



NASA OFFICE OF INSPECTOR GENERAL

OFFICE OF AUDITS
SUITE 8U71, 300 E ST SW
WASHINGTON, D.C. 20546-0001

February 5, 2020

TO: Jeff DeWit
Chief Financial Officer

SUBJECT: Memorandum, *Risk Assessment of NASA's Grant Closeout Process* (ML-20-003;
S-19-002-00)

We are providing this memorandum to inform NASA of the results of our risk assessment of the Agency's grant closeout process as required by the Grants Oversight and New Efficiency (GONE) Act of 2016.¹ This risk assessment was performed in order to determine whether an audit or review of NASA's grant closeout process is warranted.

Background

On January 28, 2016, the President signed into law the GONE Act, initiating the Administration's efforts to close expired grants.² In accordance with the Act, agency heads are required to submit to Congress a report listing each open federal grant award for which the period of performance had expired by more than 2 years, as of the end of fiscal year (FY) 2017. Organized by period of expiration, the agencies are required to submit information on the number of awards; a description of the challenges leading to delays in grant closeout; and for the oldest 30 awards, an explanation of why each had not been closed out. As part of the Act, the Inspector General (IG) of any agency with more than \$500 million in annual grant funding is required to conduct a risk assessment to determine if an audit or review of the agency's grant closeout process is necessary.

Our risk assessment period covered expired grants whose period of performance had ended more than 2 years prior to September 2017, 2018, and 2019, respectively, but remained open. To conduct this assessment, we reviewed NASA's compliance with requirements of the GONE Act and evaluated Agency

¹ Grants Oversight and New Efficiency Act of 2016, Pub. L. No. 114-117 (2016).

² In this memorandum, the term grants is used to refer to grants and cooperative agreements.

financial reports. Additionally, we interviewed NASA personnel on the procedures for closing out grants, monitoring grants awaiting closeout, and tracking the undisbursed balances on the grants in closeout.

As part of our risk assessment, we inquired with our Office of Investigations concerning any open cases related to grants and cooperative agreement awards for which the period of performance had elapsed by more than 2 years. We also examined the results of NASA Office of Inspector General and Government Accountability Office audit reports related to the grant closeout process. In this risk assessment, we did not assess whether NASA’s grant closeout process is efficient at closing out grants in a timely manner. Due to the limited scope of this risk assessment, a more detailed audit of the grant closeout process may identify additional issues.

ANALYSIS OF EXPIRED GRANTS

NASA has made efforts to increase its efficiency in closing expired grants. We reviewed NASA’s GONE Act submissions for FYs 2017 and 2018, reviewed current closeout procedures, and analyzed data within the Agency’s financial systems. Based upon our analysis, we found minimal occurrence of expired grants and cooperative agreements remaining open more than 2 years beyond the end of their period of performance.

Evaluation of GONE Act Submissions

In response to the requirements set out in the GONE Act, NASA included in its Agency Financial Report (AFR) for FYs 2017 and 2018 the number of grants that remained open more than 2 years after their period of performance ended and the amount of undisbursed balances. Table 1 presents the total number and dollar amount of undisbursed obligations that remained on 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.

Table 1: Open Expired Grants and Cooperative Agreements, as of September 2017

	2–3 Years	3–5 Years	More Than 5 Years
Number of grants and cooperative agreements with \$0 balances	3	6	3
Number of grants and cooperative agreements with undisbursed balances	4	4	1
Total amount of undisbursed balances	\$25,168	\$35,185	\$711

Source: NASA FY 2017 AFR.

During FY 2018, NASA administratively closed 14 of the 21 grants reported in the FY 2017 AFR. However, in the FY 2018 AFR, 13 new expired grants and cooperative agreements that remained open more than 2 years after their period of performance ended were reported. Additionally, NASA failed to report one expired grant that was reported in FY 2017 and remained open in FY 2018. Table 2 presents the total number and dollar amount of undisbursed obligations that remain on grants and cooperative agreements for which closeout had not yet occurred and the period of performance has elapsed by more than 2 years, as of September 30, 2018.

Table 2: Open Expired Grants and Cooperative Agreements, as of September 2018

	2–3 Years	3–5 Years	More Than 5 Years
Number of grants and cooperative agreements with \$0 balances	4	3	2
Number of grants and cooperative agreements with undisbursed balances	9	1	1
Total amount of undisbursed balances	\$145,627	\$3,873	\$711

Source: NASA FY 2018 AFR.

As of January 2020, all of the grants and cooperative agreements that were reported in FY 2017 have been closed, while four reported in FY 2018 remain open. The four grants that remain open have undisbursed balances amounting to approximately \$56,200.

Review of Closeout Procedures

The majority of NASA grants that remain open more than 2 years beyond their period of performance include grants and cooperative agreements in which the indirect cost rate has not been finalized.³ Indirect cost determinations can take years to complete, therefore, in an effort to address this delay, NASA has implemented bilateral closeout procedures. As part of the bilateral closeout process, a provisional indirect cost rate is used where the provisional rate is expected to be close to the final indirect cost rate, as determined by a risk assessment.

Beginning October 1, 2019, NASA entered into a new service contract with its grant closeout service provider where payments to the provider are based on the volume of grants closed out. We believe that this new contract, as implemented, should provide further incentive for closing grants in a timely manner.

Analysis of Financial Data Related to Expired Grants

At the end of FY 2019, NASA had approximately 15 grants (3.7 percent of all open grants) in which the period of performance had elapsed by more than 2 years. The amount of undisbursed obligations on the 15 grants is approximately \$362,600, amounting to approximately 4.4 percent of total undisbursed obligations on expired grants. Overall, this amount is not material to the total amount of undisbursed obligations.

³ Indirect costs are costs incurred that benefit more than one cost objective that share a common purpose. Costs are accumulated and distributed on the basis of benefits accrued by each cost objective.

CONCLUSION

We determined that the risk that procedures are not in place to ensure timely grant closeout does not warrant an audit. As a result, we do not plan on conducting an audit of NASA's grant closeout process at this time and are not issuing any recommendations to management

We appreciate the courtesies and cooperation extended to us during this assessment. No response to this memorandum is necessary. If you have any questions, please contact Mark Jenson, Financial Management Director, at 202-358-0629 or mark.jenson@nasa.gov, or Regina Dull, Project Manager, at 202-358-7323 or regina.dull@nasa.gov.

Kimberly F. Benoit
Assistant Inspector General for Audits

cc: Monica Manning
Assistant Administrator for Procurement

Anita Harrell
Executive Director, NASA Shared Services Center