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Department of the Interior, Fish and Wildlife Service - Interest Earned on Advance Payments of Grant Funds to Foreign Grantees

Number: B-251863

Date: 1993-08-27

Matter of: Department of the Interior, Fish and Wildlife Service - Interest Earned on Advance Payments of Grant Funds to Foreign Grantees File: B-251863 Date: August 27, 1993

APPROPRIATIONS/FINANCIAL MANAGEMENT Federal Assistance Grants Interest Use Interest earned on grant funds may not be retained and used by a grantee; the interest must be deposited promptly into the United States Treasury.

DECISION An authorized certifying officer, Department of the Interior, Fish and Wildlife Service (FWS), has requested a decision on the propriety of advancing payments of grant funds to a Canadian grantee and authorizing the grantee to use interest earned on grant funds for grant purposes. For reasons set forth below, we conclude that FWS may not allow grantees to retain and use interest earned on grant funds, unless it obtains legislative authority to do so.

The North American Wetlands Conservation Act, 16 U.S.C. Secs. 4401-4412, authorizes the Secretary of the Interior to grant funds to public agencies and other entities in Canada and Mexico to carry out wetlands conservation projects that have been approved by the Migratory Bird Conservation Commission. 16 U.S.C. Sec. 4405(b). FWS states that it has explored many options to help support and potentially extend this program. FWS requests our approval of its proposal to allow grantees to invest advance payments of grant funds and to utilize both the grant funds and interest earned for grant-related purposes.

The proposal was prompted by the request of a Canadian non-profit organization that the United States provide a total of $584,930 over a five-year period by advancing $500,000 and allowing the grantee to use interest earned on the advanced funds to make up the $84,930 differential. FWS states that this option would enable it to make $84,930 in appropriated funds that would otherwise have been offered to this grantee available for other grant awards.

We have long held that any interest earned by grantees on grant funds must be deposited promptly in the Treasury. See, e.g., 64 Comp.Gen. 96, 97 (1984); 42 Comp.Gen. 289, 292 (1962). Since grant funds are provided for a particular purpose, we consider the grantee to be holding federal funds in trust until they are expended for that purpose. 1 Comp.Gen. 656, 655 (1922); 40 Comp.Gen. 81 (1960). Consequently, any earnings resulting from their investment inures, properly, to the United States. Id. A federal agency may not allow a grantee to retain funds belonging to the United States; only the Congress is legally empowered to give away the money of the United States. 42 Comp.Gen. at 293.

The financial management concerns articulated by the Department of the Treasury

in the Treasury Financial Manual (TFM) are consistent with our long held position. The TFM regulates federal financial transactions; its purpose is "to ensure effective and efficient management of the government's cash." 1 TFM Sec. 8010. Section 8065 of the TFM provides that an agency may not withdraw funds from the Treasury for transfer to any foreign recipient prior to the need for the funds. 1 TFM Sec. 8065.20. Need is determined by the actual immediate funding requirements of the recipient country or organization, and section 8065 directs that dollar outlays be made as closely as possible to current program expenditure needs. (Monthly payments, according to section 8065, are the norm.) Section 8065 notes that international programs "potentially affect Treasury interest costs and foreign exchange operation," and explains that "[t]hese policies are intended to ensure that U.S. dollars are retained in the U.S. Treasury until actually required for immediate disbursement and that interest on U.S. funds will not be improperly used to subsidize any international program." 1 TFM Secs. 8065.10, 8065.20.

Accordingly, the advance payment proposed is not authorized.