



September 14, 1998

MEMORANDUM FOR THE FEDERAL CO-CHAIRMAN

SUBJECT: OIG Reports 98-36(H), 98-40(H), 98-41(H), and 98-53(H)

Enclosed are four reports dealing with the following grants or subjects:

- ◇ 98-36(H), Grant Nos. PA-12055-95/96--Sawmill Center for the Arts.

The report identifies significant problems with the grantee's financial management system and identifies questioned or unsupported direct and matching costs in excess of \$200,000. A primary issue is whether a grantee's overall operating expenses can be used as matching costs without identification that other projects or activities of the grantee are directly related to the ARC grant objectives and purposes.

- ◇ 98-40(H), Grant No. KY-12287-96--Kentucky International Trade Office.


The report identifies a minor matter related to handling of interest on advances.

- ◇ 98-41(H), Grant No. KY-12014-95--Big Sandy Kentucky Telecommuting Services, Inc.

The report identifies significant problems with the grantee's financial management system and questions in excess of \$200,000 in incurred costs. Most of the questioned costs pertain to program income which, if not specifically approved by grantor agency for use to expand the project, must be used to reduce the ARC grant amount.

- ◇ 98-53(H)—Update on Controls over Expired Grants.

The report notes successful and aggressive action by ARC to reduce the number of open and expired grants and recommends continuing action, especially with respect to some repeat listings, and improved documentation of justifications for extensions of performance periods.


Hubert N. Sparks
Inspector General

Enclosures



FOLLOWUP REVIEW

CONTROLS OVER CONTRACTS/GRANTS WITH EXPIRED PERFORMANCE PERIODS

OIG Report 98-53(H)
August 25, 1998

BACKGROUND AND OBJECTIVES

This report updates the status of open contracts/grants with expired performance dates that were (1) identified in our prior report, 97-15(H), issued March 26, 1997, and (2) included in our updated sample of 41 additional grants that had expiration dates prior to January 1, 1998.

Report 97-15(H) identified 87 grants with the potential for closing and/or deobligation of funds. We have followed up on the status of these grants, including a memorandum of May 11, 1998, indicating action had been initiated or completed in 69 cases.

This report summarizes the status of actions on grants included in our prior report and identifies an additional 24 cases for closing and/or extension of the performance period, if warranted.

Also, the report summarizes limited testing of the sufficiency of documentation or rationale for grant extensions in the cases included in our report samples.

SCOPE AND METHODOLOGY

Followup action was initiated on grants included in report 97-15(H) to identify actions and the current status of the noted grants.

ARC data with respect to open grants and an ARC status report prepared in connection with program controls established to identify and followup on expired grants were used to identify an additional 42 grants that had expiration dates prior to January 1, 1998.

RESULTS

Substantial controls have been implemented and actions have been initiated to ensure that expired grants are identified and achieve timely followup to determine grant status, including the applicability of grant closing and related fund deobligations, need and justification for an extension of the period of performance, or problem situations, including the need for additional information. Consequently, the backlog of open but expired grants has been substantially reduced, which has resulted in significant deobligations for use on other projects and an overall improvement in funds management.

Followup on grants included in report 97-15(H) identified 14 cases where the grant remained open, with 9 cases noted as having expiration periods prior to January 1, 1998. The grant period for the other 5 cases had been extended beyond January 1, 1998.

Closing actions were initiated on the remaining grants noted in report 97-15(H), and action included deobligations totaling \$908,451 in 41 cases.

Our followup sample included 42 grants that were open as of May 1, 1998, and had expiration periods prior to January 1, 1998. Actions were initiated as 17 grants between May 1 and August 28, 1998, including 10 closings with deobligations totaling \$91,007 and 7 extensions. The remaining 25 grants are noted in Table II below.

We also reviewed the project files for the grants in our prior report and additional samples that were extended in order to evaluate the reasons for the extensions. Reviews of the 10 applicable case files indicated a need to better document the reasons for the extensions.

The following tables identify expired grants as of January 1, 1998, for which additional action is appropriate to ensure project closings and applicable deobligations or extensions of the performance period.

Table I includes 9 open grants with performance periods ending prior to August 25, 1998, that were previously included in report 97-15(H), issued March 26, 1997; and Table II includes 25 additional grants open as of August 25, 1998, for which the performance period expired prior to January 1, 1998. In most cases, ARC followup has identified the status of the grants and action needed to close and/or extend the grant (see footnotes).

TABLE I

Open as of August 25, 1998					
Number		Balance 8/24/98	Expiration Date	Last Payment or Advance	Notes
OH-10533-94	93-095	\$62,168	9/30/96	11/19/96	1, 3
NY-11474-94	94-35	5,000	12/31/96	2/22/95	4
VA-11496-94	94-102	50,000	1/31/95	11/10/94	2
VA-11575-94	94-120	3,764	10/15/95	5/3/95	4
SC-11800-95	95-016	73,406	2/6/96	8/16/95	5
NY-12037-95	95-072	35,000	5/31/96	none	4
KY-11882-95	95-075	15,942	9/30/97	4/21/97	6
SC-12097-95	95-101	20,638	12/31/96	10/16/96	5, 4
MS-07763-95	95-152	103,296	9/30/96	5/6/96	3
Total of 9 Open Projects		\$369,214			

TABLE II


Other Active ARC-administered Projects with Expiration Dates Before 1/1/98					
Project Number	Remaining Balance			Expiration Date	Notes
	Less than 50 Percent	50 Percent or More	100 Percent		
KY-11585-94	\$4,000			4/30/97	4
KY-12014-95	\$5,000			9/30/97	1
NY-12073-95	\$1,500			5/31/96	4
NY-07776-96	\$45,000			9/30/97	1
NC-07780-96	\$50,237			9/30/97	2
SC-11463-96			\$100,000	7/10/97	3
GA-11831-96	\$5,593			9/30/97	8
PA-12055-96	\$16,926			10/1/96	1/9
KY-12285-96			\$250,000	12/31/96	8
KY-12289-96	\$4,535			3/31/97	4
CO-12398-96	\$1,000			6/30/97	7
KY-12421-96			\$206,000	6/30/97	6
KY-12423-96	\$4,000			7/31/97	3
KY-12427-96	\$18,750			6/27/97	6
KY-12433-96	\$5,758			9/30/97	3
KY-12436-96	\$85,655			8/31/97	2
TN-12461-96		\$285,175		7/16/97	1
CO-12614-96	\$215			11/24/97	4
KY-12287-97	\$22,650			12/31/97	2
WV-12586-97	\$800			10/31/97	1
WV-12588-97		\$14,905		9/14/97	2
NC-12625-97		\$7,500		9/30/97	1
OH-12647-97	\$800			10/31/97	1
KY-12689-97	\$800			10/31/97	4
CO-12890-97			\$15,000	12/31/97	1
25 Projects	\$273,219	\$307,580	\$571,000		

Notes:

1. No comments noted on followup summary.
2. Awaiting final report.
3. Awaiting additional information.
4. Expired notification letter sent.
5. Audit completed.
6. Extension requested.
7. Not included in ARC summary listing.
8. Other--change of scope or project coordinator.
9. Audit report being prepared.

RECOMMENDATION

ARC continue aggressive and successful efforts to timely identify and followup on grants with expired performance periods and establish control to better ensure that extension approvals are based on grantee support for the extension and realistic time frames for project completion.


Hubert N. Sparks
Inspector General