



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

MAR 05 2018

Eric D. Eberhard
Chair, Board of Trustees
Morris K. Udall and Stewart L. Udall Foundation
130 S. Scott Avenue
Tucson, AZ 85701

Subject: Udall Progress Review – Recommendations for the Report, “Compliance, Allocated Costs, and Scholarship Awards at the Morris K. Udall and Stewart L. Udall Foundation,” Report No. 2015-CR-026
Report No. 2018-CR-023

Dear Mr. Eberhard:

The Office of Inspector General (OIG) has completed a review of the Morris K. Udall and Stewart L. Udall Foundation’s (Foundation’s) implementation of the eight recommendations presented in the subject report. Our objective was to review the actions that the Foundation has taken and determine whether the Foundation implemented the recommendations as reported. We found that recommendations 1 through 3 and 5 through 8 were fully implemented and that recommendation 4 was partially implemented. We concur that all of the recommendations have been resolved and can be closed.

Background

Our report, “Compliance, Allocated Costs, and Scholarship Awards at the Morris K. Udall and Stewart L. Udall Foundation,” dated June 8, 2017, made eight recommendations designed to help the Foundation correct the issues identified during our review. The Foundation concurred with our recommendations. We have been monitoring the Foundation’s implementation of the recommendations.

Scope and Methodology

The scope of this review was limited to determining whether the Foundation implemented the recommendations we reported. To accomplish our objective, we obtained all the documentation related to the actions the Foundation has taken to implement each recommendation, and met with staff from the Foundation. We did not perform internal control testing or conduct fieldwork to determine whether the underlying deficiencies that were initially identified have been corrected. As a result, this review was not conducted in accordance with Generally Accepted Government Auditing Standards, issued by the Comptroller General of the

United States, or Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

Results of Review

Our current review found that the Foundation fully implemented recommendations 1 through 3 and 5 through 8 and partially implemented recommendation 4.

Recommendation 1: Develop and implement guidance to ensure spending requirements are met

Recommendation 2: Properly document the calculation and approval of the priority program funding requirement

Action Taken: In order to resolve recommendations 1 and 2, the Foundation developed a Standard Operating Procedure (SOP) for “Accounting Treatment for Parks in Focus Within the Education Program,” which was approved by the Executive Director on December 8, 2017. Appendix A of the SOP shows which items will be included in the totals for each of the funding requirement calculations. According to the Foundation, this supplements the shared cost methodology, which was approved on December 7, 2017.

After our February 1, 2018 meeting, the Foundation updated the SOPs to include titles for the employees who split time between the Foundation and Institute in the spreadsheet titled, “Methodology for Calculation of Salaries and Fringe for Education Program Support.” In addition, Appendix B was added to the “Accounting Treatment for Parks in Focus Within the Education Program” SOP which included more details explaining the components of each number included in the spending requirement calculations.

We consider recommendations 1 and 2 resolved and implemented.

Recommendation 3: Use a consistent base to calculate the statutory spending requirements established in 20 U.S.C. § 5605(c)

Action Taken: In order to resolve recommendation 3, the Foundation plans to use the current year interest as its base for all the statutory spending requirements. We expressed our concern was that if the Foundation used they prior year balance for administrative expenses, the Foundation could exceed the 15-percent cap. In response, the Foundation assured us that it did not intend to use the prior years balance for administrative expenses.

We consider recommendation 3 resolved and implemented.

Recommendation 4. Prepare and implement formal policies and procedures for awarding scholarships, internships, and fellowships

Action Taken: The Foundation developed policies for awarding scholarships and internships, but has not yet developed a policy for its fellowship program. Foundation staff explained that the fellowship program was suspended in fiscal year 2012 due to decreased

revenue, which was the result of extremely low interest rates. The Foundation said that it is considering different options for the structure of the fellowship program, when it is reinstated. Once the Foundation decides how the fellowship program will be structured, the Foundation will create a policy specific to the fellowship program.

We consider recommendation 4 partially implemented. Since the fellowship program is currently suspended, we consider the recommendation resolved.

Recommendation 5. Clearly identify all expenses that are subject to shared cost allocation formulas

Recommendation 6. Fully document all approved changes to its shared cost allocation methodology

Recommendation 7. Streamline the procedures for applying its shared cost allocation methodology

Action Taken: The Foundation developed an SOP titled, “Allocation of Shared Costs.” Appendix A of this SOP identifies all expenses subject to the shared cost allocation and the formulas that will be used for the allocation. According to the SOP, an analysis of the percentages used for the allocation will be performed annually, and approved by the Executive Director. The SOP was approved by the Executive Director on December 7, 2017.

We consider recommendations 5 through 7 resolved and implemented.

Recommendation 8: Implement training and review procedures as necessary to ensure consistent application of the approved shared cost allocation methodology

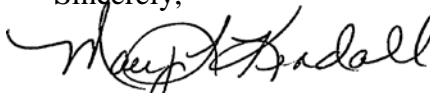
Action Taken: The Senior Financial Manager is the only employee responsible for entering the adjusting journal entry for the allocation. As noted above, the procedures will be reviewed annually and approved by the Executive Director.

We consider recommendation 8 resolved and implemented.

Conclusion

We determined that the Foundation has resolved each of the recommendations contained in the subject report. These recommendations will be closed.

Sincerely,



Mary L. Kendall
Deputy Inspector General

cc: Dr. Anne J. Udall, Vice Chair, Board of Trustees