



FOLLOWUP REVIEW

CONTROLS OVER CONTRACTS/GRANTS WITH EXPIRED PERFORMANCE PERIODS

OIG Report 95-23(H)
May 1, 1995

BACKGROUND

This report follows up on OIG Report 94-19(H), which identified the potential for improved controls over contracts/grants (grants) with expired performance periods, including potential deobligations. Emphasis was placed on identifying the extent of actions on expired grants noted as having fund balances and potential for deobligations in Report 94-19(H) and additional grants for which the performance period expired subsequent to our prior review sample, dated February 9, 1994.

SCOPE AND METHODOLOGY

Followup action was initiated on grants noted in Report 94-19(H) to identify additional actions and current status with respect to the categories of grants noted as having expired performance periods and end balances as of February 9, 1994.

We also utilized a January 17, 1995 listing provided by the ARC Finance Office to identify grants for which the performance period expired subsequent to our prior review and tested these grants to identify the extent of actions and potential deobligations. Data on fund balances was updated through March 31, 1995.

The following details are divided into two sections, followup on grants noted on the prior report and additional grants with expired performance periods.

RESULTS

Our followup review identified some additional actions to close out grants and deobligate funds where applicable. However, there remains a need for further action to (1) ensure timely identification of grant status; (2) extend or close grants, including fund deobligations; and (3) implement recommendations in Report 94-19(H), September 30, 1994.

Of particular significance are grants noted in our prior report and in this report where little or no funds had been utilized. Our followup work indicated little change in the status of these grants, including deobligations, extensions of grant periods, or documentation about inactive grant status and reasons for not terminating grants and deobligating funds.

The following narrative information and corresponding tables summarize the results of our followup review and analysis.

A. Followup on Grants Identified in Report 94-19(H)

1. In 12 of the 13 instances noted in our prior report where grant performance periods had expired without any drawdowns, there remained no drawdowns and the expiration period ranged from 14 to 63 months. These 12 grants had balances of \$113,573 (Table A).
2. We noted actions had not been initiated in 6 of the 7 instances noted in our prior report where the performance period had been expired over 6 months and at least 50 percent of the obligated funds remained as of September 1994. In the eighth instance, a drawdown occurred; but the remaining balance still exceeded 50 percent. These grants, for which the expired periods ranged from 6 to 48 months, had a combined unused balance of \$474,814 (Table B).
3. For the 15 instances in our prior report that had expired performance periods of over 6 months and less than 50-percent fund balances, we noted that, with one minor exception, actions had not been initiated in 12 instances with a combined balance of \$362,326 (Table C).

B. Additional Grants with Expired Performance Periods

1. Although not included in our prior report, we had previously identified 35 grants with balances under 50 percent and expiration periods under 6 months as of February 9, 1994. The balance of these grants, as of February 9, 1994, was \$963,021.

Our followup testing, as to the status of these grants, disclosed that no activity was noted since February 1994 in 7 cases with balances totaling \$125,416 as of March 31, 1995 (Table D).

Actions on the remaining 28 grants included closing in 25 cases, with deobligations of \$259,281 in 16 cases (Table E); drawdowns in 2 open cases (92-134 and 92-104); and a deobligation of \$1,850 in one open case (92-137).

2. We also reviewed 103 grants for which the performance period expired between February 9, 1994, and September 30, 1994, in order to ascertain actions on, and the status of these grants. These grants totaled \$10,803,902; and as of March 31, 1995, there were 58 open grants with balances of \$2,867,487.

There were 12 grants in this category with a balance of \$1,775,563 that had 100-percent balances with the expired performance period ranging from 6 to 13 months (Table F) as of March 31, 1995.

There were 9 grants with expired performance periods of 6 to 13 months that had more than 50 percent fund balances, or \$425,700 (Table G).

Also, there were 36 open grants with balances of less than 50 percent of approved funds totaling \$605,775 that had expired performance periods as of September 30, 1994.

However, we also noted that closings, drawdowns, and/or deobligations had occurred in 55 of the 103 cases since September 30, 1994, including deobligations of \$414,916 in 20 cases.

We also noted that few grants with expired performance periods had been extended; there was limited indication in grant files with respect to contacts with grantees about grant status or reasons for continued nonexpenditure of, or need for, remaining funds; many of the noted grants were the responsibility of one current and one former project coordinator; and ARC records continued to reflect project coordinators who were no longer with ARC.

In some instances, such as grants for Pennsylvania Technical Assistance (91-162, 92-187, 93-139), we recognize that the large balances will eventually be requested by the grantee since funds were expended at the grantee level. Nonetheless, we believe effective grant administration requires the establishment of a reasonable time frame, e.g., one year after grantee expenditure of all funds, for grantee filing of final reports and requesting remaining fund balances. For example, \$350,000 was obligated for 91-162 on October 1, 1991; but no requests for payment were received as of March 31, 1995. Our upcoming review of these grants will include identification of reasons for grantee delays in submitting payment requests.

A few illustrative examples follow:

- o With respect to the 12 grants noted in our prior report with no funds expended (\$113,573) and repeated in this report (Table A), the expiration dates were 22 to 65 months prior to March 6, 1995. Of these cases, 4 (88-79, 88-86, 88-113, 92-29) are applicable to one project coordinator and 6 (92-72, 92-84, 92-115, 92-116, 93-22, 93-27) cases are still shown as assigned to project coordinators that have left ARC. Only one of the grant performance periods had been extended (92-125, for \$10,000). For example, contract 88-66, grant CO-9911KK, Henderson County Schools was approved for \$13,596 on September 6, 1988, with an expiration date of September 1, 1989. We could not identify reasons for these grants being continued in an active status.
- o For grants from the prior report with more than 50-percent balances and no recent activity (Table B), one grant had a drawdown since the prior sample and had been extended to December 31, 1994 (93-96). Of the 7 cases in this category, 2 (90-90, 92-90) are the responsibility of one coordinator; and in one case (92-31), the noted project coordinator is no longer with ARC. Although it is anticipated that most of the remaining balances of \$474,814 in these 7 grants will eventually be paid out, the absence of timely followup impacts on effective grant administration.

As an example, contract 88-149, grant TN-10146, Tennessee Department of Economic and Community Development, was for construction of seven houses for low income persons. As of March 6, 1995, \$95,010 of \$155,000 remained in the

account, with the last drawdown made January 25, 1991. There was no documentation in the grant files indicating reasons for continued inactivity or continuance of the grant, which had an expiration date of December 31, 1991. Files indicate the project was completed by June 1993, and the grantee was requested to make final accounting in September 1993.

- o Table C denotes 12 prior report sample grants with less than 50-percent fund balances and no recent activity. Our followup indicated, with one minor exception, a continuance of no activity and no performance period extensions for the 12 cases with fund balances of \$362,326. Of these cases, 6 (88-67, 89-26, 91-99, 91-104, 91-135, 92-184) are the responsibility of one coordinator; and 3 (88-81, 91-48, 90-82) remain assigned to coordinators no longer with ARC.
- o Examples of the benefits of timely followup are contracts 91-99 and 92-184, Kentucky Work Force Development Cabinet, Kentucky Literacy Commission. These grants for \$137,281 and \$100,000, respectively, have balances of \$20,169 and \$39,806. They expired June 30, 1992, and June 30, 1993; and the last drawdowns were December 8, 1992, and May 11, 1993. We recently contacted the grantee about reviewing the grants and were informed the grantee (Kentucky Literacy Commission) was dissolved over one year ago and there had been no recent activity. Timely and periodic followup would have allowed more prompt action to deobligate the unused funds. The grantee was notified that we would recommend ARC followup to close the grants.
- o The most effective action was initiated on grants with small balances, which were expired less than 6 months as of our February 9, 1994 sample. We noted that, in 16 of 25 cases in this category (Table E), the grants had been closed with deobligations of \$259,281.

RESPONSES TO PRIOR REPORTS

ARC management noted the following actions in response to recommendations in our recent reports dealing with grant administration, including expired performance periods.

- o Analysis of staff resources and requirements for improved grants/contracts management has resulted in several actions:
 - Management has redefined the position previously allocated for grants management functions, made the position full time, and is recruiting for qualified staff.
 - A part-time person has been retained on contract to immediately and directly address the oldest unclosed grants. There has been significant progress in some areas, such as grants through the Department of Education for library projects and early HUD grants. Current emphasis is on state-managed CDBG projects involving ARC grants and certain health projects. Since this action was initiated in January,, recoveries have approached \$1 million. Approximately 80 files were processed for closure during March.

- o The Commission already has policy in place to encourage prompt implementation of projects within 18 months of approval. Project listings will continue to be provided to program staff periodically so that reviews can be conducted at least annually to determine whether the state should consider invoking the 18-month rule. A complication is that certain basic Federal agencies may have a protracted period for obligation of program funds for such projects as construction grants that may require preliminary engineering studies.
- o The Commission is committed to instituting a computer network that will provide real-time project status information to be available to all program and support staff and enable improved tracking of projects in the system. In the meantime, project control staff have been instructed to conduct necessary filing on a daily basis so that files are current and to take steps to ensure that check-out cards are used for borrowed files.
- o The Commission has retained a part-time consultant to advise about appropriate project file contents and the potential organization of file information on a computer network. This work will be the starting point for redesigning and improving record control.
- o The function of the grants management staff now being recruited will be to perform continuous monitoring of grant status and to follow through with ARC staff and staff at other Federal agencies so that appropriate actions are taken and documented. In addition, although the design for data systems on the planned computer network is not yet complete, management anticipates that project status information on the network will include not only implementation status and expiration dates, but also the time frames for grantee actions as recommended in the report.

AUDITOR COMMENTS AND RECOMMENDATIONS

We recognize the actions initiated to address the issue of grants with expired performance periods. In addition to management actions noted with respect to grants administered by other agencies, this report also notes some actions to address expired grants administered by ARC and some grants where close out and deobligation actions are necessary. Consequently, we recommend continued action in line with management initiatives noted above, including:

- o Actions to close out, deobligate, and/or followup to determine reasons for inactivity of grants with expired performance periods, especially grants noted in this report for which performance periods have been expired over 6 months. Grant termination and deobligations are especially applicable for cases where no activity has occurred for lengthy periods of time (Tables A, B, C, & D).
- o Computer generated information should be supported by time frame controls that ensure prompt followup and file documentation of decisions affecting grant extensions. Consideration should be given to notifying grantees 30 days prior to the end of the performance period.

- o Grants noted as the responsibility of former project coordinators should be reassigned to current staff.

Hubert N. Sparks
Inspector General

Attachments: Tables A-G

Table A

GRANTS FROM PRIOR REPORT EXPIRED OVER ONE YEAR
WITH NO FUNDS EXPENDED AS OF MARCH 31, 1995

NUMBER		EXPIRED	BALANCE
88-79	CO-9911CC	9/ 1/89	\$ 1,500
88-86	CO-9911KK	9/ 1/89	13,596
88-113	CO-10165	9/30/89	25,000
92-29	CO-10963	5/15/93	35,100
92-72	CO-108130	5/30/92	756
92-78	HHS-1	6/30/93	20,000
92-84	CO-9984A	4/28/93	3,660
92-115	CO-10813R	9/30/92	796
92-116	CO-10813Q	5/30/92	765
92-125	CO-11153	6/30/93	10,000
93-22	CO-10813C	12/31/92	800
93-27	CO-10813T	6/30/93	1,600
12			\$113,573

Table B

GRANTS FROM PRIOR REPORT WITH MORE THAN
50-PERCENT BALANCES AND
NO RECENT ACTIVITY AS OF MARCH 31, 1995

NUMBER		AMOUNT	EXPIRED	LAST DRAWDOWN	BALANCE 3/31/95
80-55	WV-7217	\$ 75,000	7/14/93	8/20/93	\$ 46,074
88-149	TN-10146	155,000	12/31/91	1/25/91	95,000
90-90	OH-10532	68,000	9/30/91	4/30/91	61,597
92-31	CO-10813	4,260	11/30/92	8/10/92	3,200
92-90	AL-10986	20,000	8/31/92	9/16/92	11,096
92-187	PA-7784	350,000	11/30/93	8/17/93	232,396
93-96*	CO-11215A	47,564	12/31/93	8/23/94	25,451
7		\$719,824			\$474,814

Note: It is anticipated that most of these funds, e.g, 92-187, will be requested by grantees; but the delayed requests and/or project performance reflect the need for more timely followup.

* Drawdown of \$22,113 on 8/23/94, but remaining balance exceeds 50 percent.

Table C

GRANTS FROM PRIOR REPORT WITH LESS THAN 50-PERCENT BALANCE,
EXPIRED MORE THAN 6 MONTHS
AS OF FEBRUARY 9, 1994, AND NO RECENT ACTIVITY

NUMBER		AMOUNT	EXPIRED	LAST DRAWDOWN	BALANCE 3/31/95
88-67	CO-09911S	\$ 30,000	8/31/89	6/21/89	\$ 9,537
88-81	CO-09911EE	20,441	8/ 1/89	3/24/89	2,063
88-87	CO-09911II	27,000	8/23/89	8/ 1/89	4,536
89-26	CO-10198	12,000	1/ 3/91	4/10/91	3,090
90-82*	OH-10533	500,000	8/ 3/93	6/30/93	203,000
91-48	NY-105250	65,000	6/30/92	6/18/92	12,481
91-99	KY-10766	137,281	6/30/92	12/ 8/92	20,169
91-104	NC-10793	219,950	9/30/92	6/26/92	52,349
91-135	AL-10752	114,400	3/31/93	8/16/93	2,500
92-45	CO-10947F	100,000	2/14/92	2/ 3/93	10,000
92-136	SC-07774	22,662	7/31/93	10/ 4/93	3,795
92-184	KY-10766	100,000	6/30/93	5/11/93	39,806
12		\$1,348,734			\$362,326

Note: * Payment of \$3,450 made on February 27, 1995.

Table D

**GRANTS FROM PRIOR REVIEW WITH BALANCES UNDER 50-PERCENT
AND EXPIRATION PERIODS OF LESS THAN 6 MONTHS AS OF FEBRUARY 1994**

NUMBER		AMOUNT	EXPIRED	BALANCE 3/31/95
91-73	CO-10525NY2	\$ 38,088	12/31/93	\$ 1,000
91-160	SC-10784	200,460	12/31/93	40,948
92-17	NY-10770	100,000	8/31/94	18,987
92-150	SC-10530	272,090	8/31/93	48,493
93-10	CO-11125F	4,485	9/30/93	448
93-19*	CO-11220	27,820	9/30/95	13,820
93-24*	CO-11225B	5,000	6/30/95	1,720
7		\$647,943		\$125,416

Note: * Performance period recently extended.

Table E

DEOBLIGATIONS FOR GRANTS WITH LESS THAN 50-PERCENT BALANCE,
EXPIRED LESS THAN 6 MONTHS AS OF FEBRUARY 9, 1994,
AND CLOSED AS OF MARCH 31, 1995

NUMBER		DATE DEOBLIGATED	AMOUNT DEOBLIGATED
88-116	WV-10133	11/14/94	\$ 5,628
90-43	CO-10525NY2	9/19/94	1,471
91-118	NC-10795	6/16/94	35,143
92-14	VA-10787	10/17/94	19
92-102	CO-11127	6/ 9/94	2
92-118	KY-07779	4/14/94	2,500
92-132	NY-11070	8/25/94	34,502
92-133	NY-11068	6/ 9/94	413
92-147	NC-07780	5/10/94	18,806
92-152	PA-08304	2/13/95	49,748
92-164	PA-11048	11/18/94	13,001
92-179	OH-07781	9/29/94	28,376
92-185	PA-10505	6/30/94	674
92-188	VA-11034	11/23/94	4,694
92-189	CO-11145	3/24/94	62
93-15	AL-11210	2/22/95	64,242
16			\$259,281

Table F

GRANTS EXPIRING BETWEEN FEBRUARY 9, 1994, AND SEPTEMBER 30, 1994,
FOR WHICH NO FUNDS WERE EXPENDED AS OF MARCH 31, 1995

NUMBER		EXPIRATION DATE	AMOUNT
91-162	PA-07784	3/ 3/94	\$ 350,000
92-42	CO-10947M	9/30/94	200,000
93-11	KY-11194	5/31/94	36,000
93-97	TN-09808	6/30/94	500,000
93-124	WV-11311	9/12/94	186,008
93-133	MD-11262	9/14/94	24,080
93-134	NC-11441	8/31/94	48,375
93-139	PA-07784	9/30/94	350,000
94-39	CO-11469H	6/30/94	10,000
94-41	CO-11469K	6/30/94	5,000
94-51	CO-11470	5/30/94	6,100
94-65	CO-11548	9/14/94	60,000
12			\$1,775,563

Table G

GRANTS EXPIRING BETWEEN FEBRUARY 9, 1994, AND SEPTEMBER 30, 1994, FOR WHICH LESS THAN 50 PERCENT OF FUNDS WERE EXPENDED AS OF MARCH 31, 1995

NUMBER		EXPIRED	AMOUNT	BALANCE
90-35	OH-10484	3/31/94	\$ 48,000	\$ 42,053
93-38	KY-11285	6/30/94	50,000	38,000
93-42*	WV-11263	6/30/95	100,000	64,738
93-79	MS-07763	6/30/94	175,000	100,578
93-135	AL-11280	9/30/94	210,000	145,088
94-8	CO-11454	9/30/94	10,000	6,912
94-10	NC-11457	9/30/94	30,000	16,079
94-19	C0-11464	8/31/94	5,000	3,531
94-46	C0-11469E	9/30/94	10,000	8,771
9			\$638,000	\$425,700

Note: * Recently extended.