



National Archives and Records Administration

8601 Adelphi Road
College Park, Maryland 20740-6001

Date : June 23, 2010

Reply to
Attn of : Office of Inspector General (OIG)

Subject : OIG Report No. 10-15, Audit of the National Historical Publications and Records
Commission Grant No. RB-50061-09 Historical Society of Washington, D.C.

To : Kathleen Williams—Executive Director, National
Historical Publications and Records Commission

The Office of the Inspector General (OIG) completed an audit of a grant awarded by National Archives and Records Administration's (NARA's) National Historical Publications and Records Commission (NHPRC) to the Historical Society of Washington, D.C. (HSW) entitled *Archival and Audiovisual Collections Project*. The grant award amount is \$155,500 for a two year period covering July 1, 2009 to June 30, 2011. HSW received two advancements to date totaling \$47,568¹. The performance objective of the project was to improve public access to the archival and audiovisual collections held by HSW.

This audit report focuses on the results of our audit of the HSW grant and is part of a larger audit of NHPRC management controls over its grant process. As part of the larger audit we selected several grants for review. The objective of this portion of the review was to determine whether grant funds awarded and advanced to HSW were utilized and expended in accordance with federal guidelines. Management control issues noted in the HSW grant review, as well as in the other grants reviewed, will be incorporated in a later report.

Results of Audit Effort

We questioned \$27,159²; the entire cost incurred to date on this grant due to misuse of grant funds³ and poor management of the grant to include a lack of supporting documentation for labor

¹ HSW received two grant advance payments in the amounts of \$20,192 (July 1, 2009 through December 31, 2009) and \$27,376 (for January 1, 2010 through March 31, 2010).

² Of the \$47,568 advanced, HSW paid the Project Archivist's net salary (\$15,860) and benefits (\$1,774) through the end of February for a total paid amount of \$17,634. Employee tax withholding (\$7,217) and employer tax liabilities (\$2,308—estimated by auditor as HSW did not have a payroll schedule available) have not been paid (totaling \$9,525). The total labor expense without appropriate documentation is \$27,159 (see Attachment 3).

³ On February 22, 2010, the NARA OIG Office of Audits asked the OIG Office of Investigations to investigate the possible misuse of grant funds by HSW. The OIG investigators substantiated HSW misused federal grant funds and issued a Report of Investigation on April 21, 2010 (file number 10-008-I).

cost (see Attachment 2). Office of Management and Budget (OMB) Circular A-110 states grant recipients shall safeguard federal funds and assure they are used solely for authorized purposes and OMB Circular A-122 defines the requirements for grantees to maintain financial records for all grant expenditures. The use of federal funds for unauthorized purposes can result in a loss of funding or in the extreme circumstance criminal charges while unsupported expenditures can be disallowed. We recommend NHPRC either (a) terminate this grant or (b) temporarily withhold cash payments on this grant until all accounting/grant management deficiencies identified in this report are corrected by HSW and place HSW on Special Conditions⁴ status for the remainder of the grant project.

Misuse of Federal Grant Funds

HSW used federal grant funds to pay organizational expenditures not associated with the grant program in lieu of paying for authorized grant program expenses. Grant program expenses went unpaid because HSW, experiencing financial instability, used advanced federal funds to pay other expenditures they deemed more urgent. Federal regulations require grant recipients to ensure federal funds are used for their intended purpose. Using federal grant monies for unjust enrichment, personal use, or other than their intended purpose is a form of theft that is subject to potential criminal and civil prosecution under federal law.

During the course of the audit, the HSW Project Director spoke with NHPRC staff and stated HSW had used grant monies for HSW expenses not related to the grant program. The Project Director explained that HSW lacked funds to pay necessary operating expenses and a misunderstanding with a new staff accountant led to grant funds being used for “more dire needs.” Thus, HSW was unable to pay the Project Archivist on time. As a result of this admission, the OIG Office of Audits notified the OIG Office of Investigation. The Office of Investigation substantiated that HSW, under the direction of the Executive Director, misused federal grant funds. The investigation did not reveal direct evidence to support intentional misuse of federal grant funds by any employee or contract employee of HSW; however, the evidence suggests that particular HSW staff were aware their actions relating to the NARA grant funds were inappropriate. The details of this case were presented to an Assistant United States Attorney in the District of Columbia who declined federal prosecution of this case due in large part to the small amount of funds misused.

The grant agreement identified \$150,000 (of the 155,500 total grant award) was authorized for labor expenses for a Project Archivist⁵ that HSW specifically hired to complete the performance objectives of this grant. However, the Project Archivist was not paid on time even though a grant advance was received prior to the end of the first payroll period. The HSW Contract Accountant stated she was not informed HSW would be receiving grant funds and that she used the grant advance to pay other HSW operating expenses. The Project Archivist received her first payroll check seven days late and received the next two payroll checks on time. However, over

⁴ OMB Circular A-110 states the granting federal agency may impose additional monitoring requirements (special conditions) for those recipients with a financial management system that does not meet federal standards or is not financially stable.

⁵ The Project Archivist’s official first day of employment was October 5, 2009, and their first payroll period ended October 21, 2009. HSW received the first grant fund advance of \$20,192 on October 6, 2009.

the next five payroll cycles the Project Archivist was either not paid or not paid in accordance with her hiring agreement.

While the initial use of federal funds may have partly been a mistake, it is clear HSW officials were made aware the Project Archivist had not been paid according to the federal grant agreement. The Project Archivist initiated timely meetings⁶ with key HSW personnel to discuss her expectation for timely paychecks and threatened to contact NHPRC regarding her lack of payment. The Project Director stated she informed the Contract Accountant and the Executive Director that grant funds were to be used exclusively for the salary and benefit payments to the Project Archivist. After the aforementioned meetings, HSW deposited \$225,000⁷ into their account by December 24th, 2009. The HSW Executive Director stated HSW's financial burdens were caused by the delay of a one million dollar grant awarded by the city of Washington D.C. that HSW believed would be entirely funded in November. The December deposits (including the first installment of the D.C. city grant) were more than sufficient to replenish the balance of the federal advance and bring the Project Archivist's pay current. However, HSW did not bring the Project Archivist's pay current⁸ until January 27, 2010, thus, failing an opportunity to replenish misused federal funds and initiate prudent management of grant funds in accordance with federal law.

Lack of Appropriate Oversight and Management of Grant Funds

HSW lacks appropriate administrative capability to adequately manage the *Archival and Audiovisual Collections Project* grant. Specifically, our review disclosed HSW could not adequately (1) safeguard federal funds and ensure they were used solely for authorized purposes (as described above) and (2) comply with federal administrative regulations regarding financial record keeping, including maintenance of support documentation for all expenditures of federal funds and cost sharing obligations. Federal regulations require grant recipients to ensure federal funds are used for their intended purpose and account for expenditures made with grant dollars. These deficiencies occurred because HSW did not have adequate expertise, personnel, or accounting systems in place. As a result, federal funds were misused and grant project accountability was not reliable or appropriately documented.

We found the following deficiencies with HSW's financial management system:

- (1) HSW did not have documentation (timesheets) supporting labor cost. The grant agreement in the amount of \$155,500 identified \$150,000 to be used solely for labor

⁶ The Project Archivist was not paid her December 2, 2009 paycheck and on December 11, 2009 met with both the Project Director and the Executive Director. On December 20, 2009 the Project Archivist met with a HSW Board member.

⁷ \$199,900 was received from the city of Washington D.C. and is the first installment of a one million dollar grant. A second installment of \$331,358 was received on February 11, 2010. The Executive Director stated HSW was in the process of submitting a request for a third installment. We did not review the Washington D.C. grant referred to by the Executive Director. We requested this document and a corresponding cash flow analysis to substantiate that HSW has necessary funding to remain operational. We did not receive this documentation prior to the close of our audit.

⁸ While the Project Archivist's net pay and benefits were made current as of January 27, 2010, HSW has not paid approximately \$9,525 in payroll taxes.

expenses for a Project Archivist. HSW was unable to provide required personnel activity reports or timesheets to support labor expenses reportedly incurred. Both the HSW Executive Director and Grant Project Director stated they were unaware of federal regulations regarding timesheets to document the hours and productivity of the staff project archivist and, thus, did not have a process to record and document their labor costs.

The employee contract for the Project Archivist indicated she would be paid \$60,000 per year for full-time employment with bi-weekly payroll payments. However, there was no signed time activity reports (timesheets) to substantiate (1) what hours were actually worked and (2) what work (projects) were completed. Without timesheets for review, we were unable to determine whether the Project Archivist consistently worked full-time on the project. As of February 26, 2010, HSW has incurred payroll and benefit costs of \$27,159.

Federal grant regulations state costs are reimbursable if they are reasonable, allowable, allocable for the performance of the award, and adequately documented. Specifically, OMB Circular A-122 states the distribution of salaries and wages to federal awards must be documented by personnel activity reports (timesheets). OMB Circular A-122 Appendix B paragraph (8) (m) entitled *Support of salaries and wages*, states activity reports must be maintained for all staff members whose compensation is charged, in whole or in part, directly to awards and must have the following attributes: a) reflect an after-the-fact determination of the actual activity of each employee (budget estimates do not qualify); (b) must account for the total activity for which employees are compensated; (c) must be signed by the individual employee, or by a responsible supervisory official; and (d) prepared at least monthly and must coincide with one or more pay periods.

- (2) HSW's accounting system could not provide accurate information regarding the total amount of grant program expenses that have been paid from federal monies. As of March 2010, HSW had one direct federally funded expense to account for—the salary and payroll expense paid for the Project Archivist. The HSW Contract Accountant provided an accounting transaction record for the Project Archivist and two separate off-line spreadsheets. All three accounting summaries provided to the auditors for the Project Archivist's labor cost indicated different amounts and all were incorrect. Using HSW's bank statements, auditors were able to calculate federal funds paid for net salary and health insurance.
- (3) Payroll accounting records were not current; thus, payroll reports accurately identifying amounts withheld and employer tax contributions were not available during the audit. The HSW Contract Accountant stated payroll tax deposits including both the employer and employee portions have not been paid for the fourth quarter (calendar year 2009). Additionally, the Contract Accountant stated the issued W-2s for HSW employees were incorrect.

- (4) Accounting records were not current. Bank statement reconciliations were three months in arrears according to HSW accounting personnel responsible for the bank reconciliation process.
- (5) Cost share obligation⁹ records were not maintained and cost reported was not accurate. We found the following cost share records were not kept: (1) timesheets for HSW personnel working on the project, (2) actual consultant/services/supplies cost, and (3) records for in-kind (noncash) volunteer services. The associated cost reported for cost share was not accurate as they were based on estimates and not the actual cost incurred. The Project Director stated she did not know how to calculate cost share or retrieve this information from the HSW accounting system; she stated she used the proposed budget estimate amounts for reporting to NHPRC their cost share portion of the total project cost.
- (6) HSW does not have effective control over federal funds as discussed in the paragraph above entitled *HSW Misused Federal Funds*. While the HSW accounting system has the capability to segregate federal funds, HSW has not engaged this accounting feature. At the exit meeting, the Executive Director stated HSW would set-up their accounting system to segregate out federally sponsored programs and would establish a separate bank account for the grant funds of this project.
- (7) HSW does not have a procedure in place to compare budgeted amounts to actual expenditures and currently uses budget estimates to report their cost share obligation. The approved budget used anticipated salary wage rate increases that did not happen and the percentage of time devoted to the project was not supported with personnel activity reports so that actual cost could be calculated. Thus, the reported grant project cost was not accurate as it was based on budget estimates.
- (8) HSW does not have written procedures to limit requests for advance payments to immediate cash needs by minimizing the time lapsing between transfer of federal funds and their appropriate disbursement. HSW has over requested federal funds by \$13,000 for the two advancements representing a 28% excess of funds at their disposal with no corresponding appropriate expenditure.
- (9) HSW does not have any written accounting procedures associated with management of federal funds including procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award. The Executive Director indicated they did have written procedures; however, the Contract Accountant was not aware of their existence and could not provide them during the audit.

All federal grant recipients are required to establish and maintain accounting systems and financial records to accurately account for funds awarded to them including financial records

⁹ Minimum cost share obligation, according to the terms of the grant, was 54% of the actual project costs. The approved grant budget identified that cost share would be met as follows: 57% for salaries and wages, 17% for services/consultants/supplies, and 26% for in-kind (noncash) volunteer services.

associated with cost sharing or matching funds. Specifically, OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreement with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Paragraph 2.15.21 requires the grant recipient's financial management system provide the following:

- Accounting structures that provide accurate, current and complete information about all financial transactions related to each Federally-supported project.
- Records that identify adequately the source and application of funds for federally-sponsored activities. These records must be at least as detailed as the cost categories indicated in the approved budget and shall contain information pertaining to the source and application of cost share obligations. Third-party in-kind (non-cash) contributions also must be accounted for. Accounting records must be supported by source documentation according to federal regulations.
- Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
- Comparisons of outlays with the budgeted amounts for each award.
- Written procedures to minimize the time elapsing between the transfer of funds to the recipient and the issuance of payments for program purposes by the recipient.
- Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

In interviews with HSW personnel, including the Executive Director, Project Director, and Contract Accountant, reasons for the current lack of administrative capability were discussed. First and foremost, is the lack of grant management experience. All those interviewed admitted they lacked the necessary experience and knowledge to manage a federal grant project and were unaware of federal regulations concerning financial accountability. The Executive Director accepted full responsibility for the accountability deficiencies stating she was unaware of how the grant project was administered by her staff, but that she was ultimately responsible and should have been more active in her oversight of this grant project.

Further, the Executive Director explained that the delay in receiving significant funding strained her ability to oversee the grant project as she had other pressing priorities. In addition, HSW lost their CFO and could only afford part-time accounting services; the Executive Director was unsure when full-time accounting services could be obtained. The HSW Executive Director expressed optimism that HSW would overcome their financial instability and could obtain the necessary knowledge to successfully complete the grant project. However, the Project Director was unsure if it was wise for HSW to move forward with the grant project at this time and thought HSW should focus on overcoming the effects of their financial hardship.

Because HSW misused federal grant funds and are unable to provide appropriate grant management including adequate documentation to support the payroll cost, we questioned the total cost expended to date on this grant of \$27,159.

Recommendation

We recommend the Executive Director of NHPRC:

1. Either (a) terminate this grant or (b) temporarily withhold cash payments on this grant until all accounting/grant management deficiencies identified in this report are corrected by HSW and HSW is placed on Special Conditions status for the remainder of the grant project, and:
2. Decide whether any grant funds expended (\$27,159) should be disallowed based on lack of documentation (timesheets), general lack of grant management, and misuse of grant funds.

Please provide your written comments within 45 days regarding actions planned. Should you have any questions, or require additional information, please contact me or James Springs, Assistant Inspector General for Audits at 301-837-3000.

Paul Brachfeld
Inspector General

SUPPLEMENTARY AUDIT REPORT INFORMATION

BACKGROUND

The NHPRC supports activities to preserve, publish and encourage the use of documentary sources related to the history of the United States. Each year the NHPRC receives a Congressional appropriation from which it awards grants. Additionally, NHPRC staff implements NHPRC grant program policies and guidelines, provides assistance and advice to potential applicants, and advises the Commission on grant proposals. Finally, NHPRC staff is also responsible for monitoring each grant awarded by the Commission. To monitor grants awarded, NHPRC staff ensures the grantee submits (1) annual financial status and narrative progress performance reports and (2) a final financial and narrative performance report.

NHPRC awarded \$155,500 to HSW for completion of a grant project entitled *Archival and Audiovisual Collections Project* for a two year period from July 1, 2009 to June 30, 2011. HSW received two advancements totaling \$47,568 which covered grant expenses for the period July 1, 2009 through March 31, 2010. The performance objective of the subject grant project was designed to improve public access to the archival and audiovisual collections held by HSW¹⁰ and included: (1) processing of 700 cubic feet of collections, (2) preparation of Encoded Archival Description (EAD) finding aids for each collection processed, (3) converting 162 existing finding aids to EAD, and (4) conducting a survey of audio-visual materials.

The HSW was founded in 1894 by a group of 36 men and women with the goal of “collecting the scattered and rapidly disappearing records of events and individuals prominent in the history of the city and District.” HSW’s current mission is to not only to collect and preserve the documentation of the history and culture of the region, but to serve as an educational institution that promotes an understanding of the Washington metropolitan area. To support its mission the Historical Society of Washington, D.C. conducts educational programs; supports historical research, and publishes a monthly newsletter (*Washington Stories*) and a semi-annual magazine (*Washington History*).

The HSW, located in Washington D.C., is a nonprofit corporation under Section 501(c) (3) of the Internal Revenue Code. As a nonprofit corporation receiving federal grant funds, HSW is required to follow the cost principles specified in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, and the Federal administrative requirements contained in OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

¹⁰ Archival collections maintained by HSW include the Hechinger Company Records, 1905-1997, the Ulysses S. Grant 3rd Papers, 1860-1973, the DuPont Circle Citizens Association Records, 1920-2006, and the Dumbarton United Methodist Church Collection, 1801-1998.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our review was to determine whether funds utilized were expended in accordance with federal guidelines. This audit report focuses on the results of our audit of the HSW grant. A separate report will be issued addressing the overall grant program administered by NHPRC and the results of all grantees visited during the audit including HSW.

To accomplish our objective we reviewed NARA and OMB guidance pertaining to applying for, awarding, and administering grants. We reviewed all NHPRC documentation relating to the HSW grant including the application, award notifications, and an interim narrative report. Additionally, we reviewed HSW's available financial and payroll records to substantiate grant expenditures. Finally, we interviewed NHPRC and HSW officials.

Our work was performed at Archives I and at the Historical Society of Washington, D.C., both located in Washington D.C. between March 2010 and April 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Table 1—Timeline of Events and Comparison of Grant Fund Balance to HSW Bank Statement Balance

Date	Timeline Event	Comparison of Grant Funds that should have been available as evidenced with a corresponding Bank Statement Balance		
		Grant Fund Balance	HSW Bank Statement Balance	Amount of Insufficient Funds
09/30/09	HSW requested advance #1 from NHPRC for the period July 1- December 31 in the amount of \$20,192.00			
10/05/09	Project Archivist employment start date			
10/06/09	Advance #1 is electronically transferred to HSW's bank account	20,192.00	29,664.65	None
10/21/09	First payment due Project Archivist; Project Archivist is not paid	20,192.00	9,567.03	-10,624.97
10/28/09	First payment (1,586.01) is 7 days late to Project Archivist	18,605.99	41,795.26	None
11/04/09	Project Archivist is paid timely (1,586.01)	17,019.98	22,426.23	None
11/18/09	Project Archivist is paid timely (1,586.01)	15,433.97	18,814.13	None
11/30/09	HSW has a negative Bank Statement Balance	15,433.97	-2,725.57	-18,159.54
12/02/09	Project Archivist is not paid (balance owed 1,586.01); benefits (Nov) and payroll taxes have not been paid	15,433.97	-1,911.58	-17,345.55
12/11/09	Project Archivist meets with HSW Project Director and Executive Director concerning pay gaps	15,433.97	4,034.36	-11,399.61
12/23/09	Project Archivist is paid 1,000— (balance 2,172.02 is 14 days late); benefits and payroll taxes go unpaid	14,433.97	18,039.62	None
12/24/09	From December 14-December 24 HSW deposits \$225,000; yet does not pay all amounts owed for expenses on the federal grant project	14,433.97	216,578.33	None
12/30/10	Project Archivist is paid 3,172.02—(balance of 586.01 is 28 days late); benefits (Nov/Dec) and payroll taxes have not been paid	11,261.95	76,479.48	None
01/08/10	HSW has a negative Bank Statement Balance	11,261.95	-739.75	-12,001.70
01/13/10	Project Archivist is not paid—(balance 2,172.02 is 42 days late); benefits and payroll taxes go unpaid	11,261.95	4,383.44	-6,878.51
01/19/10	Advance #2 is electronically transferred to HSW's bank account (\$27,376.00)	38,637.95	29,380.43	-9,257.52
01/27/10	Project Archivist is paid 3,758.03 at 56 days late; Health benefits for November, December, and January have been paid totaling 1,307.87; no payroll taxes have been paid	33,572.05	29,695.76	-3,876.29
01/29/10	Auditor contacts HSW Executive Director to schedule the upcoming audit; audit begins March 3, 2010	33,572.05	21,511.97	-12,060.08
02/02/10	HSW Bank Balance is still below grant fund minimum balance	33,572.05	7,256.47	-26,315.58
02/11/10	HSW deposits \$331,348	33,572.05	353,041.19	None
02/13/10	Project Archivist is paid timely (1,586.01) including benefits for February (466.19)	31,519.85	350,340.37	None
02/19/10	HSW Project Director contacts NHPRC stating HSW has used federal grant monies for HSW expenses not related to the grant. She states these funds were used due to a misunderstanding with the new staff accountant and because HSW lacked funds. She acknowledges that the Project Archivist had not always been paid.	31,519.85	174,346.47	None
02/27/10	Project Archivist is paid timely (1,586.01); estimated taxes of \$9,525 have not been paid; fund balance after tax liability is \$20,409; Closing February balance prior to March 3 audit field visit	29,933.84	127,679.98	None

Table 2—Salary and Wage Payments to Project Archivist

Scheduled Payroll Date	Gross Salary plus Benefits ¹¹	Employee Tax Withholding	Employee Health Insurance	Employer Tax Liability ¹²	Net Payroll (amount due)	Date Paid	Net Salary Actual Amount Paid	Health Benefits Actual Amount Paid
10/21	2,538.46	721.68	00.00	230.77	1,586.01	10/28	1,586.01	
11/04	2,538.46	721.68		230.77	1,586.01	11/04	1,586.01	
11/18	2,538.46	721.68		230.77	1,586.01	11/18	1,586.01	
12/02	2,974.42	721.68	435.96	230.77	1,586.01			
12/16	2,538.46	721.68		230.77	1,586.01	12/23	1,000.00	
12/30	2,974.42	721.68	435.96	230.77	1,586.01	12/30	3,172.02	
01/13	2,538.46	721.68		230.77	1,586.01			
01/27	2,974.42	721.68	435.96	230.77	1,586.01	01/27	3,758.03	1,307.87
02/10	2,538.46	721.68		230.77	1,586.01	02/12	1,586.01	
02/24	3,004.65	721.68	466.19	230.77	1,586.01	02/26	1,586.01	466.19
TOTAL	\$27,158.67	\$7,216.80	\$1,774.07	\$2,307.70	\$15,860.10		\$15,860.10	\$1,774.06

¹¹ Benefits include employee health insurance and employer tax liability.

¹² Auditor estimated employer payroll tax liabilities at 10 percent. HSW did not have a current payroll register indicating tax liabilities owed.



National Archives and Records Administration

8601 Adelphi Road
College Park, Maryland 20740-6001

Date: August 6, 2010

To: Paul Brachfeld
Inspector General
Office of Inspector General (OIG)

From: Kathleen Williams
Executive Director
National Historical Publications and Records Commission (NHPRC)

Subject: Response to OIG Report No. 10-15, Audit of the National Historical Publications and Records Commission Grant No. RB-50061-09 Historical Society of Washington, D.C.

This response addresses Office of Inspector General (OIG) Report No. 10-15, which audited the National Historical Publications and Records Commission Grant No. RB-50061-09, Historical Society of Washington, D.C. (Grant). The Report, which was issued by OIG on June 23, 2010, questioned the entire cost incurred on the Grant to date (\$27,159.00) due to misuse of grant funds and poor management of the Grant, including a lack of supporting documentation for labor costs.

The NHPRC, which notified OIG staff of the apparent difficulties being experienced by the Historical Society of Washington, D.C. (HSW), has decided to terminate the Grant. HSW was informed of the decision during a meeting on June 24, 2010, at which time HSW was also informed of its obligation to produce a Final Report and associated documentation. Upon review of the Final Report, received July 30, 2010, NHPRC will either terminate and close out the Grant, or terminate and take further action as warranted. The NHPRC will notify OIG of the actions it plans to take following review of the Final Report.

Discussion

Discovery of Grant Management problems

The two year grant of \$155,500 was primarily designed to cover the labor costs of the Project Archivist (\$5,500 was for an AudioVisual Preservation Survey). The grant was awarded in October 2009, and two advancements were made totaling \$47,658 (\$20,192 for July 1, 2009 – December 31, 2009, and \$27,376 for January 1, 2010 - March 31, 2010). On January 7, 2010, the Project Archivist called NHPRC staff to report that her salary payments were irregular and behind schedule. NHPRC immediately contacted OIG to discuss the matter, which resulted in the OIG audit as well as an investigation.¹

¹ OIG Report of Investigation – File Number 10-008-I. The Office of the U.S. Attorney declined to prosecute, citing insufficient evidence and the small amount of funds misused.

Through discussions with HSW and OIG from January 2010 – April 2010, it became apparent to NHPRC that although the Project Archivist generally appeared to be receiving her pay, the HSW was not using the grant funds as specified under the Grant. For example, HSW used Grant funds to pay other bills when other expected sources of income failed to materialize. It also became apparent that HSW did not have the structure or expertise to manage a federal grant. These problems are detailed in the OIG Report.

Meeting with HSW

On June 24, 2010, NHPRC and NGC met with Yvonne Carignan, Director of the HSW's Kiplinger Research Library (HSW Executive Director Sandy Bellamy was expected but did not appear). During that meeting HSW was told that NHPRC had concluded that termination of the Grant was appropriate. Although stating that programmatic achievements had been made under the Grant, HSW agreed that termination made sense for both parties.

NHPRC explained that close out and termination requires the submission of a Final Narrative Report, as well as other documentation, including: cost share accounting that will enable NHPRC to determine if HSW properly matched funds as required by the Grant; time sheet or other information to help document the hours worked by the Project Archivist; Grant management improvements made by HSW; and programmatic achievements of the Grant. NHPRC noted that failure to show how funds were expended may result in NHPRC seeking restitution. NHPRC agreed to give HSW until July 30, 2010, to submit the Final Report. In response to an inquiry from HSW on July 24, 2010, NHPRC provided additional guidance regarding the information required. The Final Report with associated documentation was submitted on July 30, 2010, and is currently being reviewed by NHPRC.

Termination terms and conditions

36 CFR 1210.61(a)(2) provides for termination of a grant by the NHPRC, in consent with the recipient. The parties are to agree on the terms and conditions of the termination, including the effective date, and in the case of a partial termination, the portion to be terminated.

Upon review of the Final Narrative Report and associated documentation, NHPRC will make determinations regarding: has HSW accounted for all of the \$47,568.00 advanced by NHPRC, as well as its cost share toward the project; how well did the Grant's achievements line up with the stated Grant objectives; did HSW provide sufficient documentation to support a finding that the \$47,568.00 advanced by the NHPRC essentially went towards the salary and associated costs of the Project Archivist.

Ultimately the terms and conditions of the termination will depend on the quality of the documentation provided by the HSW.

Conclusion

At this time NHPRC cannot close out this Grant. NHPRC is examining the Final Report and associated documentation, and will engage in any necessary follow up with HSW. NHPRC

will inform OIG of the termination terms and conditions prior to finalization and close out of this Grant.

Should you have further questions, please contact me at 202-357-5263.

KATHLEEN WILLIAMS
Executive Director
NHPRC