



FEB - 5 2009

**TO:** Curtis L. Coy  
Acting Assistant Secretary  
Administration for Children and Families

**FROM:** Daniel R. Levinson *Daniel R. Levinson*  
Inspector General

**SUBJECT:** Review of Administration for Children and Families Grant Closeout Procedures  
(A-02-07-02000)

The attached final report provides the results of our review of the Administration for Children and Families (ACF) grant closeout procedures. Pursuant to Federal regulations and policy, ACF is required, as a general matter, to close grants within 180 days after the end of the grant period (the cutoff date).

Within ACF, the Division of Discretionary Grants of the Office of Grants Management or a Grants Management Regional Unit (discretionary office) administers discretionary grants, and the Division of Mandatory Grants of the Office of Grants Management (mandatory office) administers mandatory grants. The ACF Office of Financial Services, Division of Financial Integrity (DFI), assists the discretionary and mandatory offices in closing grants. Within the Department's Program Support Center, the Division of Financial Operations (DFO) is responsible for recording grant activity on the ACF general ledger, and the Division of Payment Management (DPM) is responsible for recording grant activity in the Payment Management System (payment system) and closing grants after receiving closeout instructions from the discretionary office or DFO. For a grant to be closed in the payment system, the grant award, expenditure, and drawdown amounts must be equal.

Our objective was to determine why ACF grants identified by DPM as eligible for closeout as of September 30, 2006, were not closed in the payment system by the cutoff dates.

The 9,877 grants identified by DPM as eligible for closeout as of September 30, 2006, which had unexpended balances totaling more than \$472 million, were not closed in the payment system by the cutoff dates for several reasons:

- For 6,742 discretionary grants, the discretionary office did not initiate closeout, either on its own or in conjunction with DFI, because of a staffing shortage. Closeout of the remaining 255 discretionary grants was initiated but not completed primarily because of

differences among the grant award, expenditure, and drawdown amounts in the payment system.

- For 2,676 mandatory grants, the mandatory office did not initiate closeout, either on its own or in conjunction with DFI, because the mandatory office had no grant closeout procedures or because the grant award, expenditure, and drawdown amounts in the payment system differed. Closeout of the remaining 204 mandatory grants was initiated but not completed primarily because the grant amounts were not in balance in the payment system.

The discretionary and mandatory offices, as well as DFO, lacked follow-up procedures to determine whether DPM had actually closed grants for which closeout was initiated.

We recommend that ACF use the information in this report to ensure that grants are closed in a timely manner and to eliminate the backlog of grants eligible for closeout.

In its comments on our draft report, ACF described actions that it had taken or planned to take to implement our recommendation.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Joseph J. Green, Assistant Inspector General for Financial Management and Regional Operations, at (202) 619-1157 or through e-mail at [Joe.Green@oig.hhs.gov](mailto:Joe.Green@oig.hhs.gov). Please refer to report number A-02-07-02000 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF ADMINISTRATION  
FOR CHILDREN AND FAMILIES  
GRANT CLOSEOUT PROCEDURES**



Daniel R. Levinson  
Inspector General

February 2009  
A-02-07-02000

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<http://oig.hhs.gov>

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Two divisions of the Department of Health and Human Services (HHS), Administration for Children and Families (ACF), are responsible for administering ACF grants. The Division of Discretionary Grants of the Office of Grants Management or a Grants Management Regional Unit (discretionary office) administers discretionary grants. The Division of Mandatory Grants of the Office of Grants Management (mandatory office) administers mandatory grants. The ACF Office of Financial Services, Division of Financial Integrity (DFI), assists the discretionary and mandatory offices in closing grants.

Within the HHS Program Support Center, the Division of Financial Operations (DFO) is responsible for recording grant activity on the ACF general ledger, and the Division of Payment Management (DPM) is responsible for recording grant activity in the Payment Management System (payment system) and closing grants after receiving closeout instructions from the discretionary office or DFO.

Pursuant to Federal regulations and policy, ACF is required, as a general matter, to close grants within 180 days after the end of the grant period (the cutoff date). For a grant to be closed in the payment system, the grant award, expenditure, and drawdown amounts must be equal.

### **OBJECTIVE**

Our objective was to determine why ACF grants identified by DPM as eligible for closeout as of September 30, 2006, were not closed in the payment system by the cutoff dates.

### **SUMMARY OF FINDINGS**

The 9,877 grants identified by DPM as eligible for closeout as of September 30, 2006, which had unexpended balances totaling more than \$472 million, were not closed in the payment system by the cutoff dates for several reasons:

- For 6,742 discretionary grants, the discretionary office did not initiate closeout, either on its own or in conjunction with DFI, because of a staffing shortage. Closeout of the remaining 255 discretionary grants was initiated but not completed primarily because of differences among the grant award, expenditure, and drawdown amounts in the payment system.
- For 2,676 mandatory grants, the mandatory office did not initiate closeout, either on its own or in conjunction with DFI, because the mandatory office had no grant closeout procedures or because the grant award, expenditure, and drawdown amounts in the payment system differed. Closeout of the remaining 204 mandatory grants was initiated but not completed primarily because the grant amounts were not in balance in the payment system.

The discretionary and mandatory offices, as well as DFO, lacked follow-up procedures to determine whether DPM had actually closed grants for which closeout was initiated.

## **RECOMMENDATION**

We recommend that ACF use the information in this report to ensure that grants are closed in a timely manner and to eliminate the backlog of grants eligible for closeout.

## **ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS**

In its comments on our draft report, ACF described actions that it had taken or planned to take to implement our recommendation. ACF's comments, except for technical comments, are included as Appendix B.

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A – NUMBER OF DAYS THAT GRANTS REMAINED OPEN AFTER  
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B – ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS

# INTRODUCTION

## BACKGROUND

Two divisions of the Department of Health and Human Services (HHS), Administration for Children and Families (ACF), are responsible for administering ACF grants. The Division of Discretionary Grants of the Office of Grants Management or a Grants Management Regional Unit (discretionary office) administers discretionary grants.<sup>1</sup> The Division of Mandatory Grants of the Office of Grants Management (mandatory office) administers mandatory grants.<sup>2</sup> These offices are responsible for recording grant activity in the Grants Administration Tracking and Evaluation System (grants management system).

Within the HHS Program Support Center, the Division of Financial Operations (DFO) is responsible for recording grant activity on the ACF general ledger, and the Division of Payment Management (DPM) is responsible for recording grant activity in the Payment Management System (payment system) and closing grants after receiving closeout instructions from the discretionary office or DFO.

## Regulations and Departmental Policies Governing Grant Closeout

Pursuant to 45 CFR § 92.50(a), which applies to most HHS grants to State and local governments, Federal agencies are required to close out the grant award when “all applicable administrative actions and all required work of the grant has been completed.” Under 45 CFR § 92.50(b), grantees are required to submit all financial, performance, and other required reports within 90 days after the expiration or termination of the grant. The Federal agency may extend these reporting deadlines upon request. After receiving these reports, the Federal agency must make all adjustments to allowable costs within 90 days (45 CFR § 92.50(c)). Similar regulatory requirements at 45 CFR § 74.71 apply to the closeout of HHS grants awarded to nonprofit organizations. Therefore, ACF generally must close discretionary and mandatory grants within 180 days after the end of the grant period (referred to as the “cutoff date” in this report).<sup>3</sup> We recognize that there may be certain instances in which ACF, in accordance with regulatory

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<sup>1</sup>Discretionary grants are awarded under programs that permit ACF, in accordance with legislation, to exercise judgment in approving the project, project period, budget period, grantee, and award amount (HHS Grants Policy Directive (GPD) 1.02). The Grants Management Regional Units administer the Head Start, Transitional Living, Basic Centers, and Street Outreach discretionary grant programs. Both the Grants Management Regional Units and the Division of Discretionary Grants administer the Early Head Start discretionary grant program. The Division of Discretionary Grants administers all other discretionary grants.

<sup>2</sup>Mandatory grants statutorily require a Federal agency to award funds “if the recipient (usually a State) submits an acceptable State Plan or application and meets the eligibility and compliance requirements of the statutory and regulatory provisions of the grant program. Mandatory grants include open-ended entitlement grants, closed-ended grants, and block grants” (GPD 1.02). Examples of ACF mandatory grant programs include Adoption Assistance, Foster Care, and Child Support Enforcement.

<sup>3</sup>GPD 4.02.B.1.d interprets 45 CFR §§ 92.50 and 74.71 to require that grants generally be closed within 180 days of the end of grant support. Although the specific closeout process described in this GPD applies only to discretionary grants (and the GPD governing mandatory grants has not yet been issued), the 180-day cutoff date referred to in GPD 4.02.B.1.d is an interpretation of regulations that apply to both mandatory and discretionary grants.

requirements or policy guidance, may need to take further administrative actions that would prevent the closing of a specific grant within 180 days.

## **Grant Life Cycle**

At the inception of a grant, the discretionary or mandatory office issues a Notice of Grant Award or Financial Assistance Award to the grantee; establishes the grant award in the grants management system; and transmits the grant award information to DFO, which establishes the grant on the ACF general ledger. DFO then transmits the grant award information to DPM, which establishes the grant in the payment system.

The grantee draws down funds from the payment system electronically and reports expenditures to DPM as well as to the discretionary or mandatory office. Regardless of whether the grantee maintains expenditure data on the cash or accrual basis of accounting, for block grant awards,<sup>4</sup> DPM automatically records expenditures that equal drawdowns when the grantee requests funds. For non-block-grant awards, the grantee is required to send DPM a quarterly cash-basis report of expenditures, the PSC-272. Pursuant to 45 CFR §§ 74.71 and 92.50, the grantee must also report final grant expenditures to the discretionary or mandatory office within 90 days after the end of the grant period so that the grant can be closed.

For a grant to be closed in the payment system, the award, expenditure, and drawdown amounts must be equal. After receiving a closeout code, DPM's practice is to leave the grant open for up to one quarter until it receives the final PSC-272 from the grantee. If the grant award, expenditure, and drawdown amounts remain in balance after the grantee submits the PSC-272 and if the closeout code is the final transaction on the grant, the grant automatically closes in the payment system.

## **Discretionary Office Grant Closeout Process**

According to written procedures for the closeout of grants,<sup>5</sup> discretionary grants generally are required to be closed by the grant cutoff dates. Pursuant to these procedures, the discretionary office adjusts the grant award in the grants management system to match the final expenditure data received from the grantee. If the discretionary office does not receive the final expenditure data from the grantee, the discretionary office adjusts the grant award in the grants management system to match the final expenditure data reported to DPM by the grantee. The discretionary office then transmits the adjustment to DFO and DPM. The discretionary office also reconciles the grant activity in the grants management system to the grant activity in the payment system and resolves any differences by contacting the grantee. Finally, the discretionary office electronically submits a closeout code through DFO to DPM so that the grant can be closed on the ACF general ledger and in the payment system.

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<sup>4</sup>Block grants are mandatory grants that are typically awarded to States or local governing agencies with minimal Federal administrative restrictions so that the grantees are free to target resources to meet the needs of their citizens (GPD 1.02). An example of a block grant is the Low Income Home Energy Assistance Program.

<sup>5</sup>Page 21 of the "Grants Management Cycle Memo," dated September 30, 2006, reflects closeout procedures that were in place for the prior year.

## **Mandatory Office Grant Closeout Process**

The mandatory office does not have any procedures for closing grants.<sup>6</sup> The mandatory office's practice is to adjust the grant award in the grants management system to match the final expenditure data received from the grantee. If the mandatory office does not receive the final expenditure data from the grantee, the mandatory office adjusts the grant award to match the most recent expenditure data received from the grantee. The mandatory office then transmits the adjustment to DFO and DPM. The mandatory office does not reconcile the grant activity in the grants management system to the grant activity in the payment system, nor does it submit a closeout code so that the grant can be closed on the ACF general ledger and in the payment system.

## **Assistance Provided by the Division of Financial Integrity**

On a semiannual basis, the ACF Office of Financial Services, Division of Financial Integrity (DFI), assists the discretionary and mandatory offices in closing grants by identifying grants for which the grant award, expenditures, and drawdown amounts are equal in the payment system. DFI works with the discretionary or mandatory office to confirm that these grants should be closed and provides DFO with a list of the grants. DFO then closes the grants on the ACF general ledger and electronically submits a closeout code to DPM so that the grants can be closed in the payment system.

## **Division of Financial Operations Grant Closeout Process**

DFO does not have written procedures for closing grants. However, on a quarterly basis, DFO attempts to close discretionary and mandatory grants that DPM has identified as eligible for closeout.<sup>7</sup> To close a grant, DFO adjusts the grant award on the ACF general ledger and electronically submits the adjustment to DPM, which makes the award and expenditures equal in the payment system. Although DFO does not reconcile the grant activity in the grants management system to the grant activity in the payment system, it does close the grant on the ACF general ledger. DFO then electronically submits a closeout code to DPM so that the grant can be closed in the payment system.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine why ACF grants identified by DPM as eligible for closeout as of September 30, 2006, were not closed in the payment system by the cutoff dates.

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<sup>6</sup>According to the "Grants Management Cycle Memo," dated September 30, 2006, the closeout of mandatory grants is the responsibility of DPM.

<sup>7</sup>DPM provides DFO with a quarterly report that is generated by the payment system and that lists all of the grants that DPM considers to be eligible for closeout.

## Scope

Our audit covered 9,877 ACF grants with unexpended balances totaling \$472,155,156 that, as of September 30, 2006, had not been closed in the payment system by the cutoff dates.<sup>8</sup> We did not perform an indepth review of the internal control structure of ACF, DFO, or DPM. Instead, we gained an understanding of ACF, DFO, and DPM procedures related to grant closeout. We also did not determine whether grantees had submitted final financial reports to the discretionary or mandatory office within 90 days after the end of the grant period.

We performed our fieldwork at ACF headquarters in the District of Columbia and at DPM headquarters in Rockville, Maryland.

## Methodology

To accomplish our objective we:

- reviewed relevant Federal laws, regulations, and guidance;
- gained an understanding of the roles of the discretionary office, mandatory office, DFI, DFO, and DPM in the grant closeout process;
- obtained a file of 10,261 ACF grants with unexpended balances totaling \$654,504,361 that DPM had identified as eligible for closeout as of September 30, 2006;
- eliminated from the file:
  - 322 mandatory grants that were not actually eligible for closeout,
  - 44 mandatory grants and 5 discretionary grants that, as of September 30, 2006, had not been open past the cutoff dates, and
  - 13 mandatory grants that fell outside the audit period;
- identified a population of 9,877 grants (6,997 discretionary grants and 2,880 mandatory grants) with unexpended balances totaling \$472,155,156 that, as of September 30, 2006, had not been closed in the payment system by the cutoff dates;
- determined how long each of the 9,877 grants remained open in the payment system after the cutoff dates;
- selected a judgmental sample of 27 of the 6,997 discretionary grants, representing \$29,769,507 (21 percent) of the total unexpended discretionary grant balances, to determine the specific reasons for not closing the grants in the payment system; and

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<sup>8</sup>Unexpended balances represent the difference between the grant award and expenditure amounts in the payment system.

- selected a judgmental sample of 44 of the 2,880 mandatory grants, representing \$207,275,476 (62 percent) of the total unexpended mandatory grant balances, to determine the specific reasons for not closing the grants in the payment system.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### **FINDINGS AND RECOMMENDATION**

The 9,877 grants identified by DPM as eligible for closeout as of September 30, 2006, which had unexpended balances totaling \$472,155,156, were not closed in the payment system by the cutoff dates for several reasons:

- For 6,742 discretionary grants, the discretionary office did not initiate closeout, either on its own or in conjunction with DFI, because of a staffing shortage. Closeout of the remaining 255 discretionary grants was initiated but not completed primarily because of differences among the grant award, expenditure, and drawdown amounts in the payment system.
- For 2,676 mandatory grants, the mandatory office did not initiate closeout, either on its own or in conjunction with DFI, because the mandatory office had no grant closeout procedures or because the grant award, expenditure, and drawdown amounts in the payment system differed. Closeout of the remaining 204 mandatory grants was initiated but not completed primarily because the grant amounts were not in balance in the payment system.

The discretionary and mandatory offices, as well as DFO, lacked follow-up procedures to determine whether DPM had actually closed grants for which closeout was initiated.

Appendix A contains details on the number of days that grants remained open after the cutoff dates.

### **DISCRETIONARY GRANTS**

Table 1 shows that closeout of 6,742 discretionary grants was not initiated and that closeout of the remaining 255 discretionary grants was initiated but not completed.

**Table 1: Discretionary Grant Closeout Actions**

<b>Closeout Action</b>	<b>No. of Grants</b>	<b>Unexpended Balance</b>
Closeout not initiated	6,742	\$135,832,930
Closeout initiated but not completed	255	4,301,139
<b>Total</b>	<b>6,997</b>	<b>\$140,134,069</b>

## Closeout of Grants Not Initiated

Neither the discretionary office nor DFO initiated closeout of 6,742 discretionary grants with unexpended balances totaling \$135,832,930. Discretionary office officials told us that they did not initiate closeout, either on their own or in conjunction with DFI, because of a staffing shortage, which caused a backlog of grants awaiting closeout. As of September 30, 2006, the grants had been open for an average of 711 days beyond the cutoff dates.

For example, for one sampled grant for which the grant period ended June 30, 2004, the discretionary office received the grantee's final expenditure data but did not adjust the grant award. The discretionary office did not reconcile the grant activity in the grants management system to the grant activity in the payment system or submit a closeout code through DFO to DPM so that the grant could be closed on the ACF general ledger and in the payment system. As a result, the grantee potentially could have accessed over \$3 million more than it was authorized.

Prompted by our review, the discretionary office asked the grantee for updated expenditure data and received the data on June 7, 2007, more than 3 years after the grant period had ended. The discretionary office then deobligated the grant award by \$3,439,743 so that the award equaled the expenditures. The discretionary office also submitted a closeout code through DFO to DPM so that the grant could be closed on the ACF general ledger and in the payment system. However, because the discretionary office did not reconcile the grant activity before submitting the closeout code, the grant remained open in the payment system. As shown in Table 2, as of July 11, 2007, the grant award, expenditure, and drawdown amounts in the payment system were not equal, thereby preventing DPM from closing the grant.

**Table 2: Payment System Balances for Sampled Grant**

Grant Award	Expenditures	Drawdowns
\$560,257.00	\$560,257.39	\$175,167.00

## Closeout of Grants Initiated but Not Completed

The discretionary office, acting either on its own or in conjunction with DFI, or DFO initiated closeout of 255 discretionary grants with unexpended balances totaling \$4,301,139. However, the grants remained open in the payment system beyond the cutoff dates. Because the discretionary office and DFO lacked follow-up procedures, they did not know whether DPM had actually closed the grants.

- DPM did not close 228 grants with unexpended balances totaling \$4,301,139 because the grant award, expenditure, and drawdown amounts were not equal. In some cases, the differences were less than \$1. As of September 30, 2006, these grants had been open in the payment system for an average of 937 days beyond the cutoff dates.
- DPM did not close 24 grants with no unexpended balances because the closeout code was not the final transaction in the payment system. As of September 30, 2006, these grants

had been open in the payment system for an average of 1,010 days beyond the cutoff dates.

- DPM scheduled three grants with no unexpended balances for closeout but kept the grants open in the payment system because DPM’s practice was to leave grants open for up to one quarter after receiving the closeout code. As of September 30, 2006, as a result of a delay in receiving the closeout code and DPM’s practice of leaving grants open, the grants had been open in the payment system for an average of 561 days beyond the cutoff dates.

For example, for one sampled grant for which the grant period ended June 30, 2004, the discretionary office received the grantee’s final expenditure data on September 29, 2004 (within the required 90 days). However, the discretionary office did not adjust the grant award in the grants management system to match the final expenditure data because those data included an incorrect award amount and an unexpended balance of \$0. Therefore, discretionary office officials did not believe that they needed to adjust the grant award. The discretionary office did not detect this error because it did not reconcile grant activity in the grants management system to grant activity in the payment system. As shown in Table 3, when the discretionary office submitted closeout information to DPM on August 1, 2005, the grant award and reported expenditures in the payment system differed by \$533,465.

**Table 3: Payment System Balances for Sampled Grant**

<b>Grant Award</b>	<b>Expenditures</b>	<b>Drawdowns</b>
\$1,943,312	\$1,409,847	\$1,409,847

Prompted by our review, the discretionary office deobligated the grant award by \$533,465 to match the final expenditure data. However, as of June 6, 2008, although the grant was in balance in the payment system, it remained open because the discretionary office had not submitted a new closeout code.

## **MANDATORY GRANTS**

Table 4 shows that closeout of 2,676 mandatory grants was not initiated and that closeout of the remaining 204 mandatory grants was initiated but not completed.

**Table 4: Mandatory Grant Closeout Actions**

<b>Closeout Action</b>	<b>No. of Grants</b>	<b>Unexpended Balance</b>
Closeout not initiated	2,676	\$308,259,157
Closeout initiated but not completed	204	23,761,930
<b>Total</b>	<b>2,880</b>	<b>\$332,021,087</b>

### **Closeout of Grants Not Initiated**

Neither the mandatory office nor DFO initiated closeout of 2,676 mandatory grants with unexpended balances totaling \$308,259,157. The mandatory office took no action on its own because it lacked procedures for closing grants and took no action in conjunction with DFI because the grant award, expenditure, and drawdown amounts were not equal in the payment system. As of September 30, 2006, the 2,676 grants had been open for an average of 673 days beyond the cutoff dates.

For example, for one sampled grant for which the grant period ended March 31, 2004, the mandatory office did not adjust the grant award to match the grantee's final expenditure data. In addition, the mandatory office did not reconcile the grant activity in the grants management system to the grant activity in the payment system or submit a closeout code because it did not have any procedures to complete these tasks. As shown in Table 5, the grant award and reported expenditures in the payment system differed by more than \$7 million. As of September 30, 2006, this grant had been open in the payment system for 733 days beyond the cutoff date.

**Table 5: Payment System Balances for Sampled Grant**

<b>Grant Award</b>	<b>Expenditures</b>	<b>Drawdowns</b>
\$245,137,852.00	\$238,130,505.57	\$238,130,505.57

### **Closeout of Grants Initiated but Not Completed**

DFI, acting on behalf of the mandatory office, or DFO initiated closeout of 204 mandatory grants with unexpended balances totaling \$23,761,930. However, the grants remained open in the payment system beyond the cutoff dates. Because the mandatory office and DFO lacked follow-up procedures, they did not know whether DPM had actually closed the grants.

- DPM did not close 183 grants with unexpended balances totaling \$23,761,960 because the grant award, expenditure, and drawdown amounts were not equal. In some cases, the differences were less than \$1. As of September 30, 2006, these grants had been open in the payment system for an average of 2,188 days beyond the cutoff dates.
- DPM did not close 21 grants with no unexpended balances because the closeout code was not the final transaction in the payment system. As of September 30, 2006, these grants had been open in the payment system for an average of 3,138 days beyond the cutoff dates.

For example, for one sampled grant, DFO initiated closeout on December 5, 2003, even though the grant award, expenditure, and drawdown amounts in the payment system differed. (See Table 6.) As a result, as of September 30, 2006, the grant had been open in the payment system for 824 days beyond the cutoff date.

**Table 6: Payment System Balances for Sampled Grant**

<b>Grant Award</b>	<b>Expenditures</b>	<b>Drawdowns</b>
\$29,600,000.00	\$28,598,415.74	\$28,594,301.44

**CONCLUSION**

For 6,742 discretionary grants that were open past the cutoff dates, the discretionary office did not initiate closeout, either on its own or in conjunction with DFI, because of a staffing shortage. Closeout of an additional 255 discretionary grants was initiated but not completed primarily because the grant balances were not equal in the payment system. Moreover, because the discretionary office and DFO lacked follow-up procedures, they did not know whether DPM had actually closed grants for which closeout was initiated.

For 2,676 mandatory grants that were open past the cutoff dates, the mandatory office did not initiate closeout on its own because it had no grant closeout procedures and did not initiate closeout in conjunction with DFI because the grant balances were not equal in the payment system. Closeout of an additional 204 mandatory grants was initiated but not completed primarily because the grant balances were not equal in the payment system. Moreover, because the mandatory office and DFO lacked follow-up procedures, they did not know whether DPM had actually closed grants for which closeout was initiated.

**RECOMMENDATION**

We recommend that ACF use the information in this report to ensure that grants are closed in a timely manner and to eliminate the backlog of grants eligible for closeout.

**ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS**

In its comments on our draft report, ACF described actions that it had taken or planned to take to implement our recommendation. ACF’s comments, except for technical comments, are included as Appendix B.

# **APPENDIXES**

### NUMBER OF DAYS THAT GRANTS REMAINED OPEN AFTER CUTOFF DATES

For the 9,877 grants that should have been closed in the Payment Management System (payment system), we calculated the number of days that the grants remained open from the cutoff dates through September 30, 2006.

As shown in Table 1, the 9,418 grants for which closeout was not initiated remained open in the payment system for an average of 700 days after the cutoff dates.

**Table 1: Grants for Which Closeout Was Not Initiated**

Grant Type	No. of Grants	Unexpended Balance Per DPM <sup>1</sup>	No. of Grants Open After Cutoff Dates for:			Average No. of Days Since Cutoff Dates
			1-180 Days	181-540 Days	Over 540 Days	
Discretionary	6,742	\$135,832,930	30	2,054	4,658	711
Mandatory	2,676	308,259,157	27	1,113	1,536	673
<b>Total</b>	<b>9,418</b>	<b>\$444,092,087</b>	<b>57</b>	<b>3,167</b>	<b>6,194</b>	<b>700</b>

As shown in Table 2, the 459 grants for which closeout was initiated but not completed remained open in the payment system for an average of 1,537 days after the cutoff dates.

**Table 2: Grants for Which Closeout Was Initiated**

Grant Type	No. of Grants	Unexpended Balance Per DPM	No. of Grants Open After Cutoff Dates for:			Average No. of Days Since Cutoff Dates
			1-180 Days	181-540 Days	Over 540 Days	
Discretionary	255	\$4,301,139	2	39	214	939
Mandatory	204	23,761,930	0	4	200	2,285
<b>Total</b>	<b>459</b>	<b>\$28,063,069</b>	<b>2</b>	<b>43</b>	<b>414</b>	<b>1,537</b>

<sup>1</sup>DPM = Division of Payment Management.



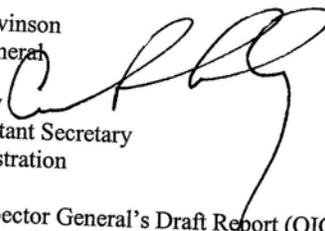
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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ADMINISTRATION FOR CHILDREN AND FAMILIES  
Office of the Assistant Secretary, Suite 600  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

NOV 05 2008

TO: Daniel R. Levinson  
Inspector General

FROM: Curtis L. Coy   
Deputy Assistant Secretary  
for Administration

SUBJECT: Office of Inspector General's Draft Report (OIG) titled, "Review of the  
Administration for Children and Families Grant Closeout Procedures"  
(A-02-07-02000)

Attached are the comments of the Administration for Children and Families on the  
above-referenced OIG draft report.

Should you have any questions or need additional information, please contact Oscar  
Tanner, Division of Financial Integrity at (202) 401-5704.

Attachment

**COMMENTS OF THE ADMINISTRATION FOR CHILDREN AND FAMILIES  
ON THE OFFICE OF INSPECTOR GENERAL DRAFT REPORT TITLED,  
“REVIEW OF ADMINISTRATION FOR CHILDREN AND FAMILIES GRANT  
CLOSEOUT PROCEDURES” (A-02-07-02000)**

The Administration for Children and Families (ACF) appreciates the opportunity to comment on the Office of Inspector General (OIG) draft report.

**OIG Recommendation**

We recommend that ACF use the information in this report to ensure that grants are closed in a timely manner and to eliminate the backlog of grants eligible for closeout.

**ACF Comments**

ACF continues to work on closing as many of its expired grants as possible, as quickly as possible. ACF has been working internally with its grant, program and systems staff in this significant effort to ensure that everyone follows the same closeout methodology.

Specific procedures have been coordinated by ACF’s Office of Administration, Office of Financial Services, Division of Financial Integrity (DFI), ACF’s Office of Grants Management and ACF’s Office of Information Systems (OIS).

The same closeout methodology will be followed for both ACF’s discretionary and mandatory grant programs.

The methodology for the grant closings now occurring is as follows:

- As of September 10, 2008, OIS has closed all Fiscal Year (FY) 2002 and prior fiscal year open grants with \$10 or less remaining unobligated, excluding grants for the Temporary Assistance for Needy Families, Child Support Enforcement and Native Employment Programs.
- ACF will close all FY 2003-2005 grants that do not have multiple CANs/Years where all “buckets” are equal (i.e., authorization, advances and disbursements).
- In the first quarter of FY 2009, ACF will begin the process to close all FY 2003 open grants. In addition, ACF will close all FY 2004-2006 grants that do not have multiple CANs/Years where all “buckets” are equal.

DFI will monitor the Synchronization Reports to ensure that grants are removed as OIS initiates closeout actions through the Grants Administration, Tracking and Evaluation System (GATES), and the Unified Financial Management as well as the Payment Management System.

The Department's primary focus has been on FY 2002 and prior years; however, ACF would like to be proactive and close out grants in advance of the Department's schedule.

Since ACF is the owner of GATES, in some cases, the methodology ACF develops may be implemented at other Health and Human Services' Operating Divisions, utilizing GATES' Line of Business feature.