



March 26, 1997

MEMORANDUM FOR ARC GENERAL COUNSEL

SUBJECT: OIG Report 97-15(H)--Update Report on Controls Over Contracts/ Grants With Expired Performance Periods

The report indicates that substantive action was initiated on the 73 cases included in our prior report. These actions included 47 closings, including deobligations in 27 cases and extension of grant periods in 17 cases. When actions are completed, deobligations on these cases will exceed \$700,000.

We also tested 98 grants expiring between October 1, 1995, and September 30, 1996, and noted that more timely actions were being initiated to ensure timely resolution of expired grants. For example, we noted extensions of performance periods in 46 cases; and in only 16 of 61 cases where the initial or revised performance periods had expired, was the expiration date more than 6 months prior to March 17, 1997. These grants had balances approximating \$1 million.

Although increased actions were noted to extend performance periods, we noted that, in 25 of the 46 cases in our new sample, the revised performance periods had expired as of our review. Therefore, there is a need for emphasis on followup of extended performance periods.

Also, our cursory review of extensions reflected limited or no file support for the extended period in many cases. Due to the absence of sufficient testing, we have not included this observation in this report but believe extensions should be justified on a basis of need and potential for project completion within a reasonable time frame. In this regard, extensions were noted for grants where no activity has occurred since grant approval several years previous.

Our recommendations pertain to continued aggressive followup and closing actions.

Hubert N. Sparks
Inspector General

Enclosure



FOLLOWUP REVIEW

CONTROLS OVER CONTRACTS/GRANTS WITH EXPIRED PERFORMANCE PERIODS

OIG Report 97-15(H)
March 26, 1997

BACKGROUND

This report updates the status of open contracts/grants with expired performance dates that were (1) identified in our prior report and (2) included in our updated sample.

This report follows up on OIG Report 96-5(H), August 1, 1996, which identified the potential for improved controls over 73 contracts/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 in the prior report and the potential for deobligations with respect to additional grants for which the performance period expired subsequent to our prior review sample.

SCOPE AND METHODOLOGY

Followup action was initiated on grants noted in Report 96-5(H) to identify actions and current status with respect to the categories of grants noted in the report.

We also utilized a March 26, 1996 listing provided by the ARC Finance Office to identify open grants for which the initial performance period expired between October 1, 1995, and September 30, 1996, and tested these grants to identify the extent of actions and potential deobligations. Data on fund balances as of March 17, 1997, was obtained for these grants.

The following details are divided into two sections, followup on grants noted in the prior report and additional open grants with initial expired performance periods as of September 30, 1996.

RESULTS

ARC actions are continuing to resolve the status of expired grants, including closings and deobligations; and recent expirations have received substantial attention. For example, ARC reported on February 17, 1997, that actions had been initiated on 64 of the 73 grants included in Report 96-5(H). These actions included 47 closings with deobligations of \$353,587 in 27 cases and extensions of grant periods in 17 cases. Additional deobligations approximating \$289,833 were noted as anticipated from the nine remaining open grants. Also, ARC initiated actions on additional grants that were not included in the subject report.

Our updated sample of grants with initial expiration dates between October 1, 1995, and September 30, 1996, disclosed 61 cases with balances totaling about \$4.6 million where followup action to close the grant or extend the performance period is appropriate. We noted, however, that

ARC initiated action to extend many of these grants; and consequently, in only 16 of the 61 cases, involving balances approximating \$1 million, were the grants expired more than 6 months.

Our conclusions and recommendations are primarily based on good business and grant management practices that encourage and/or require timely use of funds and expenditures within approved performance periods. Significant delays in project initiation and/or completion can impact on the eligibility of claimed costs

ARC management has aggressively pursued the identification and closing of expired grants including grants administered by basic agencies and has reported recoveries of millions of unused funds that can be put to better use. Also, emphasis has been placed on reviewing grant status prior to the expiration date and extending performance periods as necessary.

A. ARC Action on Grants Noted in Report 96-5(H)

ARC reported, and we verified, that actions had been initiated on 64 of 73 open grants noted in the subject report. Closing action was initiated in 47 cases, including deobligations of \$353,587 in 27 cases. In 17 cases, grants were assigned extended expiration dates. Of the 17 grants noted as new expiration periods in the ARC report of actions dated February 19, 1997, we noted that 6 of these grants were closed out as of March 17, 1997, with additional deobligations of \$89,106. The grants with extended expiration dates are noted in Exhibit A.

As of February 17, 1997, action was continuing with respect to the remaining 9 grants included in the prior report. In 2 cases, 92-42 and 93-134, no funds have been expended and deobligation of \$248,375 is anticipated. For 94-150, deobligation of the remaining balance of \$41,458 is anticipated. Also, we noted that one of the grants (94-8) had been closed March 10, 1997, with a deobligation of \$6,912 and that final payment on a second grant (92-166) had been made on March 10, 1997. The remaining 4 open grants are being researched for final actions (see Exhibit B).


In summary, the prospective deobligations with respect to grants included in report 96-5(H) approximate \$747,979.

B. Sample Grants With Expired Performance Periods Between October 1, 1995, and September 30, 1996

Our March 17, 1997 review of 98 grants in the old ARC numbering system with expiration dates between October 1, 1995, and September 30, 1996, disclosed 16 grant closings with deobligations of \$357,931; 46 extensions of grant performance periods, of which 25 extensions had expired as of March 17, 1997; and 36 cases where the grant performance period had not been extended. Therefore, 61 of the grants were identified as having expired performance periods as of March 17, 1997, with these grants having balances of \$4,566,206.

However, ARC action has resulted in the period of expired performance being substantially reduced. For example, only 3 cases were noted where grants with balances of \$83,420 had been expired for over one year and 16 cases, involving balances of \$927,983, had been expired over 6 months. The remaining 42 cases involving grants that had been expired for less than 6 months had balances of \$3,554,803.

Although we recognize ARC has initiated effective and aggressive action to identify and resolve expired grant issues, we recommend followup action on the 61 grants noted in Exhibits C, D, and E and increased emphasis be placed on ensuring that grants receiving extended performance periods are subject to timely followup.


Hubert N. Sparks
Inspector General

Attachments
Exhibits A-E

EXHIBIT A

**GRANTS NOTED IN REPORT 96-5(H) FOR WHICH
EXTENDED PERFORMANCE PERIODS WERE APPROVED**

Contract No.	Amount	Balance 3/17/97	Revised Expiration Date	Last Payment Date	Notes
92-125	\$ 10,000	\$ 10,000	12/31/97		1/
93-011	36,000	36,000	04/30/97		1/
93-019	27,820	13,820	03/31/97	08/27/93	
93-042	140,000	76,611	12/31/96	04/19/96	6/
93-124	186,008	36,127	12/31/97	02/12/97	
94-010	30,000	4,311	12/31/96	05/28/96	6/
94-073			Closed	03/10/97	
94-084	183,800	183,800	12/31/96		1/ 6/
94-099			Closed	12/12/96	2/
94-128			Closed	11/07/96	
94-133			Closed	02/26/97	3/
94-137	50,000	23,301	03/31/97		
94-154			Closed	10/16/96	4/
94-159			Closed	12/12/96	5/
95-030	47,000	2,115	07/31/97	11/27/95	
95-034	14,185	14,185	03/31/96		1/ 6/
95-052	67,501	26,930	09/30/96	03/18/97	6/
17	\$792,314	\$427,200			

- Notes:**
- 1/ No payments made.
 - 2/ Deobligation \$2,425.
 - 3/ Deobligation \$75,000.
 - 4/ Deobligation \$4,231.
 - 5/ Deobligation \$7,360.
 - 6/ Extended periods have expired.

EXHIBIT B

**GRANTS NOTED IN REPORT 96-5(H)
 THAT REMAINED OPEN AS OF MARCH 1, 1997**

Contract No.	Amount	Balance 3/17/97	Expiration Date	Notes
88-86	\$13,596	\$13,596	09/01/89	4/
92-042	200,000	200,000	09/30/94	1/
92-099	300,000	14,589	04/14/94	4/
92-166	20,000	2,000	07/01/94	2/
93-134	48,375	48,375	08/31/94	1/
94-008	10,000	6,912	09/30/94	3/
94-043	10,000	1,000	06/30/94	4/
94-102	100,000	50,000	01/31/95	4/
94-150	215,000	41,458	09/30/95	1/
9	\$916,971	\$377,930		

- Notes:**
- 1/ Deobligation anticipated shortly.
 - 2/ Closed 3/10/97.
 - 3/ Closed 3/10/97; deobligation \$6,912.
 - 4/ Being researched for final action.

EXHIBIT C

**GRANTS EXPIRING BETWEEN 10/1/95 AND 9/30/96
WITH 100-PERCENT BALANCES AS OF 3/17/97**

Contract No.	Grant Amount	Expiration Date	Notes
94-084	\$ 183,800	12/31/96	1/
94-155	156,372	01/31/97	1/
95-034	14,185	03/31/96	1/ 2/
95-072	35,000	05/31/96	2/
95-103	500,000	06/30/96	2/
95-122	350,000	09/30/96	
95-156	248,000	01/31/97	1/
95-163	64,000	09/30/96	
8	\$1,551,357		

Notes: 1/ Extended performance period.
 2/ Expired over 6 months.

EXHIBIT D

**GRANTS EXPIRING BETWEEN 10/1/95 AND 9/30/96 WITH
MORE THAN 50-PERCENT BALANCES AS OF 3/17/97**

Contract No.	Grant Amount	Balance 3/17/97	Expiration Date	Notes
93-042	\$ 140,500	\$ 76,611	12/31/96	1/
94-132	25,000	17,500	09/30/96	1/
94-148	140,000	94,512	12/31/96	1/
95-016	145,212	73,406	02/06/96	3/
95-074	139,585	123,855	09/30/96	1/
95-075	30,000	28,050	06/30/96	4/
95-111	37,500	25,839	09/30/96	
95-112	41,250	31,999	09/30/96	
95-113	10,180	6,489	09/30/96	
95-115	25,000	14,111	09/30/96	
95-125	1,200,000	770,275	09/30/96	2/
95-136	100,000	70,132	12/31/96	1/
95-139	228,808	207,541	09/30/96	
95-146	50,000	27,154	09/30/96	
95-152	190,000	103,297	06/30/96	4/
95-162	50,000	32,696	12/31/96	1/
95-165	250,000	87,791	07/31/96	4/
17	\$2,803,035	\$1,791,258		

- Notes:**
- 1/ Extended performance period.
 - 2/ Additional obligation of \$50,000 on 3/11/97, but no indication grant period was extended.
 - 3/ Expired over 1 year.
 - 4/ Expired over 6 months.

EXHIBIT E

GRANTS EXPIRING BETWEEN 10/1/95 AND 9/30/96 WITH
LESS THAN 50-PERCENT BALANCES AS OF 3/31/97

Contract No.	Grant Amount	Balance 3/17/97	Expiration Date	Notes
93-095	\$ 500,000	\$ 62,168	09/30/96	
94-010	30,000	4,311	12/31/96	
94-035	50,000	5,000	12/31/96	
94-047	200,000	20,000	10/31/96	1/
94-050	200,000	28,855	06/30/96	1/ 3/
94-055	72,049	7,200	09/30/96	1/
94-069	25,000	6,250	06/30/96	2/
94-070	149,668	58,095	05/31/96	3/
94-072	104,000	10,400	12/31/96	1/
94-120	10,000	3,764	10/15/95	2/
94-147	121,600	42,600	09/30/96	
94-157	500,000	129,858	09/30/96	4/
94-161	600,000	230,176	09/30/96	
95-011	63,000	13,024	06/30/96	3/
95-017	50,000	5,000	05/31/96	3/
95-026	52,000	11,372	06/30/96	1/ 3/
95-028	7,000	390	03/31/96	3/
95-052	148,801	39,117	09/30/96	1/
95-058	24,237	2,424	06/30/96	3/
95-061	50,000	18,231	02/28/97	
95-087	100,000	10,500	07/10/96	3/
95-095	220,000	22,000	06/30/96	3/ 5/
95-097	67,684	25,647	10/30/96	1/
95-099	197,500	47,695	09/30/96	
95-101	175,860	20,638	12/31/96	1/
95-104	50,000	5,000	09/30/96	
95-129	80,000	8,000	08/31/96	3/
95-132	27,672	2,767	02/28/97	1/
95-135	25,000	12,249	12/31/96	
95-141	165,000	29,451	01/01/97	1/
95-145	16,871	7,567	02/28/97	1/
95-150	221,089	64,589	09/30/96	
95-151	150,000	29,978	09/30/96	
95-158	640,000	207,826	12/31/96	1/
95-164	144,107	27,449	02/28/97	1/
95-167	100,000	10,000	01/31/97	1/
36	\$5,338,138	\$1,229,591		

- Notes: 1/ Extended performance period.
2/ Expired over 1 year.
3/ Expired over 6 months.
4/ Closed 3/18/97.
5/ Closed 3/19/97 with deobligation of \$20,984.