



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

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



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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Memorandum

JAN 08 2018

To: Michael T. Reynolds
Acting Director, National Park Service

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

Subject: Management Advisory – Issues Identified During Our Audit of Grant No. P13AF00113 Between the National Park Service and the Connecticut Department of Economic and Community Development
Report No. 2017-FIN-032-A

We have completed an audit of 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). On September 13, 2013, the NPS issued the \$8,014,769 grant to the DECD, under the Disaster Relief Appropriations Act of 2013 (Hurricane Sandy relief).

During the audit, we found that the NPS encountered difficulties in monitoring the grant and made major changes to grant funding without documentation and without notification to Congress. Specifically, the NPS did not:

- Clearly define administrative costs when monitoring expenses
- Properly review the Federal Financial Reports (SF-425s)
- Document and communicate major funding changes to Congress

In this management advisory, we make three recommendations to the NPS to resolve these issues.

The NPS Did Not Clearly Define Administrative Costs When Monitoring Expenses

The NPS did not monitor the grant to determine whether the DECD exceeded the 5-percent administrative costs ceiling established in the grant. Confusion over the definition of “administrative costs” makes it impossible to evaluate whether the DECD exceeded the 5-percent limitation on administration costs.

The NPS told us it defined administrative costs as only indirect costs (utilities, rent, etc.) and said that the DECD grant had no indirect costs, so the DECD could not exceed the ceiling. In general, the NPS verbally informed all grantees that administrative costs are equal to indirect

costs. That definition contradicts the definition given in the grant agreement itself, which states, “This limitation applies to the sum of the direct costs of administration **and** any indirect costs charged by the State pursuant to a current federally approved indirect cost rate [emphasis added].” NPS officials indicated that this language was unfortunate because the term “direct costs of administration” confuses the issue.

Chapter 6.F.3.e of the *Historical Preservation Fund Grants Manual* defines “administrative costs” as “Other eligible services or activities that are required by Federal or State law or regulation which are pertinent to central direction, monitoring, reporting, and management support of the Program Area activities.”

Using this definition of administrative costs along with the definition in the grant language, we performed a calculation that indicated the DECD’s administrative costs exceeded the ceiling by 2 percent as of March 31, 2017. Without a clear definition of administrative costs, it is impossible to determine whether the DECD exceeded the administrative costs ceiling.

The NPS Did Not Properly Review the Federal Financial Reports

In our audit report, we detailed how the DECD improperly completed the Federal Financial Reports for this grant. Because the NPS did not properly review these SF-425s as they were submitted, the errors were not caught or corrected until our audit.

The NPS did not properly review the initial SF-425s because of problems between prior DECD employees and the NPS grant employees. When the current grant manager took over the grant, he assumed that everything was up-to-date, when in fact it was not. He had difficulty reconciling the DECD project tracking records with those of the NPS. He also had trouble accessing the Government payment system to verify drawdowns. There were no written policies and procedures for reviewing SF-425, and support for DECD expenses was not required because the NPS considered the DECD low risk.

Without an accurately completed SF-425, it is difficult for the NPS to properly monitor the DECD’s performance on the grant. Without proper policies and procedures, it is unlikely the NPS grant manager would detect errors in the SF-425 reports.

The NPS Did Not Document or Communicate Changes to Congress

The NPS Did Not Notify Congress of Changes in the Spending Plan

The NPS submitted the Spending Plan required by the Disaster Relief Appropriations Act to Congress on May 7, 2013. It included a budget of \$5,000,000 for Connecticut and a total budget of \$47,500,000. That Spending Plan, however, did not reflect the true apportionment of resources the NPS made to the State Historic Preservation Offices. Its fiscal year 2013 apportionment dated April 29, 2013, listed a budget for Connecticut of \$8,014,769 and a total budget of only \$38,000,000. The figures for Connecticut represent a 60 percent increase, a significant difference from the Spending Plan.

NPS employees explained that the Spending Plan was prepared by the Office of Policy, Management and Budget (PMB) and they did not recall being asked by the PMB to review the plan. The individuals at the PMB who prepared it have left, and the current management does not know why the figures in the Spending Plan and the apportionment are different. Current PMB management does not have access to the emails or draft reports that support the Spending Plan. They maintain the difference does not matter because the Spending Plan was only an estimate. Further, the NPS stated, “The NPS Congressional Affairs office would have notified the Connecticut delegation of the \$8M grant allocation after the apportionment was signed, so the CT congressional delegation would have received the correct numbers.” The NPS was unable to provide any evidence that anyone in Congress had been notified.

The NPS Did Not Notify Congress of its Intent To Use Grant Funds for Surveys

The DECD entered into a subcontract with a cultural resource group for \$5,527,208, which was 68 percent of the grant funds. Costs claimed included those for forms and publications, surveys, and planning services. The NPS did not provide any formal documentation related to congressional notification of the use of grant funds for these type of services.

While there is no formal requirement to notify Congress when bureau spending plans undergo major revisions or when funds are redirected, congressional oversight of use of funds could be enhanced if the NPS provided notification or budget execution data. These notifications are in practice, for example, at the U.S. General Services Administration and the U.S. Department of Defense. We believe this is a promising practice.

Conclusion and Recommendations

We identified three management issues during our audit of the NPS grant with the DECD. We recommend the NPS:

1. Develop a clear definition of administrative costs.
2. Develop better policies and procedures to review SF-425s.
3. Develop policies and procedures to better document and communicate funding revisions sent to Congress.

Please provide us with your written response to this management advisory by February 7, 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.

The information in this management advisory will be included in our semiannual report to Congress and posted on our website. Please contact me at 202-208-5745 if you have any questions.

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