

U.S. Department of Health and Human Services

**Statement of
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**Before the Homeland Security and Governmental Affairs Committee
Subcommittee on Federal Financial Management, Government Information,
Federal Services and International Security
United States Senate**

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Chairman Carper, Ranking Member Brown, and Members of the Subcommittee, thank you for this opportunity to appear before you to discuss the Department of Health and Human Services' (HHS) grants management policies and practices; and, in particular, efforts to facilitate timely closeout of expired grants. I am the Deputy Assistant Secretary for HHS' Office of Grants and Acquisition Policy and Accountability, and am responsible for the management and oversight of the HHS grants and acquisition programs. I supervise the Department's Senior Grants Policy and Senior Procurement Executives, and oversee and support thirteen grants management offices and ten procurement activities within HHS as they award and administer grants and contracts in support of the Department's mission to enhance the health and well-being of Americans. The Department is committed to serving as a careful steward of tax-payer dollars and has a fiduciary responsibility to ensure that the full intent and purpose of the grants are carried out, and disbursements are made in accordance with government-wide policies for allowable and allocable costs.

HHS Office of Grants and Acquisition Policy and Oversight

My office, which is known as the Office of Grants and Acquisition Policy and Accountability, provides Department-wide leadership in the areas of grants and acquisition management through: (1) policy development; (2) performance measurement; (3) systems management; (4) oversight; and (5) workforce training, development, and certification. HHS is the federal government's largest grant-making organization and third largest Department in federal contracting. As a result, my staff and I are actively involved in government-wide governance bodies involving grant or acquisition priorities, policies, and systems; such as the Council on Financial Assistance Reform and the Chief Acquisition Officers Council. My office also represents the Department in coordinating with the Office of Management and Budget, the Government Accountability Office (GAO), Congress, and other federal agencies in the area of grants and acquisition policies and management. It is within this context, that I join you today. We appreciate the work of this Subcommittee and GAO in bringing attention to grants management and fostering greater accountability, both from a fiscal and programmatic stand point.

Scope of HHS' Grants Programs

In fiscal year 2011, HHS' grants management offices awarded \$380 billion in grants. HHS' mission is to enhance the health and well-being of Americans by providing for effective health

and human services and by fostering sound, sustained advances in the sciences underlying medicine, public health, and social services. HHS accomplishes its mission through several hundred programs and initiatives that cover a wide spectrum of activities, serving the American public at every stage of life and ranging from researching life-saving new cancer therapies to supporting Head Start grantees in providing children a better start in life.

Grants Management and Closeout

Over the life of the grant's project period, the grantee provides services, conducts research, and supplies information, all for the benefit of the public. It is in the Department's best interest that grantees are given the tools to succeed – facilitating meaningful programmatic results and fostering fiscal integrity. The agency monitors the grantee's progress over the lifecycle of the project. In addition to financial reports, grantees are required to submit other reports, such as annual and final progress reports, all of which provide assurance that grant funds are expended in accordance with the original purpose and intent of the grant. At the end of the grant period, the grantee is accountable, through a series of reporting mechanisms, for demonstrating that it has expended all funding in a manner that is allowable and allocable to the grant. Once all final financial reports are submitted, the agency reviews the final financial transactions and financial expenditures, as reported by the grantee in the Federal Financial Report, and deobligates unspent funds in a timely manner. Therefore, the grant closeout process reflects the culmination of a business relationship between the federal grant program, the grants administration officials, and the grantee and is a vital step in ensuring the accountability of the grantee and the financial integrity of the grant program expenditures.

Grant Closeout Policies and Efforts

HHS policy and federal grants management regulations dictate that the grantee must submit the required closeout documentation within 90 days of the end of the grant period, and HHS aims to complete its review and closeout the grant in the Payment Management System (PMS) within 90 days of the grantee's submission. While the total time frame may seem lengthy and the administrative aspects of grants closeout may sound straightforward, several factors influence the speed and complexity of the process, including grant extension reporting, a lag in the receipt of financial information and supporting documentation from grantees, and low balance threshold reconciliation.

HHS acknowledges that additional work remains in improving the process for closing out expired grant accounts with undisbursed balances. Nevertheless, the Department has made significant progress in focusing additional attention to the importance of grant closeout, and in reducing the amount of undisbursed grant balances since GAO's report in December 2006. GAO noted in its 2012 report that, federal-wide, "the total amount of undisbursed balances in expired grant accounts in PMS is over \$200 million less than the amount previously reported for calendar year 2006, while the overall amount of grant disbursements through PMS increased by 23 percent during this time." GAO's comparison reflects the intensified focus on grant closeout and the significant level of improvement achieved thus far.

Internally, HHS has also tracked progress in its grant closeout efforts. According to data in HHS' PMS, 60,722 HHS grants were eligible for closeout during FY2011 and of this total, 25,799 or 42.5 percent have since been closed. Beyond the statics, HHS is also engaged in facilitating information sharing, heightening senior management attention and action, and bolstering the Department's grant closeout policies.

Actions to Accelerate Grants Closeout

In addition to HHS' routine efforts to educate grantees about the grants closeout process and monitor their financial reporting practices over the life of the grant, the Department has taken several concrete steps to improve its grants closeout activities. As depicted by GAO's earlier reports as well as HHS' 2007 financial statement audit findings, the Department clearly had the need to improve financial controls, monitoring, and business procedures to effectively address grant closeouts. HHS' Risk Management and Financial Oversight Board established and monitored a Department-wide Internal Control Corrective Action Plan in 2008 to address these critical issues, including grants closeout.

HHS' Program Support Center, which operates the PMS, plays a key role in the Department's efforts to improve the rate of grant closeout activities, and implemented expedited procedures for closing cancelled grants. Furthermore, the Program Support Center staff provides HHS' agencies with a Quarterly Closeout Report of grants that appear eligible for closeout for agency review; the reports are also made available in the PMS itself. The Program Support Center staff also routinely communicate with the agency Financial Officers and Grant Management Officers on grant closeout activities ensuring that, at both a summary and detail level, the agencies understand the quantity of grants and dollar values that could be closed out through agency review and action.

Building on this body of work and in response to an identified need to improve financial controls, monitoring, and business procedures to effectively address grant closeout, HHS established an internal team in February 2011, led by my office, to coordinate a Department-wide response in strengthening financial controls and accelerating the number of grant closeouts. By the end of CY2011, the Accelerated Closeout Team effort resulted in the deobligation of \$116 million from a total of 2,700 grant awards. As a result of these efforts, the Risk Management and Financial Oversight Board officially deemed HHS' grant closeout corrective action plan as "complete" in 2011.

Improvement Plans

In light of GAO's recent recommendations, and in an effort to strengthen our closeout process, HHS is taking a strategic approach to promote improvement in the rate of closeout in the short term, and to promote sustainable policies, processes, and resources to ensuring steady management of grants closeout over time. In FY2011, HHS launched an initiative to revise and revitalize its internal grants administration policies. As part of that effort, HHS is working to revise and strengthen its grants closeout policy. The policy is in development and is projected to be completed by December 2012.

In addition to revising policy, HHS recognizes the need to devote more staff to grant closeout activities. To supplement the initiatives launched by some of the individual agencies to increase or dedicate staffing for closeout, the Department has a short- and a long-term strategy to establish an intra-Departmental grants closeout taskforce. The purposes of the taskforce would be to increase the rate of grant closeout, address the complexities associated with the existing overdue grants, and facilitate intra-Departmental communication across the agencies and with the PMS team.

Additionally, HHS is working internally across its grants administration systems, including the PMS, to facilitate the ease of grantee report submission and the integration of both financial and grant administrative information to better ascertain which grants are actually eligible to be closed out, and if they are delayed, whether there is a relationship to the type of grant and the complexity of the financial transactions and related reports. The Department is developing a strategy to identify key areas for systems improvement with an anticipated timeframe of 24 months.

Finally, as a part of the Secretary's broader commitment to program integrity, my office is collaborating with the HHS Office of Finance to incorporate grants closeout as a key element of the Department's program risk assessment tool. This initiative will ensure that grants closeout remains a departmental priority and facilitate a consistent, Department-wide method to assess, on a program by program basis, the challenges associated with grants closeout and efforts to mitigate them.

Conclusion

The Department strongly agrees with the need to protect taxpayer dollars and is committed to using its grants and acquisition management practices to serve as a careful steward of these funds. We recognize that we have a fiduciary responsibility to ensure that the full intent and purpose of the grant are carried out and disbursements are made in accordance with government-wide policies for allowable and allocable costs. HHS is actively working to strengthen its grant closeout policies and processes, and we appreciate the work of this Subcommittee and GAO in recognizing our progress and continuing to draw attention to this important aspect of grants management.

Thank you for the opportunity to testify before the Committee about HHS' grants management activities. I am glad to answer any questions you may have including addressing items related to the work of the Council on Financial Assistance Reform.