination with the Secretary of Health and Human Services (HHS), to provide to Congress a list of certain expired grants held by federal agencies, and include a description of the reasons why the listed grants have not yet been closed. The expectation is that this identification will help lead to a reduction in the number of expired grants that have not been properly closed out from the financial payment systems. This will improve financial accountability over grant programs, and

save taxpayer money on costs associated with maintaining the grants in an open status.

II. BACKGROUND AND THE NEED FOR LEGISLATION

Delays by federal agencies in closing expired grants were highlighted in an April 2012 report by the Government Accountability Office (GAO).¹ The GAO identified more than eleven thousand grants that had remained active within two major multiagency payments systems, even though the grants were clearly inactive or past the end date of the grant period. In fact, the report noted that 115 of these grants were ten years past the end of the grant period. Further, the 2012 report identified nearly \$800 million in funding remaining in expired grant accounts upon review of just two payment systems.²

There is a financial cost associated with maintaining a grant in an open status, as opposed to closing the grant in a timely manner. GAO reported that for one multiagency grant payment system, the government was “. . . charged a total of roughly \$173,000 per month to maintain the more than 28,000 expired grant accounts with zero dollar balances listed on the year end closeout report.”³ GAO estimated that “. . . [o]verall, the total charges for all expired grants with a zero dollar balance would represent roughly \$2 million in fees if agencies were billed for these accounts for the entire year.”⁴ Furthermore, in another large payment system, GAO “found that more than \$126 million in undisbursed balances remained in dormant grant accounts—accounts for which there had been no activity for 2 years or more.” The GAO report also describes that delay in closing out grants means a higher risk in conducting important financial control steps, decreasing the ability to ensure accountability.⁵

On July 24, 2012, OMB issued a Controller Alert to federal chief financial officers, which cited GAO’s findings and indicated “. . . [a]gencies should take appropriate action to closeout grants in a timely manner.”⁶ The alert was issued a day before a Committee on Homeland Security and Governmental Affairs Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security hearing that took place the next day on grants management and the GAO’s report.⁷ During that hearing, then-OMB Controller Danny Werfel testified that he agreed with GAO’s position on the importance of improving the timeliness of grant award closeouts and ensuring that there are proper internal controls to oversee the grants.⁸

¹ U.S. GOVERNMENT ACCOUNTABILITY OFFICE, GAO-12-360, GRANTS MANAGEMENT: ACTION NEEDED TO IMPROVE THE TIMELINESS OF GRANT CLOSEOUTS BY FEDERAL AGENCIES 19 (2012), available at <http://gao.gov/assets/600/590926.pdf>.

² *Id.* at 11.

³ *Id.* at 19.

⁴ *Id.*

⁵ *Id.* at 11.

⁶ Office of Executive Councils, Chief Financial Officers Council, *Controller Alert*, (June 10, 2015), available at <https://cfo.gov/wp-content/uploads/2015/06/GRANTS-MANAGEMENT-Action-Needed-to-Improve-the-Timeliness-of-Grant-Closeouts-by-Federal-Agencies.pdf>.

⁷ *Assessing Grants Management Practices at Federal Agencies: Hearing Before the Subcomm. on Federal Financial Management, Government Information, Federal Services, and International Security of the Senate Committee on Homeland Security and Governmental Affairs*, 114th Cong. (July 25, 2012).

⁸ *Id.* (statement of Danny Werfel, OMB Controller).

On December 26, 2013, OMB significantly revised its guidance on the grants management process, which included a new section on closeout.⁹ OMB indicated the need for updated guidance to “increase the efficiency and effectiveness of Federal awards to ensure best use of the more than \$500 billion expended annually.”¹⁰ The OMB guidance reminded Federal agencies that they should be closing out grants within 90 calendar days following the end date of the period of performance.¹¹

There is little information available about the implementation of this OMB guidance. Moreover, delays in grants closeouts may, for many agencies, cost taxpayers unnecessary fees for maintaining expired accounts, and, for all agencies, can prevent the undisbursed funding from being returned to the Treasury.¹²

This bill, as amended by a substitute amendment, would address the need for improved information from federal agencies by requiring all federal agencies within 180 days of enactment to submit a report identifying certain grants that have not been closed.

III. LEGISLATIVE HISTORY

The GONE Act was introduced in the 113th Congress by Senator Deb Fischer. In the 114th Congress, Senator Deb Fischer and original cosponsor Senator Joe Manchin III introduced S. 1115 on April 28, 2015. Senator Ron Johnson joined as a cosponsor on June 11, 2015. The bill was referred to the Committee on Homeland Security and Governmental Affairs. The Committee considered S. 1115 at a business meeting on June 24, 2015.

During the business meeting, Senator Ron Johnson offered a substitute amendment, as modified, that required HHS, rather than the Council of the Inspectors General on Integrity and Efficiency, to submit a report on grant closeouts. The substitute amendment modified the reporting requirement so that it required the identification of grants expired more than two years, as well as making other technical changes. The modified substitute amendment was adopted by voice vote with Senators Johnson, McCain, Lankford, Ayotte, Ernst, Sasse, Carper, Tester, Baldwin, and Heitkamp present.

Senator Johnson’s second amendment modified the long title of the bill, and was adopted by voice vote with Senators Johnson, McCain, Lankford, Ayotte, Ernst, Sasse, Carper, Tester, Baldwin, and Heitkamp present.

The Committee ordered the bill, as amended, reported favorably by voice vote on June 24, 2015. Senators present for the vote on the bill were Senators Johnson, McCain, Lankford, Ayotte, Ernst, Sasse, Carper, Tester, Baldwin, and Heitkamp.

⁹ 2 C.F.R. § 200.454 (2015), available at <http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>.

¹⁰ Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 78 Fed. Reg. 78,590, 78,590 (Dec. 26, 2013).

¹¹ CONG. RESEARCH SERV., R43726, DELAYED FEDERAL GRANT CLOSEOUT: ISSUES AND IMPACT (Sept. 12, 2014) (on file with Committee Staff).

¹² GOV’T ACCOUNTABILITY OFFICE, GAO-12-360, GRANTS MANAGEMENT: ACTION NEEDED TO IMPROVE THE TIMELINESS OF GRANT CLOSEOUTS BY FEDERAL AGENCIES 18 (2012), available at <http://gao.gov/assets/600/590926.pdf>.

IV. SECTION-BY-SECTION ANALYSIS OF THE BILL, AS REPORTED

Section 1. Short title

This section provides the bill's short title, the "Grants Oversight and New Efficiency Act" or the "GONE Act."

Section 2. Identifying and Closing Out Expired Grants

Subsection (a) requires the Director of OMB to direct agencies to coordinate with the Secretary of HHS to submit to Congress, within 180 days, a report on each agency's remaining expired grant accounts. The agency's report must contain a list of each covered grant held by the United States Government, which is defined as a grant that is part of a government agency payment system and has not yet been closed out, recommend which covered grants should be closed, and explain why each covered grant has not been closed out. Agencies can use any existing multiagency data systems to complete the report. If an agency is unable to provide the required information in the report, there must be an explanation as to why, including any shortcomings with existing grant data systems.

Subsection (b) requires the head of each agency to notify the Secretary of HHS specifying if the agency has closed out grant awards associated with all of the covered grants. The head of the agency must notify the Secretary of HHS within a year of submitting the report outlined in subsection (a), and notify Congress within 90 days of notifying the Secretary of HHS.

Subsection (c) defines the terms, "agency," "close out," "covered grants," and "Secretary."

V. EVALUATION OF REGULATORY IMPACT

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory impact of this bill and determined that the bill will have no regulatory impact within the meaning of the rules. The Committee agrees with the Congressional Budget Office's statement that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

VI. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 31, 2015.

Hon. RON JOHNSON, *Chairman,*
Committee on Homeland Security and Governmental Affairs,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1115, the GONE Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matthew Pickford, who can be reached at 226–2860.

Sincerely,

KEITH HALL.

Enclosure.

S. 1115—GONE Act

S. 1115 would direct federal agencies to prepare reports on their efforts to close out financial accounts for expired federal grants. Information on the USASpending website maintained by the Treasury Department indicates that the government has awarded almost \$600 billion annually in grants over the past five years. In 2012, the Government Accountability Office reported that about 80 percent of all grants are provided through the Department of Health and Human Services (HHS) and Treasury payment systems and that undisbursed grants totaled about \$720 million in about 10,000 expired accounts. In 2012, the Office of Management and Budget (OMB) advised that agencies should take appropriate action to close out such accounts in a timely manner.

Under current law, agencies are required to track expired grant accounts. CBO anticipates that under S. 1115, some agencies' workloads would increase slightly. Based on information from OMB and HHS, CBO estimates that implementing S. 1115 would cost \$8 million over the 2016–2020 period, primarily for increased administrative costs related to the new reports; such spending would be subject to the availability of appropriated funds.

Enacting S. 1115 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

S. 1115 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Matthew Pickford. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

Because this legislation would not repeal or amend any provision of current law, it would make no changes in existing law within the meaning of clauses (a) and (b) of paragraph 12 of rule XXVI of the Standing Rules of the Senate.