



MARCH 29, 2002

OIG REPORT 02-22(H)

FOLLOWUP REVIEW OF EXPIRED GRANTS

BACKGROUND AND OBJECTIVES

This report updates the status of open ARC-administered grants with expired performance dates.

The report is divided into several sections:

- An update on the status of 75 open grants identified in OIG Report 01-56(H), dated September 30, 2001.
- Identification of an additional 109 grants for which followup action is appropriate.
- Data reconciliation and general comments.

SCOPE AND METHODOLOGY

OIG Report 01-56(H) was utilized as the sample for updating the status of grants noted in the report. Actions included grant closings and deobligations, extensions of performance periods, and progress payments.

A summary of open projects, as of March 19, 2002, was utilized to identify additional grants for which the performance period expired. Except for grants with no drawdowns, the grace period of January 1, 2002, to March 19, 2002, was considered reasonable time to permit followup to obtain necessary documentation to permit closing actions or initiation of performance period extensions where justified. For grants without any drawdowns, no grace period was utilized.

- Followup on the 75 grants specifically identified in OIG Report 01-56(H).
- Identification of open grants with expired performance periods for which no drawdowns occurred as of March 19, 2002.
- Identification of open grants with expired performance periods prior to January 1, 2002, for which drawdowns had occurred as of March 19, 2002. These grants were divided into two categories—grants with expiration dates prior to October 1, 2001, and prior to January 1, 2002, in order to provide a perspective about the time frame since grant expiration dates.

- o Specific data is noted for grants with no drawdowns and grants with balances of at least 50 percent of approved funds and summary data is noted for grants with less than 50 percent balances.

RESULTS

The review noted ARC's continued and successful efforts to ensure timely action is initiated to reduce the number of open grants for which performance periods have expired. Primary actions included grant closings and deobligations of funds for use on other projects and extensions of performance periods. Although, as noted below, continuing actions are appropriate, the number of open grants subject to scrutiny because performance periods have expired is dwindling, which contributes to improved grant administration and timely availability of funds for use on other priority projects.

Also, this review noted that a significant majority of the open grants with expired performance periods were for grants with balances of less than 50 percent of the approved grant. This reflected efforts to deal in a timely manner with grants where high balances generally reflected limited activity or potential implementation problems. As noted below, however, continued emphasis should be placed on grants for which no, or limited, drawdowns occurred during the grant period.

Our followup review noted that 29 of the 75 grants identified in our prior report had been closed, with deobligations of \$284,266 in 14 cases. In 15 cases, payment activity was noted or grant periods had been extended. The review identified 108 open grants with expired performance periods for which fund balances totaled about \$4.1 million. This involved 26 cases included in our prior report. For the 108 cases cited in this report as having followup potential, no drawdowns had occurred in 20 cases with balances of \$1,528,419; 18 cases with 50 percent or more remaining funds with balances of \$1,032,633; and 70 cases with less than 50 percent remaining funds with balances of \$1,595,611.

A comparison of grants noted in our prior report with ARC files disclosed 4 cases where management records indicated grants were apparently closed but financial records noted substantial balances remaining in the account.

DETAILS

A. Followup on OIG Report 01-56(H), September 30, 2001

The report identified 75 unduplicated open grants with expired performance periods for which followup action was deemed appropriate. As of March 19, 2000, the status of these 75 grants was as follows:

- o 29 closing actions during the period October 1, 2001, to March 19, 2002.
- o 14 of the 29 closings involved deobligations totaling \$284,266.
- o 26 cases where no payment activity occurred between October 1, 2001, and March 19, 2002, including 21 cases where grant periods were not extended and

5 cases where extended periods expired prior to March 19, 2002. Total balance in these cases was \$945,936, including 4 cases where no drawdowns were made.

- o 7 cases where payments were made but grant periods were not extended.
- o 8 cases where grant periods were extended beyond March 19, 2002.

The primary areas of needed additional followup on these grants include the 5 grants for which no drawdowns occurred and the other 26 grants for which no action occurred between October 1, 2001, and March 19, 2002.

The open grants carried over from OIG Report 01-56(H) are consolidated with the new samples of grants in the subsequent tables.

B. Grants with No Drawdowns as of March 19, 2002

We identified 20 grants with no drawdowns and expiration dates prior to March 19, 2002. This included 4 grants in OIG Report 01-56(H) for which no actions were initiated. The balance of these grants was \$1,528,419.

GRANTS EXPIRED AS OF MARCH 19, 2002
FOR WHICH NO DRAWDOWNS OCCURRED

Grant Number	Amount/Balance	Expiration Date	Notes
VA-11571	\$ 62,230	3/31/00	<u>1</u> /
WV-13451	30,000	9/30/00	
XX-13034-F	100,000	4/30/01	<u>1</u> /
KY-13970	1,000	5/31/01	<u>1</u> /
AL-13450	57,642	6/30/01	<u>1</u> /
TN-13838	50,000	9/30/01	
XX-13893	8,000	12/31/01	
XX-13176	5,000	12/31/01	
XX-13857	5,000	12/31/01	
VA-13733	50,000	12/31/01	
PA-12904-C	81,827	1/31/02	
PA-12904-A	81,827	1/31/02	
PA-12904-0	46,538	1/31/02	
PA-12904-B	81,827	1/31/02	
XX-12762B-C4	3,750	1/31/02	
PA-12904D	72,865	2/28/02	
KY-13796	250,000	2/28/02	
XX-13875	156,000	2/28/02	
MS-13927	200,000	2/28/02	
AL-13836	184,913	3/ 3/02	
20	\$1,528,419		

Note:

1/ Noted in prior report.

C. Open Grants with Performance Periods Prior to January 1, 2002, and Balances of at Least 50 Percent of Grant Approval

We identified 18 grants with a total balance of \$1,032,633 having expiration dates prior to December 31, 2001. The following tables identify grants with expired periods prior to October 1 and December 31, 2001. They are broken out in order to provide better perspective about the extent of time lapses between end of grant period and review date.

GRANTS EXPIRED AS OF SEPTEMBER 30, 2001
WITH AT LEAST 50 PERCENT BALANCES

Grant Number	Amount	Balance 3/19/02	Expiration Date
AL-11873	\$400,000	\$200,000	10/31/00 <u>2/</u>
WV-13635	18,000	11,300	4/30/01 <u>2/</u>
XX-13764-B	100,000	60,000	7/31/01
XX-13764-C	34,185	32,041	8/31/01
XX-13764-E	66,835	35,240	8/31/01
XX-13204	35,335	27,001	9/30/01
Subtotal - 6	\$654,355	\$365,582	

GRANTS EXPIRED BETWEEN OCTOBER 1
AND DECEMBER 31, 2001

Grant Number	Amount	Balance 3/19/02	Expiration Date
GA-13739	\$ 88,600	\$ 51,328	10/31/01
XX-14080	5,000	2,500	10/31/01
NY-13662	127,941	94,778	11/30/01
WV-13623	176,500	140,942	11/31/01 <u>2/</u>
OH-13158	20,000	10,365	12/31/01
MD-13005	120,000	61,081	12/31/01
NY-13517	40,000	20,250	12/31/01
KY-13405	100,000	50,000	12/31/01
XX-13034-J	50,000	25,622	12/31/01
XX-13082-L	69,798	57,327	12/31/01
NY-13829	70,000	51,396	12/31/01
MD-10952	138,000	101,462	12/31/01
Subtotal - 12	\$1,005,839	\$ 667,051	
TOTAL - 18	\$1,666,194	\$1,032,633	<u>1/</u>

Note:

1/ Does not include grants with no drawdowns, in Section B.

2/ Included in prior report.

D. Open Grants with Expiration Dates Prior to January 1, 2002, for Which Balances Were Less Than 50 Percent of Approved Funds

We identified 70 open grants with balances of \$1,595,611 that were applicable to this category. This included 19 grants noted in our prior report. The individual grants are available on management printouts, and examples of the larger balances are noted below.

SOME EXAMPLES OF OPEN GRANTS
WITH LESS THAN 50 PERCENT BALANCES
WITH LARGER BALANCES

Grant Number	Amount	Balance 3/19/02	Expiration Date
GA-12318	\$317,000	\$145,007	9/30/01
NC-13774	582,250	280,484	12/31/01
WV-12740	350,000	141,941	1/31/01
XX-12600C-B1	130,000	59,117	9/30/01
OH-13024	35,335	27,001	9/30/01
GA-7769-C20	144,389	58,543	6/30/01
MS-7703-C20	175,000	72,245	6/30/01

E. Data Reconciliation

In 4 instances, information contained on the management printout of open grants did not reconcile with the Finance Office payment record. The grants were not listed on the management printout of open grants dated March 19, 2002.

The finance payment record shows the status of three of the grants as "Closed" and one as "TF"; but, in each case, a balance of funds is noted. The grants were:


Grant Number	Finance Record Balance	Status Per Finance Record
XX-13034-G	\$76,420	Closed
PA-13414	31,515	TF
WV-13625	20,492	Closed
KY-12838	3,505	Closed
	\$131,932	

Available ARC records indicated these grants were closed, but final payments or deobligations had not been completed. These grants were not identified as closing actions in Section A; and action should be initiated to make final payments, if a claim exists, or to deobligate the balances.

Since our review with respect to record accuracy was limited to the 75 grants noted in the prior report, we recommend that action be initiated to ensure there are no additional grants that have been closed per management records but for which account balances remain. In such cases, actions should be initiated to close the grants, as applicable, and to adjust and/or emphasize the procedures for processing payments and closing grants.

F. General Comments and Data Reconciliation

We recognize that final reporting, necessary to permit grant closings, often occurs subsequent to the grant period and believe a reasonable period to take action on grants in this category is justified. Therefore, we have not emphasized the fund balances for open grants that expired between January 1 and March 19, 2002, except for grants with no drawdowns, as potential deobligations. However, we believe continued ARC efforts to address expired grants should include efforts to identify needed actions prior to expiration of the grant period. For example, contact with grantees—especially for cases where limited funds have been expended as of 30 days prior to the end of the grant period—should further reduce the number of open grants with expired performance periods. This is especially true where no drawdowns have occurred for lengthy periods.


Hubert N. Sparks
Inspector General



April 1, 2002

MEMORANDUM FOR The Federal Co-Chairman
 ARC Executive Director

SUBJECT: Expired Grants Update—OIG Report 02-22(H)

Enclosed is our periodic report on expired grants. The report notes continued successes to reduce the number of expired grants that remain open and reduced lengths of time between expiration dates and grant closing. Continued emphasis should be placed on expired grants for which no drawdowns occur during the performance period and expired grants with large balances. We also noted a need to reconcile management and financial data to ensure that balances are cleared for grants identified as closed.


Hubert N. Sparks
Inspector General

Enclosure

cc: Judy Rae
 Bob Decker