



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

**AUDIT OF GRANT No. P13AF00113
BETWEEN THE NATIONAL PARK
SERVICE AND THE CONNECTICUT
DEPARTMENT OF ECONOMIC AND
COMMUNITY DEVELOPMENT**



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Memorandum

JAN 08 2018

To: Patrick Breen
Bureau Procurement Chief, National Park Service

From: Chris Stubbs *Chris Stubbs*
Director, Financial and Contract Audits

Subject: Final Audit Report – Audit of Grant No. P13AF00113 Between the National Park Service and the Connecticut Department of Economic and Community Development
Report No. 2017-FIN-032

This memorandum transmits the results of our audit of Grant No. P13AF00113 between the National Park Service (NPS) and the State of Connecticut's Department of Economic and Community Development (DECD). We found deficiencies in the DECD's management of the grant. We offer nine recommendations to help the NPS develop policies and procedures to ensure the DECD's compliance with Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions.

The NPS concurred with all 17 recommendations made in the 6 Notices of Findings and Recommendations (NFRs) we issued to the DECD during fieldwork. We consider eight of the NFR recommendations to be resolved and implemented. We consider three of the recommendations resolved but not implemented, three recommendations unresolved, and three recommendations partially resolved and not implemented. These are the nine recommendations presented in this report.

Please provide us with your written response to this report by February 22, 2018. The response should provide information on the actions you have taken or planned to address the recommendations, as well as target dates and titles of the officials responsible for implementing these actions. Please send your response to aie_reports@doioig.gov.

If you have any questions concerning this report, please do not hesitate to contact me at 202-208-5745.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

Table of Contents

Results in Brief	1
Introduction.....	2
Objective	2
Background	2
Findings.....	3
Unallowable Costs Claimed by the DECD	3
The DECD Made an Ineligible Purchase of \$1,912	3
The DECD Paid Costs of \$244,978 Outside the Period of Performance Without Obtaining Timely Approval	4
The DECD’s Noncompliance With Federal Regulations and NPS Policies.....	6
The DECD Did Not Track Administrative Costs.....	6
The DECD Did Not Properly Segregate Federal Funds.....	7
The DECD Did Not Identify a Computer In Use as Federal Government Property	9
The DECD Did Not Properly Document Subgrant Monitoring	10
The DECD Did Not Properly Complete the Federal Financial Reports.....	12
Conclusion and Recommendations.....	14
Conclusion.....	14
Recommendations Summary.....	14
Appendix 1: Scope and Methodology.....	16
Scope	16
Methodology	16
Appendix 2: Status of Recommendations.....	18

Results in Brief

We audited costs claimed by the State of Connecticut's Department of Economic and Community Development (DECD) on Grant No. P13AF00113 with the National Park Service (NPS) to determine whether (1) they were reasonable, supported, allowable, and allocable and (2) the DECD complied with Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions.

We reviewed \$5,002,392 in costs claimed between July 1, 2013, and March 31, 2017. We identified \$1,912 in ineligible costs for a computer not used for grant activities, and an undetermined amount of other questioned costs because the DECD did not properly track expenditures.

In addition, we identified deficiencies in compliance. Specifically, the DECD:

- Did not track administrative costs
- Paid costs outside the period of performance without obtaining timely approval
- Did not properly segregate Federal funds
- Did not identify a computer in use as Federal Government property
- Did not properly document subgrant monitoring
- Did not properly complete the Federal Financial Reports

These deficiencies occurred because the DECD misapplied or misunderstood Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions.

We offer nine recommendations to help the NPS develop policies and procedures to ensure the DECD's compliance with Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions.

Introduction

Objective

The objectives of this audit were to determine whether (1) the costs claimed by the State of Connecticut's Department of Economic and Community Development (DECD) under Grant No. P13AF00113 were reasonable, supported, allowable, and allocable under Federal regulations, State and National Park Service (NPS) policies and procedures, and grant agreement terms and conditions, and (2) the DECD complied with all Federal regulations, State and NPS policies and procedures, and grant agreement terms.

Our audit scope and methodology are included as Appendix 1.

Background

Under the Disaster Relief Appropriations Act of 2013 (Pub. L. No. 113-2), the NPS allocated \$47.5 million for the preservation of historic resources damaged by Hurricane Sandy that are listed in or eligible for listing in the National Register of Historic Places and are located in the States that received a major disaster declaration pursuant to the Stafford Act (Pub. L. No. 100-707).

The NPS awarded \$8,014,769 to the DECD on September 13, 2013. The funds provided by that grant were intended for the "preservation, stabilization, rehabilitation, and repair of historic properties damaged by Hurricane Sandy in federally declared disaster locations per the Stafford Act, and listed in or considered eligible for listing in the National Register of Historic Places."

The demand for Hurricane Sandy funds to repair damaged structures was not as great as the State of Connecticut had anticipated. Therefore, the DECD requested, and received approval for, a budget revision designating \$5,447,382 to contractual services such as surveys and technical assistance. This amount is 68 percent of the grant funds. The DECD spent \$3,969,895 in actual expenses, representing 79 percent of the total expenditures. We determined that such expenditures were allowable.

During fieldwork we issued six Notices of Findings and Recommendations (NFRs) to the DECD, offering 17 recommendations to help the NPS and the DECD manage the grant. Based on the DECD's response to the NFRs, we considered eight of the NFR recommendations resolved and implemented. We consider three of the recommendations resolved but not implemented, three recommendations unresolved, and three recommendations partially resolved and not implemented.

Findings

We determined that \$1,912 of the costs claimed by the DECD on the grant was unallowable, and that there was an undetermined amount of unallowable administrative costs under Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions. We also identified \$244,978 in unallowable costs, but the DECD provided us with the required approval after we brought these costs to the DECD's attention.

In addition, we found that the DECD did not comply with Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions. Specifically, the DECD:

- Did not track administrative costs
- Did not properly segregate Federal funds
- Did not identify a computer in use as Federal Government property
- Did not properly document subgrant monitoring
- Did not properly complete the Federal Financial Reports

These deficiencies occurred because the DECD misapplied or misunderstood Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions.

Unallowable Costs Claimed by the DECD

The DECD Made an Ineligible Purchase of \$1,912

The DECD purchased two computers and a USB port replicator in anticipation of hiring two full-time employees for the grant. Only one person was hired, so the DECD put the second computer into storage—but still charged its cost to the grant. We are questioning the cost of the computer in storage, \$1,912, as ineligible.

Instead of returning the computer or placing it into its own inventory, the DECD kept the computer in storage but still claimed it on the NPS grant. This violates 2 C.F.R. § 225 Appendix A(c)(1)(a), which requires claimed costs to be necessary and reasonable in performing the Federal award. When the DECD decided to hire only one person for the job, it should have removed the cost of one computer from the amount charged to the grant.

We made five recommendations to address this and other cost issues in an NFR, and we summarize the DECD response and our reply below.

DECD Response

The DECD concurred with the finding and supplied support that resolved four of the NFR recommendations. The DECD will refund the cost of the extra computer for \$1,912 on the next drawdown request to repay this amount.

OIG Reply

Based on the DECD's response, we consider four of the recommendations resolved and implemented. We considered the following recommendation resolved but not implemented.

Recommendation
We recommend that the NPS work with the DECD to: I. Reimburse the NPS for \$1,912 for the purchase of the unused computer in storage.

The DECD Paid Costs of \$244,978 Outside the Period of Performance Without Obtaining Timely Approval

The DECD failed to follow the terms and conditions of three subgrantee agreements regarding payment of invoices. It paid costs totaling \$244,978 incurred outside the period of performance on these agreements without the required approval of the DECD Commissioner.

As an internal control mechanism over costs, each of these subgrantee agreements specifically noted the start date and the end date for reimbursement of costs from grant funds. The agreements also allowed for costs incurred outside the period of performance, if the DECD Commissioner authorized the costs in writing. The DECD paid costs that were incurred prior to pre-award approval dates without securing prior written permission from the DECD Commissioner.

When we informed the DECD of our findings, it admitted that that the invoices were outside the periods of performance, but suggested that the costs were reimbursable because they were for work done for the agreements in question, regardless of when the work was completed. Regardless of whether the costs in question were reasonable or applicable to the agreement, they were not allowable due to the time constraints built into each agreement.

There were three agreements for which the DECD paid costs outside the period of performance without obtaining timely approval. As one example, the DECD signed an agreement with Soundwaters for \$53,500 on October 20, 2014, for

repairs to the front porch and basement of a Soundwaters building. The agreement allowed for pre-agreement costs dated no earlier than September 9, 2014, unless given written approval by the DECD Commissioner. Soundwaters completed all of the work, however, before that date—specifically, work on the basement was completed by April 19, 2013, and work on the porch by September 18, 2013. The DECD provided no support for why these pre-award costs were paid. We questioned \$53,500 claimed on this agreement, because the entire contract was completed before the pre-award cost allowance date.

In addition, even though the entire project was completed before the agreement start date, the DECD wrote the agreement in a manner that suggested the work had not yet been performed, instead of using the type of agreement for projects that were already completed. This would suggest that the employee responsible for drafting this agreement was unfamiliar with its verbiage and was not aware that other types of agreements existed that could be used to reimburse completed projects.

We made three recommendations to address this issue in an NFR, and we summarize the DECD response and our reply below.

DECD Response

The DECD concurred with this finding. It also provided us with a letter from the DECD Commissioner approving the pre-award costs we questioned in letters dated September 9, 2017. The DECD's grant closeout checklist was amended to include an item verifying that all costs fall within an agreement's performance period, or if not, were approved by the DECD Commissioner. The DECD will attach the checklist to all payment requests prior to supervisory review. This procedure is now in effect.

OIG Reply

Based on the DECD's response, we consider two of the recommendations resolved and implemented. The DECD's response did not address the need for additional staff training on agreement drafting and administration, and as such, we consider the following recommendation partially resolved and not implemented.

Recommendation

We recommend that the NPS work with the DECD to:

2. Provide training to DECD employees on agreement drafting and administration.

The DECD's Noncompliance With Federal Regulations and NPS Policies

The DECD Did Not Track Administrative Costs

The DECD failed to track administrative costs to determine whether those costs exceeded the 5-percent limitation set forth in the grant agreement. Our calculation showed administrative costs exceeding the limit by 2 percent as of March 31, 2017.

The DECD gave us two different explanations of why it believed it was in compliance with the 5-percent limitation. Initially, the DECD said it would be within the 5-percent limitation by the end of the grant's period of performance. The DECD later maintained, however, and the NPS agreed, that it charged no administrative costs to the grant. It maintained that all costs charged to the grant were technical assistance because technical knowledge was required to review all the work performed.

After consulting the NPS's *Historic Preservation Fund Grants Manual's* definition of administrative costs,¹ we concluded that many of the functions performed by the DECD project manager were administrative: preparing monthly progress reports, preparing solicitations for and reviewing proposals from subgrantees and subcontractors, arranging payments of subgrantees and subcontractors, and maintaining project files. We believe that such activities are required by Federal or State law or regulation and are pertinent to central direction, monitoring, reporting, and management support, and should be recorded as an administrative cost. In addition, we concluded that conference costs (which were claimed on this grant) are also administrative costs because they are not directly related to any specific program area activities.

In addition, the NPS maintained that administrative costs comprise only indirect costs, and that the DECD did not apply any indirect costs to its agreements. The NPS indicated that it gave this advice to all grantees over several years. NPS officials claimed that the agreement language, which defines administrative costs as "the sum of the direct cost of administration and any indirect costs," was unfortunate because all the work done by the project manager was technical assistance and the use of the phrase "direct cost of administration" confuses the issue. We noted, however, that for fiscal years 2015 and 2016, the SF-424A budget form for the annual Connecticut State Historic Preservation Grant included an administrative cost line item while not including any indirect costs.

¹ The *Historic Preservation Fund Grants Manual* defines administrative costs in two relevant sections: (1) Chapter 6.F.3.e, "Administrative Program Area," and (2) Chapter 7, Exhibit 7-B, "Additional Instructions for the SF 424-A," Section B, "A. Definition."

Confusion over administrative costs makes it impossible to evaluate whether the DECD exceeded the grant's 5-percent limitation on administrative costs. We made three recommendations to address this issue in an NFR, and we summarize the DECD response and our reply below.

DECD Response

The DECD did not concur with this finding. The DECD indicated that it had a process in place to charge direct administrative costs to Federal grants. In addition, it stated that the NPS concurred with the DECD's treatment of the project manager's salary as a direct cost related to the program area activities covered by this grant. Hence, 100 percent of the project manager's salary was charged as a direct cost, as outlined in Office of Management and Budget Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments."

Regarding the indirect rate being part of administrative costs, the DECD stated that it is not required to have, or apply for, a federally approved indirect cost rate. The DECD incurred indirect expenses to support this grant, yet it did not charge or receive reimbursement for any indirect cost under this grant.

OIG Reply

Based on the DECD's response, we consider all three of the recommendations unresolved. The 5-percent limitation on administrative costs applies to direct administrative costs and indirect costs. We found no evidence of a process to charge direct administrative costs and no evidence that the DECD accumulated any indirect costs not billed to the NPS.

Recommendations
<p>We recommend that the NPS work with the DECD to:</p> <ol style="list-style-type: none">3. Develop and implement a system to better identify and track administrative costs.4. Reevaluate the costs incurred under the grant to determine which are administrative costs.5. Determine whether the DECD exceeded the 5 percent administrative cost limitation on this grant.

The DECD Did Not Properly Segregate Federal Funds

The DECD commingled Federal funds from two grants with one another. Specifically, two DECD employees traveled to different cities affected by Hurricane Sandy, to hold public information sessions on DECD disaster relief assistance grants. The DECD charged the employees' travel to the NPS grant, but

billed their hours spent traveling and conducting the sessions to another Federal grant. One of those employees worked on the grant while charging another grant.

According to 43 C.F.R. § 12.60(2), “Standards for Financial Management Systems,” a grantee’s financial management system must “permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.”

The DECD said that when an employee is hired, it sets up his or her salary to a specific funding code. Then, regardless of what work he or she does (whether it is for the original funding code or not), the DECD charges all of the employee’s hours and cost to the original funding code.

The DECD said that it does this because it is administratively too difficult to establish and maintain a cost allocation plan when employees work on more than one funding codes because it does not have a full-time human resources staff.

The DECD’s failure to adequately track expenditures for hours worked by the employees violated 43 C.F.R. § 12.60(A)(2) and led to commingling of funds among grants. It also makes it impossible to determine whether an employee whose funding code is set to a Federal grant is working on other projects as well. We made two recommendations to address this issue in an NFR, and we summarize the DECD response and our reply below.

DECD Response

The DECD concurred with this finding, and said it did not intend to commingle funds. Rather, the DECD intended to allocate costs appropriately between funding sources when more than one source was applicable. The DECD agreed, however, that its process was not transparent or effective. To effectively allocate costs, DECD management implemented a time-tracking mechanism in CORE CT (the State’s system for both payroll and financial accounting) to use for Federal reporting, effective August 18, 2017. This tracking mechanism delineates which, if any, Federal program an employee’s time was dedicated to, allowing the costs of an employee’s salary and fringe benefits to be allocated to specific grants. According to the DECD, this time-tracking mechanism will ensure that all grant activity costs are charged to the appropriate grant program.

OIG Reply

Based on the DECD’s response, we consider one of the recommendations resolved and implemented. For the second recommendation, we learned that the time-tracking mechanism is informational only. The system does not actually transfer cost from one project to another and, therefore, will not prevent the commingling, and as such, we consider the following recommendation resolved but not implemented.

Recommendation

We recommend that the NPS work with the DECD to:

6. Develop and implement a procedure for the DECD financial department that allows it to comply with 43 C.F.R. § 12.60(A)(2) and adequately separate and trace costs for employees who work on federally funded projects.

The DECD Did Not Identify a Computer In Use as Federal Government Property

The DECD purchased two computers for \$1,912 each, an amount above the State's capital asset limit, with funds from the NPS grant. The DECD recorded the purchase in the accounting records as a "Capital IT Hardware Purchase" and did not obtain the NPS' approval for the purchase of these computers. As discussed previously, one computer was put into storage and one was put into use on the grant.

Because of new guidance from the State comptroller that increased the purchase limit on capital assets from \$1,000 to \$5,000, DECD officials believed that the applicable threshold was \$5,000. The increase, however, was announced for capital assets purchased after July 1, 2015. The DECD purchased the computers in question on February 1, 2014.

According to 43 C.F.R. § 12.72(b), "Equipment," States are required to "use, manage and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures."

The NPS's *Historic Fund Preservation Grant Manual* states that "any article of non-expendable tangible personal property having a useful life of more than one year and acquisition cost of \$5,000 or less is defined as supplies, and is allowable as a direct cost, without specific prior NPS approval if necessary for the performance of the HPF grant." This contradicts the C.F.R. by not requiring NPS approval for items under \$5,000. We believe, however, that the C.F.R. citation takes precedence over the grant manual.

Because the DECD did not seek NPS approval for the purchase, the NPS lost an opportunity to control costs and explore other cost-saving methods of obtaining the equipment. There may also be financial implications for the grant or associated programs on the disposition of these computers.

We made two recommendations to address this issue in an NFR, and we summarize the DECD response and our reply below.

DECD Response

The DECD concurred with this finding, but referred to the wrong computer in its response (it referred to the computer in storage and not the computer in use). The DECD used the Federal capitalization threshold (\$5,000) to determine whether pre-approval was required for the purchase of a computer for \$1,912. The DECD, however, recognized that Federal regulations also require that State rules regarding capitalization (\$1,000) be followed. The DECD should have considered the State capitalization threshold of \$1,000 and obtained pre-authorization from the NPS for this purchase.

OIG Reply

After reviewing the DECD response, we consider one of the recommendations resolved and implemented. The DECD's response addressed only the extra computer and not the one currently used by the DECD. The DECD did not address either plans to identify the computer in use as federally owned property or the financial effect of the distribution of the computer being used. We consider the following recommendation partially resolved and not implemented.

Recommendation

We recommend that the NPS work with the DECD to:

7. Identify the computer in use as federally owned and determine the financial effect of the disposition of both purchased computers on the grant or associated programs.

The DECD Did Not Properly Document Subgrant Monitoring

The DECD did not maintain scoring sheets or site visit reports in the subgrantee files. The grant agreement terms indicate that required documentation for subgrant files includes (1) a complete application with scoring sheet, and (2) site visit reports.

One reason to complete scoring sheets is to numerically rank applicants in case there is not enough funding to accept all qualified applicants. Scoring sheets also help identify the significance and the integrity of the property, the applicant's readiness to execute the project, and the project's visibility and impact.

The DECD did not complete scoring sheets because there was enough money to fund all projects. The program was under-subscribed, even after the DECD conducted two rounds of applications and public meetings. Many of the anticipated participants had already received money from insurance companies or the Federal Emergency Management Agency to repair their structures.

Site visit reports help the NPS evaluate whether the work for which it paid meets its standards. These reports also provide a record for future reviews or inquiries about construction work performed on the properties.

The DECD conducted site visits and collected information, but did not draft the reports because of time constraints. The DECD intends to include site visit reports with the final report to the NPS. However, the DECD did not document some of the initial site visits at all; it merely noted the date of the site visit in the file. The NPS acknowledged that the DECD was not required to conduct site visits on all projects, but maintained that if the DECD conducted site visits, then reports were required.

Not having access to either of these documents inhibits the NPS' ability to monitor the use of Federal funds and ensure funds are put to their best use. We made two recommendations to address this issue in an NFR, and we summarize the DECD response and our reply below.

DECD Response

The DECD concurred with this finding. The DECD had developed scoring sheets for grant applications for the program, but did not use them after it determined that available funding would cover all eligible grant applications. The DECD reviewers thought the scoring sheets would be useful and necessary only in a competitive funding scenario. The DECD completed a thorough review on each application to determine the applicant's eligibility, weighing concerns such as significance, integrity, and the applicant's ability to carry out the project. Scoring sheets will be prepared as part of the grant project files for all funded projects. Explanatory notes on the review/scoring process undertaken by the DECD will also be included.

While the DECD staff did not complete site visit reports for subgrant projects, they did collect project information and photographs on site visits. Much of this information is contained in the grant project-closeout documents. The DECD agreed that a site visit template would have been more efficient and consistent. The DECD will develop a site visit template and will complete these site visit forms for all grant projects. The DECD said it would implement this procedure immediately.

OIG Reply

After reviewing the DECD response, we consider one recommendation partially resolved and not implemented (Recommendation 8 below), and one recommendation resolved but not implemented (Recommendation 9). The NPS needs to determine whether the DECD followed through on its action plan described in its response. Subsequent to the DECD's response, the NPS stated it was unsure whether scoring sheets were necessary and indicated it might amend the agreement to eliminate the requirement.

Recommendations

We recommend that the NPS work with the DECD to:

8. Determine whether scoring sheets are necessary and take appropriate action.
9. Obtain reports for all site visits conducted.

The DECD Did Not Properly Complete the Federal Financial Reports

The DECD improperly completed the Federal Financial Reports, or SF-425s, for this grant. We obtained and reviewed the latest SF-425, dated December 31, 2016. The cash receipts were recorded as \$8,014,769, but the actual cash receipts through that date were \$3,666,412—a difference of \$4,348,357. In addition, the cash disbursements on the SF-425 were recorded as \$5,071,641. The support for those expenses, however, totaled \$2,082,856, and the actual expenses were \$4,418,664.

We reviewed the SF-425s ending March 31, 2016, June 30, 2016, and September 30, 2016 and found errors similar to those we found on the SF-425 dated December 31, 2016.

According to 2 C.F.R. § 215.21(b)(1), the DECD is required to provide “accurate, current and complete disclosure of the financial results of each federally sponsored project or program in accordance with the reporting requirements set forth in § 215.52.” According to 2 C.F.R. § 215.21(b)(2), financial records must also identify “the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.” The DECD did not provide accurate reports.

DECD program personnel responsible for completing these SF-425s were unfamiliar with how to do so. The forms reported cash receipts of \$8,014,769, which represented two drawdowns dated August 28, 2013, and September 19, 2013. The DECD refunded portions of those drawdowns in January 2015, but did not reflect the change on the SF-425. The DECD also did not match the cash disbursements with the expenses recorded in the general ledger.

Without accurate SF-425s, the NPS is unable to properly manage and monitor the project. We brought this finding to the DECD’s attention and it corrected the issue, so we did not issue an NFR.

DECD Response

The DECD agreed with our finding and issued revised SF-425s for the entire grant before the publication of this report. They were completed and signed by the DECD finance office.

OIG Reply

Based on the DECD's response, we have no outstanding finding in this matter.

Conclusion and Recommendations

Conclusion

We determined that \$1,912 of the costs claimed by the DECD on the grant was unallowable, and that there was an undetermined amount of unallowable administrative costs under Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions. We also identified \$244,978 in unallowable costs, but the DECD provided us with the required approval after we brought these costs to the DECD's attention. In addition, we found that the DECD did not comply with Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions. These deficiencies occurred because the DECD misapplied or misunderstood the Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions. Further, these deficiencies inhibited the NPS's ability to provide proper oversight and ensure funds were put to their best use.

The NPS and the DECD should improve compliance with Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions to protect the Government's interest and better document the work performed under the agreement.

Recommendations Summary

During fieldwork we issued six NFRs to the DECD, containing a total of 17 recommendations, and received the DECD's response on September 14, 2017. Based on that response, we consider eight of the NFR recommendations to be resolved and implemented. We consider three of the recommendations resolved but not implemented, three recommendations unresolved, and three recommendations partially resolved and not implemented (see Appendix 2), as detailed in the "Findings" section of this report.

The NPS informally responded to the six NFRs we issued to the DECD and concurred with all our findings. The NPS' response, however, did not specifically address each individual recommendation.

We recommend that the NPS work with the DECD to:

1. Reimburse the NPS for \$1,912 for the purchase of the unused computer in storage.
2. Provide training to DECD employees on agreement drafting and administration.
3. Develop and implement a system to better identify and track administrative costs.

4. Reevaluate the costs incurred under the grant to determine which are administrative costs.
5. Determine whether the DECD exceeded the 5-percent administrative cost limitation on this grant.
6. Develop and implement a procedure for the DECD financial department that allows it to comply with 43 C.F.R. § 12.60(A)(2) and adequately separate and trace costs for employees who work on federally funded projects.
7. Identify the computer in use as federally owned and determine the financial effect of the disposition of both purchased computers on the grant or associated programs.
8. Determine whether scoring sheets are necessary and take appropriate action.
9. Obtain reports for all site visits conducted.

Appendix I: Scope and Methodology

Scope

We performed an audit of interim costs totaling \$5,002,392 claimed by Connecticut's Department of Economic and Community Development (DECD) on Grant No. P13AF00113 with the National Park Service (NPS) between July 1, 2013, and March 31, 2017. We examined the DECD's compliance with Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions. We performed our audit at the DECD office in Hartford, CT, and our office in Herndon, VA.

Methodology

We conducted the audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our audit objectives, we:

- Interviewed the NPS grant officer, the NPS grant personnel, and other appropriate individuals at the NPS
- Interviewed DECD officials and other appropriate individuals at the DECD
- Reviewed the grant agreement for compliance requirements
- Reviewed the support related to the DECD's compliance with grant agreement terms and conditions
- Reviewed the DECD's support for claimed costs
- Reviewed the DECD's drawdowns against the agreement
- Reviewed the DECD's internal controls
- Reviewed computer-generated documentation
- Reviewed applicable Federal regulations, State and NPS policies and procedures, and grant agreement terms and conditions
- Conducted a site visit in April 2017

To test the accuracy of the computer-generated general ledger the DECD provided, we performed several analytical tests on the data. We relied on computer-generated data to test other direct costs, payroll expenses, and to verify amounts drawn down by the DECD.

Appendix 2: Status of Recommendations

Recommendation	Status	Action Required
3, 4, and 5	Unresolved – the DECD disagreed with our finding	We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget for resolution and tracking.
1, 6, and 9	Resolved; not implemented	We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget for tracking.
2, 7, and 8	Partially resolved; not implemented	We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget for tracking.

