A Program Inspection
Office Of The Inspector General
Department Of Health and Human Services
Region IV

Unobligated Federal Funds In
State Developmental Disabilities Programs
SCOPE

Sites
- 9 States in 5 Regions
- 5 Regional Offices

Respondents
- 35 Federal Staff
- 74 Basic Grant
- 11 P&A
- 10 Governors' Staff
- 11 Others
OVERVIEW OF BASIC GRANT PROGRAM

- $41,453,000 FY 82 Appropriation
- Matching Formula Grant Program
- Planning Council and Administering Agency at State Level
- State Develops and Implements State Plan
- Funds DD Services at Local Level
OVERVIEW OF PROTECTION AND ADVOCACY PROGRAM

- $7,680,000 FY 82 Appropriation
- Non-Matching Formula Grant Program
- Independent of State DD Agency
- Required for State to Receive Basic Grant
- Focuses on Advocacy for Individuals
UNOBLIGATED FUNDS

- $11,429,075 Reported in Basic Grant Program
- $826,406 Reported in P&A Program
- Actual Amount Higher
- DD Funds Mobilize Other Resources
REASONS FOR LAPSED FUNDS

FEDERAL

- Little or No Fiscal Information Provided to States
- No Current DD Fiscal Policy or Standards
- States are Confused about Reporting
- Available Reports Not Used to Resolve Lapse
REASONS FOR LAPSED FUNDS

STATE

- Most Respondents Unaware of Lapse
- Location of Program in Structure
- Priority of Program within State
- Poor Communication
- Relationship of Planning Council and Administering Agency
RECOMMENDATIONS

- Issue to state grantees precise instructions for preparing the federal financial status report (SF 269).
- Issue a policy to the state formula grant programs requiring the federal financial status report (SF 269) to be submitted on a quarterly as well as annual basis.
- Develop and implement a control system regarding the status of quarterly and annual federal financial status reports (SF 269).
- Closely monitor third quarter SF 269 financial reports and encourage states to release funds which they cannot obligate so that the funds may be reallocated.
- Develop a standard system between ADD and OFO to identify and resolve financial management problems with each state.
- Closely monitor the status of "nonfinal" federal financial reports submitted by state grantees. States which show a greater unobligated balance on the final report than on the nonfinal should be assisted by ADD in identifying and correcting the problem.
- Issue final regulations implementing the 1978 amendments as soon as possible.
- Develop a DD policy manual to include programmatic and fiscal requirements based on the new regulations.
- Develop technology transfers and information exchanges between states.
- Develop a system of ongoing issuances such as program instructions, and information and technical assistance memoranda to state grantees.
- Monitor fiscal aspects of state Basic Grant and P&A programs on a regular basis.
- Develop and implement a control system regarding the status of audits for DD state formula grant programs.
TO : Richard P. Kusserow  
    Inspector General  

FROM : Dorcas R. Hardy  
        Assistant Secretary for  
        Human Development Services  

SUBJECT: Unobligated Federal Funds in State Developmental Disabilities Programs 

This is in response to your memorandum of October 21 requesting information on the implementation of specific recommendations in your Program Inspection Report on the above referenced subject. I have established within HDS a work group, comprised of staff from the Administration on Developmental Disabilities (ADD), Office of Management Services (OMS), and Office of Regional Operations, to analyze the Developmental Disabilities program with a view toward strengthening its administration which will include the implementation of the recommendations made in your report.

Listed below are the specific recommendations along with the implementation steps that are being taken:

RECOMMENDATIONS

#1 Issue to State Grantees precise instructions for preparing the Federal Financial Status Report (SF-269).

#2 Issue a policy to State Formula Grant Programs requiring the Federal Financial Status Report "(SF-269) to be submitted on a quarterly and annual basis.

An Information Memorandum is being sent to States/Grantees informing them that the grants issuance function will be performed by OMS and that SF-269's will be due quarterly. The relocation of the grant issuance function is expected to provide a greater fiscal focus to the administration of the program.
Instructions on the preparation and submission of the SF-269's have been drafted and are currently being reviewed and are expected to be issued shortly.

#3 Develop and implement a control system regarding the status of quarterly and annual Federal Financial Status Reports (SF-269)

#5 Develop a standard system between ADD and OFO to identify and resolve financial management problems with each State.

#11 Monitor fiscal aspects of state Basic Grant and Protection and Advocacy (P & A) Programs on a regular basis.

A system is in place to track quarterly and annual SF-269's. The regional Office of Fiscal Operations (OFO) and the Regional Program Directors (RPD) will review each financial report submitted and conduct annually at least one site review per region. Review schedules are being planned at this time. Responsibilities relative to the review of expenditure reports have been clarified and re-emphasized as well as incorporated into the HDS operational planning system.

#4 Closely monitor third quarter SF-269 Financial Reports and encourage States to release funds which they cannot obligate so that the funds may be reallocated.

This recommendation will be implemented in FY 1984 as a result of more consistent monitoring of the SF-269's and joint activity of regional OFO's, RPD's and OMS.

#6 Closely monitor the status of "non-final" Federal Financial Reports submitted by State Grantees. States which show a greater unobligated balance on the final report than on the non-final should be assisted by ADD in identifying and correcting the problem.

Implementation of a control system will aid in monitoring the status of non-final reports and provide feedback to those States that continue this pattern.
Issue final regulations implementing the 1978 amendments as soon as possible.

ADD is finalizing the regulations for publication and anticipates publishing them in the first quarter of FY 1984.

Develop a Developmental Disabilities (DD) policy manual to include programmatic and fiscal requirements based on the new regulations.

Previous policy pieces and those which are in the process of development are currently being looked at with the idea of incorporating requirements of the new regulations into a DD policy manual.

Develop technology transfers and information exchanges between States.

ADD plans to provide technical assistance on aspects of financial management to State DD Councils, P & A's and administering agencies at the ADD Regional Forums this winter. This will be coordinated with OMS and the Inspector General's office. Technology transfer between/among States will be developed following these workshops.

Develop a system of ongoing issuances such as program Instructions and Information and technical assistance memoranda to State Grantees.

ADD is developing a mechanism which will more systematically identify topical areas which require clarification through policy issuances. Policy issuances will be issued via the Office of Human Development Services (OHDS) policy issuance system as the need arises. These needs are usually identified through regional and state inquiries.

Develop and implement a control system regarding the status of audits for DD Formula Grant Programs.

Procedures have been developed which establishes a central control system for OHDS formula grant audits. ADD will be working with OMS to assure that ADD audits are entered into the system and that programmatic follow-up occurs after the audit resolution to assure full implementation.
I believe the above actions will improve our overall management of the Developmental Disabilities program and address the concerns raised in your report. Your efforts in assisting us in identifying these problems are appreciated.