



January 24, 2022

## Closeout Activities and Requests for Carryover of Unobligated Balances

The Office of Head Start (OHS) is addressing the action of closeout as regulated by [45 CFR § 75.381](#) and [2 CFR § 200.344](#). These regulations specify the actions the non-federal entity and the U.S. Department of Health and Human Services (HHS) awarding agency or pass-through entity must take to complete the closeout process at the end of the performance period. These terms and conditions apply to all budget periods, even those within an active project period.

Recently, OHS sent notifications to select recipients notifying them of the requirement to submit a carryover application if a need exists to use unobligated funds from a closed budget period with an active project. This communication provides further information to all recipients regarding those requirements.

In accordance with the Terms and Conditions of the Notice of Award (NOA) — specifically HHS Grants Policy Statement Part II-56 — all requests for carryover of unobligated balances between budget periods should be initiated once the actual unobligated balance is known. This usually occurs during the period allowed for preparation and submission of the annual SF-425 Federal Financial Report. A request for carryover of unobligated balances must include only previously approved, prospective costs and activities to be incurred or undertaken following the review and approval of the request. An annual SF-425 showing an unobligated balance of funds available matching or exceeding the carryover request must be submitted and approved before the request can be processed.

If use of unobligated funds is identified as a need, a grant recipient must take action to submit a Carryover Request – Reprogram application in the Head Start Enterprise System (HSES) as soon as the need is identified. The application must be submitted in the budget period in which the funds will be expended. Failure to submit an application after the budget period has ended and an annual SF-425 Federal Financial Report has been submitted, will result in deobligation of the funds identified on the annual SF-425 through the grant closeout process.

If a grant recipient does not anticipate the need to use any unobligated funds and does not intend to submit a carryover application, no action is required after the submittal of the annual SF-425.

Please be aware that the closing of expired budget periods and deobligation of any unobligated balances not requested to be carried forward into a subsequent budget period for an active grant will become standard practice for the Administration for Children and Families (ACF).

## **Related FAQs**

### **When are budget periods closed?**

Unless ACF authorizes an extension, the non-federal entity must submit all financial, performance, and other reports as required by the terms and conditions of the NOA no later than 90 calendar days after the end date of the performance period. ACF should complete all closeout actions for federal awards no later than 180 calendar days after receipt and acceptance of all required final reports.

### **What is an unobligated balance?**

An unobligated balance refers to the amount of funds authorized under a federal award that the non-federal entity has not obligated during a budget period. The amount is calculated by subtracting the cumulative amount of the non-federal entity's unliquidated obligations and expenditures of funds under the federal award from the cumulative amount of the funds that the federal awarding agency or pass-through entity authorized for use by the non-federal entity.

### **Should the grant recipient notify the program and grants management specialists of their intent to submit a carryover application?**

While a grant recipient should maintain communication with their program and grants management specialists, notification of intent to submit a carryover application is not required. As soon as the grant recipient has identified a possible unobligated balance and the need to use the funds, they should submit a carryover application. Early discussions with Regional Office staff can identify if a need for budget revision is necessary to change the purpose of the funds before proceeding with a carryover application.

### **When should a grant recipient initiate a carryover application?**

A grant recipient should initiate a Carryover Request – Reprogram application once the actual unobligated balance is known and there is a need to use the funds. The application should be submitted in the budget year the funds will be expended.

### **Is an annual SF-425 Federal Financial Report required for my carryover application to be considered for approval?**

Yes, a final (annual) SF-425 report is required to be submitted for the budget period the funds are unobligated. The SF-425 should show an unobligated balance that matches or exceeds the carryover request.

**What information will we need to include in a Carryover Request – Reprogram application?**

The Carryover Request – Reprogram application must be submitted in HSES and must include:

- SF-424
- SF-424A
- SF-424B
- Budget narrative
- Signed statements of the governing body and Policy Council chairs
- Governing body and Policy Council minutes documenting approval of the application

**Must activities requested in a carryover application be previously approved?**

Yes, a carryover application must only include previously approved, prospective costs and activities to be incurred or undertaken.

**Can I submit a carryover request that includes technical assistance (TA) funds?**

Yes, a carryover application can include TA funds, provided the activities are previously approved, prospective costs to be incurred or undertaken. TA funds cannot be repurposed for general operations needs.

**Can I request various unobligated balances from different budget periods to be used for the same project activity?**

Yes, if previous budget periods have not been closed by ACF and unobligated balances are still available, a grant recipient may request a carryover application covering multiple budget periods, within a project period, be reprogrammed through one application. A carryover application must only include previously approved, prospective costs and activities to be incurred or undertaken. Depending on use and prior approval requirements, a recipient may need to submit a budget revision first to change the purpose of the funds prior to pursuing a carryover application. Please be aware the closing of expired budget periods and deobligation of any unobligated funds will be initiated by ACF within 180 days of reporting of such unobligated funds.