



March 31, 2020

MEMORANDUM FOR: JAMES E. WILLIAMS
Chief Financial Officer

Elliot P. Lewis

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Risk Assessment of DOL's Grant Closeout Process,
Report No. 22-20-007-13-001

The U.S. Department of Labor (DOL), Office of Inspector General, has completed a risk assessment of DOL's grant closeout process as required by the Grants Oversight and New Efficiency (GONE) Act of 2016¹. Grant closeout is the process by which DOL determines that all administrative actions and required work of the award were completed by the recipient and itself. Effective and efficient grant closeout processes allow awarding agencies to make better use of unspent funds or return these funds to the Department of Treasury.

Our objective was to determine if DOL's grant closeout process warranted an audit or review. Our analysis identified risks in DOL's process to ensure timely closeout of grants and compliance with reporting requirements of the GONE Act. While risks remain, we found DOL made improvements in reducing the number of open grants, including cooperative agreements that expired before October 1, 2015. As such, we do not plan to conduct a focused audit or review of DOL's grant closeout process this fiscal year. We will continue monitoring DOL's progress in timely closing out grants through our financial statement audit work and may initiate a review or audit in the future.

¹ Public Law 114-117 (January 28, 2016)

Background

On January 28, 2016, Congress passed the GONE Act to help Federal agencies identify and close out expired grants. The GONE Act required agencies to report open Federal grant, including cooperative agreement awards with periods of performance that expired before October 1, 2015, and any challenges in closing out those awards. The GONE Act required agencies to:

- Submit a report to Congress, in coordination with the Secretary of Health and Human Services, no later than December 31, 2017;
- Include information by time period of expiration on the total number of Federal grant awards with zero dollar balances and undisbursed dollar balances; and
- Submit an updated report to Congress and the Secretary of Health and Human Services 1 year later to present the progress with closing the expired grants identified in the previous year's report.

The GONE Act also required the Inspector General of any agency with more than \$500,000 in annual grant funding to conduct a risk assessment to determine if the agency's grant closeout process warranted an audit or review.

DOL's grant closeout procedures² require grants, including agreements to be closed out as soon as possible, but no more than 12 calendar months after completion.

Scope and Methodology

We conducted our risk assessment by reviewing DOL's compliance with the requirements of the GONE Act, as well as financial reports provided by the Office of the Chief Financial Officer. Additionally, we reviewed relevant DOL policies and procedures, and communicated with DOL personnel on the procedures for closing out grants and monitoring grants awaiting closeout. To complete our assessment, we relied partly on grant data provided by the Office of Chief Financial Officer (OCFO), who acquired it from the U.S. Department of Health and Human Services' Payment Management System (HHS PMS).

As part of our risk assessment, we inquired with our Office of Investigations – Labor Racketeering and Fraud concerning any open cases related to grants, including cooperative agreement awards for which the period of performance had elapsed by more than 2 years. We also examined previously issued DOL Office of Inspector General and Government Accountability Office reports related to DOL's grant closeout process. Due to the limited scope of this risk assessment,

² Department of Labor Manual Series 2 – Administration, Chapter 800 – Grant and Procurement Management, Section 877 – Time Frames for Closeout

we did not assess the efficiency of DOL's grant closeout process, and recognize that a detailed audit of the grant closeout process may identify additional issues.

Results

Our analysis found DOL made improvements in reducing the number of grants, including cooperative agreements that expired before October 1, 2015, and remained open more than 2 years beyond the end of their period of performance. However, we identified risks associated with DOL's process to ensure timely closeout of grants and resulting concerns over compliance with GONE Act reporting requirements.

The Department's GONE Act Reporting for 2017 and 2018

Per the requirements of the GONE Act, in its Agency Financial Report (AFR) for FY 2017 and FY 2018, DOL reported the number of grants, including cooperative agreements that remained open more than 2 years after their period of performance ended and the total amount of undisbursed balances. As of September 30, 2017, DOL reported 5,601 grants and cooperative agreements with a total of \$44,116,617 in undisbursed balances. Table 1 below presents further detail regarding these open grants and cooperative agreements.

Table 1: Expired Grants, Including Cooperative Agreements Still Open as of September 30, 2017

Description	2-3 Years	3-5 Years	More Than 5 Years	Total
Number of grants, including cooperative agreements with \$0 balances	282	307	4,111	4,700
Number of grants, including cooperative agreements with undisbursed balances	116	134	651	901
Total number of grants, including cooperative agreements with \$0 balances or undisbursed balances	398	441	4,762	5,601
Total Amount of Undisbursed Balances	\$4,161,650	\$19,499,560	\$20,455,407	\$44,116,617

Source: DOL FY 2017 AFR

We analyzed the data used by DOL to report this grant activity in its AFR for FY 2017, in compliance with the GONE Act. Our analysis identified the following data accuracy issues:

- Duplicate Grants and Cooperative Agreements – The 5,601 open grants and cooperative agreements reported by DOL in the AFR was overstated by 117. We identified 85 unique records that had multiple lines of data.
- Records that did not meet GONE Act criteria – DOL incorrectly reported 185 Office of Job Corps contracts as grants.

During FY 2018, DOL closed out 5,245 of the 5,601 awards reported in the FY 2017 AFR. Of the 356 reported grants and cooperative agreements that remained open as of September 30, 2018, 163 had undisbursed balances amounting to a combined total of \$8,437,054. Table 2 below presents further detail regarding these open grants and cooperative agreements.

Table 2: Expired Grants, Including Cooperative Agreements Still Open as of September 30, 2018

Description	2-3 Years	3-5 Years	More Than 5 Years	Total
Number of grants, including cooperative agreements with \$0 balances	5	51	137	193
Number of grants, including cooperative agreements with undisbursed balances	73	52	38	163
Total number of grants, including cooperative agreements with \$0 balances or undisbursed balances	78	103	175	356
Total Amount of Undisbursed Balances	\$2,506,233	\$3,924,239	\$2,006,582	\$8,437,054

Source: DOL FY 2018 AFR

We analyzed the data used by DOL to report this grant activity in its AFR for FY 2018, in compliance with the GONE Act. Our analysis identified the following data accuracy issues:

- Duplicate Grants and Cooperative Agreements – The 356 open grants and cooperative agreements reported by DOL in the AFR was overstated by 16. We identified 13 unique records that had multiple lines of data.

- Records that did not meet GONE Act criteria – DOL incorrectly reported 169 Office of Job Corps contracts as grants. DOL disclosed this in the GONE Act reporting contained within the AFR, but did not adjust the numbers reported.

As of March 2020, DOL had 79 grants and cooperative agreements for which closeout had not yet occurred, and the period of performance had elapsed by more than 2 years, as of September 30, 2017. The remaining open grants had an undisbursed balance of approximately \$4,713,851. According to the OCFO, these grants remained open due to DOL delays in financial reporting reconciliations between its financial management system and HHS PMS.

DOL Grant Closeout Process

Our past audit work found DOL did not consistently adhere to the requirements of its closeout process. That process requires grants and agreements to be closed out as soon as possible, but no more than 12 calendar months after completion. Since FY 2014, we have annually reported untimely grant closeout as a control deficiency within the financial statement audit. Table 3 presents the occurrence of this untimely grant closeout reporting, by year.

Table 3: Reported Untimely Grant Closeout Occurrences by DOL Agency

DOL Grant Awarding Agency	Reported Occurrence of Untimely Grant Closeout?					
	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Bureau of International Labor Affairs	N/A	Yes	N/A	N/A	Yes	N/A
Bureau of Labor Statistics	No	No	No	No	N/A	N/A
Employment & Training Admin.	Yes	Yes	No	No	Yes	No
Mine Safety & Health Admin.	Yes	N/A	N/A	N/A	N/A	N/A
Occupational Safety & Health Admin.	N/A	N/A	No	No	N/A	No
Office of Disability Employment Policy	N/A	N/A	N/A	N/A	N/A	N/A
Veterans' Employment & Training Service	Yes	Yes	Yes	Yes	Yes	Yes

N/A = timeliness of grant closeout was not tested.

Source: DOL OIG Reports on Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the FYs 2014 – 2019, and supporting audit documentation.

The Veterans' Employment and Training Service (VETS), which is 1 of 7 grant-awarding agencies within DOL, was responsible for the majority of untimely grant closeout occurrences identified in those control deficiencies and accounted for all the occurrences identified in FYs 2014, 2016, and 2017. According to VETS, resource constraints that began in FY 2014 primarily caused these issues.

VETS has committed more resources to the grant closeout process, which has led to a decrease in the number of untimely grant closeout occurrences reported from a high of 14 grants in FY 2016 down to one in FY 2019.

In FY 2019 and FY 2018, our financial statement audit identified untimely grant closeout occurrences in DOL agencies other than VETS. These were caused by a lack of guidance that specified when, and how frequently, closeout specialists were required to follow up with grantees after the expiration of a grant to ensure the grant was closed timely. In addition, monitoring controls were not in place to track the status of the grants during the closeout period to ensure timely closeout action. To address these issues, DOL agencies have updated their policies, which will be evaluated during the FY 2020 financial statement audit.

Conclusion

Based on our analysis, we identified risks in DOL's process to ensure timely closeout of grants and compliance with reporting requirements of the GONE Act. While risks remain, we found DOL made improvements in reducing the number of open grants, including cooperative agreements that expired before October 1, 2015. As such, we do not plan to conduct a focused audit or review of DOL's grant closeout process during this fiscal year. However, we will continue to monitor DOL's progress in timely closing out grants through our financial statement audit efforts, and may initiate a focused review or audit of DOL's grant closeout process in the future.

We appreciate the courtesies of DOL staff during our risk assessment. If you have any questions, please contact Joseph Donovan, Jr., Audit Director, at (202) 693-5248.

cc: Kevin Brown
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