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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

HUMAN RESOURCES  
DIVISION

B-206510

AUGUST 12, 1983

The Honorable Margaret M. Heckler  
The Secretary of Health and Human Services

Dear Madam Secretary:

Subject: Practices and Procedures the Office of Refugee  
Resettlement Followed in Administering Grants  
Need Improvement (GAO/HRD-83-57)

The Chairman, Senate Committee on Labor and Human Resources, requested us to review grant administration activities of the Department of Health and Human Services' (HHS') Office of Refugee Resettlement (ORR). Our review was directed to determining whether sound grant management practices and procedures were being followed for grant programs administered by ORR. ORR-funded, but State-administered, programs of cash and medical assistance and social services were addressed in a separate report.<sup>1</sup>

In the early stages of this review, we issued a report<sup>2</sup> in response to a congressional request concerning a single grant award by ORR, and we provided ORR with some preliminary views on its overall grants management in the fall of 1981. At that time we noted a problem of limited documentation of grants management activities and poor organization of ORR's grant files. ORR management indicated corrective actions would be taken.

Upon completing our audit work in October 1982, we briefed ORR's Director on our findings including:

<sup>1</sup>"Greater Emphasis On Early Employment And Better Monitoring Needed In Indochinese Refugee Resettlement Program" (GAO/HRD-83-15; Mar. 1, 1983).

<sup>2</sup>"Poor Management By The Office Of Refugee Resettlement In Awarding A Grant To Human Resources Development Associates" (GAO/HRD-82-44; Feb. 25, 1982).

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- Inadequate practices and procedures governing all aspects of grantee monitoring, including obtaining and using grantee financial status and performance reports, completing site visits, and keeping records of grant monitoring activities. Many grantee reports were missing or submitted late. ORR lacked adequate procedures to assure that reports were properly logged in upon receipt, that missing reports were sought, and that reports received were maintained in official grant files. Site visits were limited; specific procedures regarding site visits were not developed until February 1982 and then only for a single grant program. In general, grant files contained little evidence of ongoing monitoring.
- Limited and poorly documented reviews of grant applications, especially proposed budgets. Individual grant files were incomplete with little evidence indicating the extent of reviews made and negotiations conducted.
- Lack of adherence to grants management procedures prescribed by HHS for soliciting and reviewing grant applications, making awards and monitoring awards made, including the maintenance of grant files and keeping records of grant management activities.

Enclosure I discusses in detail the problems noted.

The Director subsequently outlined for us a number of improvements he was making to strengthen the grants management process that involve new internal controls, new guidelines, training, improved grant application reviews, and grantee monitoring. Timetables for completing certain actions have been established. These planned actions, if effectively implemented, should improve ORR's grants management process.

#### RECOMMENDATION TO THE SECRETARY OF HHS

We believe it will take concerted effort by ORR to correct the problems identified and will require systemic improvements in ORR's operations. Accordingly, we recommend that you require the Director, ORR, to periodically report on the progress being made to correct these problems. As part of these reports, we believe the Director should be required to address the extent of program monitoring being carried out, the extent to which grantees are complying with reporting requirements, the extent to which noncompetitive awards are made, and the adequacy of existing resources to maintain an effective grant administration program.

AGENCY COMMENTS

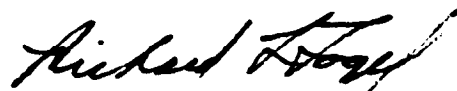
HHS, in commenting on a draft of this report, concurred in our findings and recommendation and outlined the specific steps being taken to correct the problems. (See enc. II.) These included the measures outlined for us by the Director of ORR as well as the institution of close monitoring of ORR's grants management process by top management up to and including the Office of the Secretary. We believe these are significant steps toward assuring that needed improvements are made and that sound practices and procedures are followed on an ongoing basis.

To assist HHS management's monitoring of ORR's progress, we have added to the recommendation in our draft report specific issues that the Director, ORR, should address in periodic progress reports.

As you know, 31 U.S.C. 720 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Copies of this report are being sent to the Chairman, Senate Committee on Labor and Human Resources, and other interested congressional committees and subcommittees.

Sincerely yours,



Richard L. Fogel  
Director

Enclosures - 2

PRACTICES AND PROCEDURES FOLLOWED BY THE  
OFFICE OF REFUGEE RESETTLEMENT IN ADMINISTERING  
GRANTS NEED IMPROVEMENT

BACKGROUND

The Office of Refugee Resettlement (ORR) and its predecessor offices in the Department of Health and Human Services (HHS) have been responsible for administering refugee programs since 1961 when HHS was given responsibility for administering aid to Cuban refugees. The Refugee Act of 1980 (Public Law 96-212, 94 Stat. 102) established ORR in law and provided a more permanent basis for the Government's refugee programs. It authorized the Director of ORR to make grants and enter into contracts with public or private nonprofit agencies for needed projects and services to facilitate domestic resettlement of refugees.

ORR's mandate was expanded in June 1981 when it assumed responsibilities previously assigned to the Cuban/Haitian Task Force. The Task Force had been responsible for resettling the large number of immigrants from Cuba and Haiti that began arriving in the United States in April 1980. Although they were officially designated "entrants" rather than refugees, they were subsequently made eligible under the Refugee Education Assistance Act of 1980 (Public Law 96-422, 94 Stat. 1799) for the same benefits as refugees.

The Task Force originally was associated with the State Department, but in November 1980 was transferred to a Special Projects Staff in HHS and functioned separately from ORR until the two were merged. In January 1982, responsibility for certain entrant matters was transferred to the Justice Department but ORR retained responsibility during the time of our review for resettling the entrants through agreement between HHS and Justice.

Our review of grants administered by ORR included five grant programs as follows:

- Cuban Political Prisoner Release Grants - This program of resettling Cuban refugees in the United States dates back to the 1960s. In recent years it involved resettling both current and former political prisoners. Grants awarded went primarily to private nonprofit voluntary agencies traditionally involved in refugee resettlement (hereafter referred to as voluntary agencies) to provide

initial processing, reception, and placement services. The program, which was separate from the one established to deal with the large influx of Cuban and Haitian entrants, was transferred in January 1982 to the Department of State which funds a program of initial resettlement services for other refugees.

- Cuban and Haitian Entrant Grants - ORR assumed responsibility for this grant program after most of the more than 125,000 entrants had been resettled. The program, begun under emergency conditions in 1980, provided processing, reception, and placement services to entrants arriving in the United States. Initially, funding for these services was given to voluntary agencies. Later, ORR solicited other organizations to help with the resettlement work.
  
- Matching Grants - This program, which began in 1979, provides certain Eastern European and Soviet refugees temporary financial support and helps obtain medical assistance and social services. Under the program, ORR has awarded grants to voluntary agencies for up to \$1,000 per refugee matched by grantees with a like amount of funds or in-kind services.
  
- National Demonstration Grants - Under this program, varying amounts of ORR's funds appropriated for refugee social services have been set aside from year to year to fund various activities ranging from information services to technical assistance and other services to improve the resettlement program. Most of the grants we reviewed were awarded in fiscal year 1980 and originally funded for 1 year, but some of them were still ongoing in fiscal year 1982.
  
- Mutual Assistance Associations Grants - This grant program was funded at the end of fiscal year 1980 to provide grants to 25 refugee self-help organizations to support service-oriented projects with the primary goal of developing the organizational and service capacity of the associations. In fiscal year 1982, ORR's program emphasis shifted from direct funding of mutual assistance associations to giving additional social service funding to States to encourage them to contract with mutual assistance associations to provide refugee social services.

The total funds ORR awarded for these programs in fiscal years 1980 and 1981 were:

<u>Grant programs</u>	<u>Fiscal year awards</u>	
	<u>1980</u>	<u>1981</u>
	(millions)	
Cuban Political Prisoner Release Grants	\$ 1.1	\$ 0.7
Cuban and Haitian Entrant Grants (note a)	-	13.4
Matching Grants	23.5	9.5
National Demonstration Grants	4.9	1.4
Mutual Assistance Associations Grants	<u>1.2</u>	<u>-</u>
<b>Total</b>	<b><u>\$30.7</u></b>	<b><u>\$25.0</u></b>

a/The figure cited excludes approximately \$41 million in grants awarded by the Cuban/Haitian Task Force in fiscal years 1980 and 1981 before ORR's assuming responsibility for the program.

Funding for these programs is small relative to ORR's overall budget. However, the program's effectiveness in improving or assuring the quick resettlement and self-sufficiency of refugees can affect the extent to which refugees served by the above programs need ORR-funded, but State-administered, programs of cash and medical assistance and social services which constitute most of ORR-funded activities. ORR funding to States in fiscal year 1981 for cash and medical assistance and social services provided to refugees totaled \$571 million.

Before June 1980, ORR and its predecessor offices had programmatic responsibility for grants while the final approval and other related grants management activities were performed by a Social Security Administration Grants Officer and his staff, with input from the refugee program staff. Since June 1980, ORR has had authority to award grants and established its own grants management staff. Some continuity in grants management activities was maintained by transferring a senior grants management specialist from the Social Security Administration to ORR in January 1981, along with pertinent grant files. This person supervises the day-to-day grants management activities in ORR.

#### OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective in reviewing grant programs administered by ORR was to determine whether sound grant management practices and procedures were in place and being followed to assure

(1) effective oversight and monitoring of grant programs; (2) maintenance of proper grant files, including documentation of key actions; and (3) adherence to proper procedures in soliciting and reviewing grant applications and making awards. To the extent original grant awards were not made by ORR, we concentrated on subsequent continuation awards, amendments, and extensions that were made by ORR.

Our approach was to review a sample of grants funded in fiscal years 1980 and 1981 under each of the grant programs administered by ORR. This included new awards or continuation funding of existing grants. For two grant programs where the number of grants was small (Cuban Political Prisoner Release and Matching Grants), we examined all of the grants. For the three other programs with a larger number of awards, we examined a sample of the grants, generally those with higher dollar amounts.

We reviewed official grant and program files maintained by ORR's Grants Management Branch, and examined informal working files of the grants management and program staffs since the grant files were frequently incomplete. Discussions were held with grants management and program staffs about procedures followed and the extent of their activities. Our review was made in accordance with generally accepted government audit standards.

#### GRANTEES NOT ADEQUATELY MONITORED

The official grant files maintained by ORR grants management staff and other unofficial files maintained by the grants management and program staffs showed little evidence of monitoring through use of financial status and performance reports, site visits, or other contacts with grantees. ORR practices and procedures were not adequate to assure that required grantee reports were obtained and used.

Section 1-13-20 of the HHS Grants Administration Manual outlines minimum monitoring duties that should be performed by grants management and program staffs. The duties include reviewing the financial status and performance reports grantees

are required to submit on a periodic basis<sup>1</sup> as well as other available information regarding grantees' performance. Financial status reports indicate how much of the grant funds have been spent to date and, depending upon requirements imposed on grantees, may also show the use of funds for particular grant activities. Performance reports indicate the extent to which grantees are accomplishing the purpose(s) for which they were funded. When used together, the reports can provide a quantitative measure of accomplishment and a more complete basis for assessing program progress. Section 1-13-30 of the grants manual requires that the results of monitoring actions be recorded in the individual grant files.

Grantees frequently did not submit required reports

Many reports required from grantees were not in ORR grant files; those located often had been submitted late and/or not submitted according to reporting requirements established by terms of the grant awards. The magnitude of the problem is difficult to portray for three reasons. First, over 40 percent of the grantees deviated from the prescribed time periods to be covered and frequency of submission. Usually grantees submitted reports less frequently than required. Second, many grantees submitted varying numbers of reports for several reporting periods concurrently. Third, due to the manner in which ORR handled reports received, we could not determine the extent to which some reports may have been received and not properly accounted for.

For the reporting periods we examined, 340 financial status reports and 240 performance reports were due. Analysis of the reports received by ORR showed that about 22 percent of the financial status and 44 percent of the performance reporting periods were not covered by the reports on hand.

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<sup>1</sup>ORR required most reports to be submitted on a quarterly or monthly basis although some were required less frequently.



<u>Grant program</u>	Reports missing for specific reporting periods			
	<u>Financial status</u> reports		<u>Performance</u> reports	
	<u>Due</u>	<u>Missing</u>	<u>Due</u>	<u>Missing</u>
Cuban Political Prisoner Release Grants	36	10 (28%)	36	34 (94%)
Cuban and Haitian Entrant Grants	47	28 (60%)	42	29 (69%)
Matching Grants	61	18 (30%)	60	22 (37%)
National Demonstration Grants	68	12 (18%)	45	10 (22%)
Mutual Assistance Associations Grants	<u>128</u>	<u>7 (5%)</u>	<u>57</u>	<u>11 (19%)</u>
<b>Total</b>	<b><u>340</u></b>	<b><u>75 (22%)</u></b>	<b><u>240</u></b>	<b><u>106 (44%)</u></b>

Of the missing financial status reports, nearly a third were for final budget reporting periods, thus ORR had no final report on the status of funds used. ORR had no required financial status reports for 24 percent of the grants and no performance reports for 37 percent. The problem was the most prevalent for the Cuban and Haitian entrant grants.

Reports were frequently submitted late, but assessing the magnitude of this problem also proved difficult. Reports for reporting periods specified by ORR were often dated by the grantees much later than the allowable 30 days following the end of the reporting periods.<sup>2</sup> Of the performance reports found in ORR files and dated, 43 percent were on an average of over 3 months late, some considerably longer. For financial status reports, 36 percent were an average of over 2 months late, ranging up to 465 days.

No systematic approach existed to obtain late or missing reports. Chapter 1-42 of the HHS Grants Administration Manual prescribes procedures to be followed to obtain overdue reports. It prescribes the contents of letters to be sent to grantees and actions that should be taken, including a cutoff of additional funds, and suspension or termination of grants.

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<sup>2</sup>Because of uncertainties over when the reports were received in ORR, we used the submission dates grantees recorded on their reports recognizing the dates would probably show reports being received sooner than they actually were.

Few instances were found where ORR contacts with grantees over missing reports were documented in the grant files. Grants management and program staffs told us that contacts were made orally but not always recorded in the file. Some increase in ORR correspondence with grantees regarding missing or late reports was noted as our review progressed. These requests were often made when grant project or budget periods were ending or continuation awards were being approved, often many months after periodic reports were due.

Some continuation awards were conditioned on receipt of missing reports. However, funding was provided even when these reports were not subsequently received, and we found no indication of followup action by ORR.

The written requests for missing reports were generally for financial status reports, although performance reports were also missing. Near the completion of our fieldwork, a program official told us she had been unsuccessful for several months in getting a grants management official to formally request missing performance reports from grantees.

Timely submission of reports, when it occurred, did not mean that they were accurate or complete. Financial status reports submitted by mutual assistance associations, for example, were often submitted in a timely manner; however, according to ORR's Senior Grants Management Specialist, many were filled out incorrectly. According to this official, ORR staff spent much time trying to correct the errors, sometimes by phone and other times by having grantees submit new reports. Revised reports were often dated many months after the period covered and submitted concurrently for several periods.

Reports were not properly logged in and performance reports, unlike financial status reports, were often not kept in the official grant files as required by HHS' Grants Administration Manual. Only 38 percent of the performance reports for grants in our sample were located in the official grant files; the remainder were in the program staff's unofficial working files. ORR had not recorded the date of receipt on 22 percent of the financial status reports, and many performance reports were not dated by ORR. For reports that were dated by ORR, there were significant lapses of time between the submission dates grantees placed on the reports and the receipt dates ORR stamped on them.

Practices and procedures for  
using grantee reports

ORR practices and procedures did not assure that information contained in grantee reports was used to monitor grantee performance and that monitoring activities were recorded. Indications were that the reports, when received, were infrequently used for monitoring purposes.

The HHS Grants Administration Manual stipulates that each grant agency should record the results of grant monitoring activities, including findings, recommendations, and actions taken or to be taken, based on the review of financial status and performance reports as well as from other monitoring activities, such as site visits.

We looked for indications of monitoring ranging from notes on the reports themselves to formal monitoring statements. Few indications of monitoring actions were found although we were told that reports had been reviewed and that there had been informal contacts with grantees.

One program official (no longer with ORR) said that initially he reviewed performance reports and followed up on problems pertaining to mutual assistance associations grants but lessened his activities after becoming convinced officials above him were not interested.

Another program official stated that he did not closely analyze performance reports in relation to budgets or funds used. He told us he looked at the status of activities, numbers of people served, and types of services provided but acknowledged his actions were not documented. Our analysis showed that many reports were not submitted for this program and that most of those submitted provided little substantive information in the areas cited above. This official told us also that grantees under this program had an indifference toward reporting and that he had not tried to get them to follow the prescribed report format.

A program staff member responsible for monitoring grants under another program involving national demonstration grants told us of making a suggestion to her supervisor (no longer with ORR) for improving a grantee's report format only to be told that she should not expect much from the grantees since the money they receive from the Government is just a gift.

There was little indication that grantee performance was assessed through joint evaluation of financial status and performance reports. ORR's Senior Grants Management Specialist acknowledged that any joint use of the two reports by grants management and program staffs had been informal and needed to be strengthened. We noted one instance where a grantee's approved budget of \$149,000 included \$25,000 for vocational training; however, financial status reports did not mention any such activity even though the reports indicated that all but \$8,000 of the grant award had been expended. We could not find any performance reports for this grant. ORR officials did not know whether vocational training had been provided.

#### Site visits were limited

No site visits apparently had been made for more than 60 percent of the grants included in our review and infrequently for most other grants. Procedures for making such visits had not been established for most programs. Further, the role of ORR's regional office staff in monitoring grants and making site visits was not well-defined.

Visits to grantees provide an opportunity to observe grantee operations and give technical assistance. The HHS Grants Administration Manual states that site visits are an important part of effective grants management. Further, the manual encourages joint site visits by program and grants management officials since they can be more effective than separate visits by each.

Grants management and program staffs told us that funding had limited their ability to make site visits. Also specific procedures regarding site visits had not been developed until February 1982, and then only for Cuban and Haitian entrant grants. The procedures developed covered preaward and post-award site visits, as well as other contacts, and outlined criteria to be followed in making site visits. They also specified responsibilities of ORR's regional office staff in assisting headquarters program and grants management staffs with the Cuban and Haitian entrant grant program. Site visits were subsequently increased for that program.

#### PREAWARD REVIEW PRACTICES AND PROCEDURES

Each of the grant programs administered by ORR had unique circumstances surrounding their origins and bases on which grants were awarded. Most grants, contrary to HHS general

policy, were awarded noncompetitively. The extent to which competition can be increased is not clear in view of the unique circumstances of most programs, but some potential exists.

Grant files contained little information on the extent to which preaward reviews were made of applications in general but the information that was in the files indicated that preaward reviews and related negotiations were limited. This problem was found both for initial funding as well as for continuation funding awards.

Most grants were awarded  
by ORR without competition

Most noncompetitive grants under three of the five programs were awarded primarily to voluntary agencies, in keeping with the longstanding practice of relying on voluntary agencies to help resettle new arrivals. ORR officials told us that pressure from the administration to have entrants resettled quickly and insufficient assistance from voluntary agencies prompted the Government to solicit help from other groups; however, the number of interested organizations turned out to be small.

The extent to which competition may be possible for grants under such circumstances may be limited, but for other grants, such as national demonstration projects, there seems to be potential for more competition. In all cases grant files should contain justification when competition is not sought, an HHS policy that generally was not followed by ORR.

Improvements needed in application  
review practices and procedures

Although the HHS Grants Administration Manual provides general policy guidance concerning the review, award, and administration of grants, ORR did not have formal procedures for implementing HHS guidance, and responsibilities of program and grants management staffs were not clear.

ORR procedures developed in fiscal year 1982 for the entrant grants outlined responsibilities and procedures for some preaward activities, including site visits, and procedures for conducting screening panel reviews of applications. Such procedures were not developed for other grant programs. During our review, some ORR staff members commented on the need for additional guidance and/or training in program and grants management procedures. ORR officials said at the completion of our fieldwork that they plan to provide the staff with training and additional guidance in the near future.

The individual grant files were incomplete. They contained incomplete application packages and little evidence of the (1) extent to which an applicant's eligibility and capabilities were assessed and (2) nature and extent of application reviews and negotiations with applicants. The documentation problem was compounded by the fact that the standard application format was not always used. In some cases, brief narrative work statements or budget summaries appeared to serve as grant applications.

Whether applicants' performance and financial management capabilities were adequately assessed was not clear in many cases. The fact that some grantees had been recipients of prior funding by HHS and other agencies may have contributed to this problem. We could not determine the extent to which prior performance had been assessed before additional funding awards were made, given the absence of documentation in the files and the number of missing grantee financial status and performance reports.

#### Limited budget analysis

Although ORR's Senior Grants Management Specialist told us that applicants' proposed budgets were reviewed to determine whether costs were allowable, allocable, reasonable, and necessary, there was little evidence in individual grant files under all five programs to indicate the scope and depth of such analyses. Also, there was an absence of specific and consistently applied practices and procedures in ORR for completing such analyses.

The HHS Grants Administration Manual states that the extent of cost analysis to be performed will vary depending on such factors as the nature of the project and past experience with the applicant. It also states that a comprehensive analysis should consist of (1) obtaining cost breakdown; (2) verifying cost data; (3) evaluating specific elements of cost; and (4) determining the necessity, reasonableness, and allocability of costs reflected in the budgets.

Indications of some cost analyses were found. Brief notations on proposed budgets were sometimes made. A three-page form, on which budget items to be examined could be listed and narrative comments entered, was also used. However, these forms often had few notations or comments and gave no indication of the nature or extent of the analyses made. In many cases the forms did not indicate when the analyses were done or by whom.

In addition, special terms and conditions attached to some notices of grant awards requesting budget information or justification indicated some review or intent to review the budgets based on requests for information. But the limited extent of the reviews was evidenced by a lack of documentation to indicate

- questions raised concerning the grantee's proposed budgets in relation to proposed work plans;
- resolutions to questions noted on some budget proposals; and
- followup by ORR staff to assure the receipt of additional budget information requested from grantees, or if received, to indicate it was analyzed.

Regarding the latter point, ORR indicated the need for detailed budget information at the time it was making continuation awards in fiscal years 1981 and 1982 for its Matching Grant program. It conditioned the awards for over a third of the matching grants in fiscal years 1981 and 1982 on receipt of budget information. The requested information was not in the grant files, however, nor was there any indication of further action. ORR's Senior Grants Management Specialist told us that just because a document was not in the file did not mean that the information was not received. He also said that the information could have been obtained over the phone. Later, this official characterized the conditioning of the grant awards as "inappropriate" since he did not have the staff to follow up and assure the information was received.

#### ORR CORRECTIVE ACTIONS

At the completion of our fieldwork, we briefed ORR's Director on our findings. Subsequently the Director outlined a number of improvements ORR was implementing, including

- developing and maintaining in the Grants Management Branch one complete official grant file for each grant,
- assuring that all correspondence is date stamped and appropriately logged upon receipt,
- assuring reports are reviewed upon receipt and any findings or required actions are documented in the official file,
- developing site visit guidelines for ORR grant programs,

- training grants management and program staffs in their assigned roles,
- developing standard application solicitation notices,
- performing more complete and well-documented reviews of applications,
- confirming applicants' eligibility before any consideration for funding, and
- reviewing the use of competition in funding decisions.

If effectively implemented, the planned actions should help improve ORR's grants management process.

#### RECOMMENDATION TO THE SECRETARY OF HHS

We believe it will take concerted effort by ORR to correct the problems identified and will require systemic improvements in ORR's operations. Accordingly, we recommend that you require the Director, ORR, to periodically report on the progress being made to correct these problems. As part of these reports, we believe the Director should be required to address the extent of program monitoring being carried out, the extent to which grantees are complying with reporting requirements, the extent to which noncompetitive awards are made, and the adequacy of existing resources to maintain an effective grant administration program.

#### AGENCY COMMENTS

HHS, in commenting on a draft of this report, concurred in our findings and recommendation and outlined the specific steps being taken to correct the problems. (See enc. II.) These included the measures outlined for us by the Director of ORR as well as the institution of close monitoring of ORR's grants management process by top management up to and including the Office of the Secretary. We believe these are significant steps toward assuring that needed improvements are made and that sound practices and procedures are followed on an ongoing basis.

To assist HHS management's monitoring of ORR's progress, we have added to the recommendation in our draft report specific issues that the Director, ORR, should address in periodic progress reports.





## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Office of Inspector General

JUL - 1 1983

Mr. Richard L. Fogel  
Director, Human Resources  
Division  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Fogel:

Enclosed are the Department's comments on your draft report, "Practices and Procedures the Office of Refugee Resettlement Followed in Administering Grants Need Improvements." These comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

As you know, my Office of Audit has recently issued a rather comprehensive draft report dealing with the Office of Refugee Resettlement's overall administration and management. The Social Security Administration's proposed corrective actions, some of which have already been taken, are quite positive and if completely implemented, should resolve the problems identified by both our audits.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

  
Richard P. Kusserow  
Inspector General

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE  
GENERAL ACCOUNTING OFFICE'S DRAFT REPORT, "PRACTICES AND  
PROCEDURES THE OFFICE OF REFUGEE RESETTLEMENT FOLLOWED IN  
ADMINISTERING GRANTS NEED IMPROVEMENT"

General

In reviewing grant programs administered by the Office of Refugee Resettlement (ORR), GAO noted a number of problems: grantees frequently did not submit financial and performance reports or did not submit them in a timely fashion; documentation was lacking to indicate what steps had been taken in reviewing grant applications and in monitoring grantees; and the Department's policy manual concerning the review, award and administration of grants had not been implemented by ORR. These are significant problems, and we intend to correct them.

GAO Recommendation

--That the Secretary require the Director, ORR, to periodically report on the progress being made to correct these problems and identify any additional resources--staff, travel funds, technical assistance--required to establish an effective grant administration program.

Department Comment

We concur. As stated in the draft report, the Director, ORR outlined for GAO a number of measures being taken to strengthen the grants management process that involve new internal controls, new guidelines, training, improved grant application reviews and grantee monitoring. GAO believes that these actions, if effectively implemented, should improve ORR's grants management process.

To help gauge the success of the new initiatives and corrective measures, ORR staff are now required to submit to the Director monthly status reports on all active grants. The first monthly report, reflecting the status of active grants through May 1, 1983, shows that real progress is being made. As an example, GAO's draft report indicates that 75 of the 340 financial status reports and 106 of the 240 performance reports of GAO's sample of grants funded in FY 1980 and 1981 were missing. Of the reports required for specific reporting periods under currently active grants, only five of 53 financial reports and five of 41 performance reports were outstanding as of May 1, 1983. ORR also has implemented a process for tracking, seeking and following up on all outstanding reports for current programs.

In addition, in January of this year, the Commissioner of Social Security instituted a process of semi-annual reviews of ORR's management of grants. As part of this process, the Director of ORR will submit periodic reports to the Commissioner describing the progress made and problems that remain in improving grants management.

Also, the Deputy Assistant Secretary for Procurement, Assistance and Logistics--who has responsibility for assisting the Department's components in implementing the HHS Grants Administration Manual--has formed a review group that will identify areas in which further improvements in grants administration can be made and will advise and assist the Director, ORR, in carrying out those improvements. Competition in ORR's project grant programs will be among the issues to be addressed.

Finally, if there is a need for additional resources, such as added staff or travel funds, that also will be identified through the reviews and processes mentioned above and will be considered by Department management.

In summary, we agree with GAO that the correction of ORR grants management deficiencies will require a concerted effort. That effort is being made and has already yielded some significant improvement. Periodic and systematic monitoring by the Director, ORR, by the Commissioner of Social Security, and by the appropriate grants management staff in the Office of the Secretary, HHS will help to assure that deficiencies are corrected promptly and that progress in improving ORR's grants management continues.