



U.S. Department of Agriculture



Office of Inspector General
Northeast Region

Audit Report

Rural Business-Cooperative Service Television Demonstration Grant Program

Report No. 34099-01-Hy
September 2004



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: September 30, 2004

REPLY TO

ATTN OF: 34099-01-Hy

SUBJECT: Rural Business-Cooperative Service, Television Demonstration Grant Program

TO: Peter J. Thomas
Administrator
Rural Business-Cooperative Service

ATTN: John M. Purcell
Director
Financial Management Division

This report presents the results of our audit of the Television Demonstration Grant Program. Your response to the official draft, dated September 28, 2004, is included as exhibit B. Excerpts of your response and the Office of Inspector General's (OIG) position are incorporated into the Findings and Recommendations section of the report. Based on your response, management decision has been reached on all of the report's recommendations. Please follow your agency's internal procedures in forwarding documentation for final action to the Office of the Chief Financial Officer.

We appreciate the assistance your staff provided to our auditors during our review.

//s//

ROBERT W. YOUNG
Assistant Inspector General
for Audit

Executive Summary

Rural Business-Cooperative Service Television Demonstration Grant Program (Audit Report No. 34099-01-Hy)

Results in Brief

This report presents the results of our audit of the Rural Business-Cooperative Service's (RBS) controls over the Television Demonstration Grant Program. We evaluated RBS' procedures for determining whether selected grant recipients met the eligibility requirements and used grant funds for intended purposes. To accomplish our work, we evaluated current program operations at the RBS National Office and the Rural Development (RD) State offices in Maine and Vermont. In addition, we examined the grants received by the Maine Public Broadcasting Corporation (MPBC) in fiscal years (FYs) 2001 and 2002, and by Vermont ETV, Inc., in FYs 2001 through 2003. To determine whether RD State offices established consistent timeframes for using grant funds, we evaluated the Letters of Conditions for the FY 2002 grants made to the public television systems in Alaska, North Dakota, and Oregon.

RBS is responsible for making television demonstration grants to statewide, private, nonprofit, public television systems whose coverage area is predominantly rural. The grants are to be used to develop television programming to demonstrate the effectiveness of providing information on agriculture and other issues of importance to farmers and other rural residents. In conjunction with the Public Broadcasting Service, RBS has determined that public television systems in the States of Alaska, Maine, North Dakota, Oregon, and Vermont are eligible to participate in the program.

Overall, we concluded that RBS' procedures were followed for ensuring that grant recipients met eligibility requirements and that grant funds were used for intended purposes. However, we noted two areas where controls can be enhanced by clarifying instructions for oversight of program operations.

- RD State offices did not establish consistent requirements for using grant funds. This occurred because RD instructions did not specify the timeframes in which grantees were required to spend grant funds or require that existing grants be fully expended before grantees are allowed to request additional grants. As a result, RBS officials did not treat grantees consistently. In the absence of clear direction, the five States (i.e., Alaska, Maine, North Dakota, Oregon, and Vermont) established varying requirements to address similar situations. For example, the Oregon and North Dakota State offices issued Letters of Conditions to grantees for FY 2002 grants that required the grant funds to be expended within a 12-month period in order to be eligible for a FY 2003 grant. In contrast, the Letter of Conditions issued by the Maine State office for the

FY 2002 grant did not specify a timeframe for using grant funds. Further, the State office allowed the grantee to begin drawing down FY 2003 grant funds before the work for the FY 2002 grant was completed.

- RD officials in Vermont and Maine did not assess whether grantees adequately maintained personal property records or determine if there was a proper accounting for leased property. This occurred because RD instructions did not specify how RD officials should validate that grantees properly account for property purchased with grant funds. As a result, these State offices were not aware that grantee accounting records did not record the existence, current use, and continued need for more than \$97,000 in property purchased by Vermont ETV, Inc., and more than \$14,000 in property purchased by MPBC. In addition, Vermont ETV, Inc., improperly charged the full monthly lease costs for two leased vans, \$22,839, against the grants received, without documentation of use for grant purposes. RD instructions require that this type of property be charged to the grant according to its use. However, Vermont ETV, Inc., did not document the use of the vans for grant purposes (see exhibit A).

We discussed these concerns with RBS National Office officials who agreed that program instructions should be clarified.

**Recommendations
in Brief**

We recommend that RBS develop and implement procedures to strengthen controls over the use of grant funds. Additionally, RBS should develop and implement procedures to strengthen controls over property purchased or leased with grant funds. RBS should collect \$22,839 from Vermont ETV Inc. for improperly using grant funds to lease two vans without documentation of their use for grant purposes.

Agency Response

RBS generally agreed with the report's recommendations. We have incorporated excerpts from RBS' response in the Findings and Recommendations Section of this report, along with the OIG position. RBS' response is included as Exhibit B.

OIG Position

Based on RBS' response, we were able to reach management decision on the report's six recommendations.

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Abbreviations Used in This Report

APBS	Alaska Public Broadcasting Service
FY	Fiscal Year
MPBC	Maine Public Broadcasting Corporation
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OPB	Oregon Public Broadcasting
RBEG	Rural Business Enterprise Grants
RBS	Rural Business-Cooperative Service
RD	Rural Development
USDA	U. S. Department of Agriculture

Background and Objectives

Background

Public Law 103-354, Federal Crop Insurance Reform, and Department of Agriculture Reorganization Act of 1994, enacted October 13, 1994, established the Rural Business-Cooperative Service (RBS). The mission of RBS is to enhance the quality of life for rural Americans by providing leadership in building competitive businesses and sustaining cooperatives that can prosper in the global marketplace. RBS accomplishes this by: investing financial resources and providing technical assistance to businesses and cooperatives located in rural communities; and establishing strategic alliances and partnerships that leverage public, private, and cooperative resources to create jobs and stimulate rural economic activity.

RBS makes grants through the Rural Business Enterprise Grant (RBEG) Program to eligible entities to finance and facilitate the development of small and emerging private business enterprises located in rural areas. Rural Development (RD) State offices administer the RBEG Program through RD Instruction 1942-G. The RBEG Program funding was approximately \$47 million in FY 2003.

As part of the RBEG Program, RBS makes television demonstration grants. These grants are made to statewide, private, nonprofit public television systems, whose coverage area is predominately rural. The Federal Communications Commission must also license an eligible applicant. The purpose of these grants is to develop television programming to demonstrate the effectiveness of providing information on agriculture and other issues of importance to farmers and other rural residents.

The Television Demonstration Grant Program was initiated in FY 1990 with a \$1.25 million set aside from the RBEG allocation. Since FY 1998, RBS has set aside approximately \$2 million in funding each year for the television demonstration grant program. In conjunction with the Public Broadcasting Service, RBS has determined that five public television systems are eligible to participate in the program. These public television systems are in the States of Alaska, Maine, North Dakota, Oregon, and Vermont. This determination is based, in part, on data from the 1990 census.

Objectives

Our objective was to identify and evaluate RBS' controls for the television demonstration grant program. We determined whether selected grant recipients met eligibility requirements and used grant funds for intended purposes.

To accomplish these objectives, we analyzed current program operations at the RBS National Office in Washington, D.C. as well as oversight of grant recipients by RD State Office Officials in Maine and Vermont. We selected

two grant recipients (Maine Public Broadcasting Corporation (MPBC) and Vermont ETV, Inc.) to test requirements for eligibility and use of grant funds. We did this by analyzing grants made to MPBC in FYs 2001 and 2002, and to Vermont ETV, Inc., in FYs 2001 through 2003 and supporting documentation maintained by recipients. To determine whether RD State offices established consistent requirements for using grant funds, we also evaluated the Letters of Conditions for the FY 2002 grants made to the public television systems in Alaska, North Dakota, and Oregon.

Findings and Recommendations

Section 1. Enhancements Needed to Strengthen Controls Over Television Demonstration Grants

Overall, we concluded that RBS' procedures were followed for ensuring that grant recipients met eligibility requirements and that grant funds were used for intended purposes. However, we noted two areas where controls can be enhanced in order to strengthen program operations. RBS should implement controls to ensure the grantees are treated consistently with regard to timeframes for use of grant funds and to ensure that grantees comply with regulations regarding property purchased or leased with grant funds.

Finding 1 Inconsistent Requirements Established for Using Funds

RD State offices did not establish consistent time requirements for using grant funds. This occurred because RD instructions did not specify the timeframes in which grantees were required to spend grant funds or provide guidance on how to establish the period in which grant funds should be used. RD instructions also did not specify whether existing grants should be fully expended before grantees are allowed to receive additional grants. As a result, RBS officials did not treat grantees consistently and States established different requirements for similar situations.

According to the instructions,¹ grant conditions are specified in the Letter of Conditions and are agreed to by both the agency and the grantee. The Letter of Conditions is intended to include those matters necessary to assure that the project is completed in accordance with approved plans and that grant funds are used for authorized purposes.

We found that the five State offices (i.e., Alaska, Maine, North Dakota, Oregon, and Vermont) held grantees to differing time requirements for using grant funds. Four grant recipients were required to expend grant funds in a 12-month period before being eligible for future grants. The fifth grant recipient was allowed a 17-month period to expend grant funds and was not required to expend all grant funds before receiving a subsequent grant.

- In the Letter of Conditions for the FY 2002 grant to Oregon Public Broadcasting (OPB), the Oregon RD State Office required that grant funds be expended within a 12-month period. The letter also stated that not meeting this condition might negatively impact any future grant requests. The Oregon RD State Office did not allow OPB to compete for

¹ RD Instruction 1942-G §1942.315(b), dated August 20, 1992.

FY 2003 grant funds because OPB had not expended its FY 2002 grant funds.

- The Letter of Conditions for the FY 2002 grant to the Prairie Public Broadcasting, Inc. with the North Dakota RD State Office also required that grant funds be expended within a 12-month period. The letter required that FY 2002 grant funds be fully expended before the grantee would be considered for a FY 2003 grant.
- In the Letters of Conditions for the grants in FYs 2002 and 2003 to Vermont ETV, Inc., the Vermont RD State Office did not specify a timeframe for using grant funds. However, according to State office officials, they require grantees to expend funds within a 12-month period. We confirmed that Vermont ETV, Inc. completed work on its FY 2002 grant within the 12-month period specified in its application. We also found that the grantee was on schedule to complete the FY 2003 project within the agreed upon 12-month period. However, in FYs 1996 and 1997, the Vermont RD State Office did not allow Vermont ETV, Inc., to compete for grant funds because the grantee had not expended its FY 1995 grant funds.
- The Letter of Conditions for the FY 2002 grant to the Alaska Public Broadcasting Service (APBS) also did not specify a timeframe for using grant funds. However, based on APBS' final financial status report for the FY 2002 grant, we confirmed that Alaska RD State Office Officials required the funds to be expended within the 12-month period stated in APBS' application.
- In the Letter of Conditions for the FY 2002 grant to MPBC, the Maine RD State Office did not specify a timeframe for using grant funds. We confirmed that MPBC completed work on its FY 2002 grant within a 17-month period (May 1, 2002 to September 30, 2003) specified in its application. In June 2003, MPBC received a grant for FY 2003 before completing work on its FY 2002 grant. During the period July to December 2003, MPBC drew down over \$232,000 for expenses incurred on the 2002 grant and over \$39,000 for expenses incurred on the 2003 grant. If this grant had been administered by one of the other four States funding television demonstration grant projects, MPBC would not have been allowed to receive the FY 2003 grant until all FY 2002 funds were expended.

We discussed the inconsistencies with RBS National Office Officials who agreed that grant funds should be expended before additional grants are awarded. To reduce the potential for inconsistencies, RD should implement instructions regarding the timeframes for expending grant funds. The

instruction should also specify whether existing grants must be fully expended before grantees are allowed to receive additional grants.

Recommendation No. 1

Develop and implement procedures to ensure that State offices set consistent timeframes for using grant funds.

Agency Response.

The Agency will inform all Rural Development State Offices that grant funds are to be used within 2 years unless there is a justifiable delay in the use of the funds for reasons beyond the control of the grantee. Any such delay will be documented in the grantee's case file. The Agency will include this direction in RD Instruction 1940-L by December 31, 2004. We request management decision.

OIG Position.

We accept RBS' management decision. For final action, RBS needs to provide the Office of the Chief Financial Officer (OCFO) with a copy of RD Instruction 1940-L.

Recommendation No. 2

Clarify direction to State offices by specifying whether existing grants must be fully expended before grantees are allowed to receive additional grants.

Agency Response.

The Agency will inform Rural Development State Offices that grantees are to be given written notice that existing grant funds are to be fully expended, for the purpose authorized in the Grant Agreement, before they are allowed to receive additional grants, unless there is a justifiable delay in the use of the funds for reasons beyond the control of the grantee, or that the requested grant funds are for a different purpose. The Agency will include this direction in RD Instruction 1940-L by December 31, 2004. We request management decision.

OIG Position.

We accept RBS' management decision. For final action, RBS needs to provide the OCFO with a copy of RD Instruction 1940-L.

Finding 2**Insufficient Monitoring of Property Purchased or Leased by Grantees**

State office officials in Vermont and Maine did not monitor grantees' operations to assess the adequacy of personal property records maintained or to determine if there was a proper accounting for equipment obtained through leases. This occurred because RD instructions did not specify how RD State officials should validate that grantees properly account for property purchased or leased with grant funds. As a result, the State offices were not aware that grantees' accounting records did not record the existence, current use, and continued need for more than \$97,000 in property purchased by Vermont ETV, Inc., and more than \$14,000 in property purchased by MPBC. In addition, Vermont ETV, Inc., improperly charged \$22,839 against the grants received, the full monthly lease costs for two leased vans. RD instructions require that this type of property be charged to the grant according to its use. However, Vermont ETV, Inc., did not document the use of vans for grant purposes (see exhibit A).

RD instructions² do not specify the methods (e.g., onsite monitoring, and review of accounting records) that State officials should use to ensure compliance with property management standards.

The accounting systems for Vermont ETV, Inc., and MPBC recorded non-expendable personal property purchased with grant funds, but the systems did not capture some of the data required by RD's property management standards. The accounting systems captured such things as property descriptions, identification numbers, and costs, as required by RD instructions.³ However, the accounting systems did not capture information on: (1) inventories performed to validate the existence of the property, and (2) the current use and continued need for the equipment, elements which are also required by RD instructions. Staff from the RD State offices in Vermont and Maine did not perform onsite reviews to ensure that the grant recipients' accounting systems captured all of the required data.

- Vermont ETV, Inc., received one grant each year in FYs 2001 through 2003, for a total of over \$1.1 million. With these grant funds, Vermont ETV, Inc., purchased over \$97,000 in personal property for which inventory and usage information needed to be maintained. This personal property included a variety of electronic equipment for producing television programming such as microphones, cameras, camcorders, videocassette recorders, voice and sound enhancers, and equipment for editing the final product.

² RD Instruction 1942-G, Attachment 1, dated August 20, 1992.

³ RD Instruction 1942-G, Attachment 1, dated August 20, 1992.

- MPBC received one grant each year in FYs 2001 and 2002, for a total of \$800,000. With these grant funds, MPBC purchased over \$14,000 in personal property for which inventory and usage information needed to be maintained. This personal property included electronic equipment similar to that purchased by Vermont ETV, Inc., as well as a freezer, double oven, and a four-burner cook top used in their grant project.

Vermont ETV, Inc., entered into leases to obtain two vans for use in the production of television programming. RD instructions⁴ require that this type of property be charged to the grant according to its use. However, Vermont ETV, Inc., did not document the use of the vans for grant purposes. For the two vans, Vermont ETV, Inc., improperly charged the full monthly lease costs, \$22,839, against the grants received. This total includes the amounts drawn down for the FY 2001, 2002, and 2003 grants, through July 2003.

We discussed these concerns with RBS National Office Officials who agreed that State office officials should monitor grantees' operations to ensure that property management requirements are followed. To reduce the potential for these types of concerns in the future, RD instructions should be clarified regarding onsite visits to be performed and the use of leased equipment.

Recommendation No. 3

Collect \$22,839 from Vermont ETV, Inc., for improperly using grant funds to lease two vans without documentation of their use for grant purposes.

Agency Response.

The Agency has discussed this matter with the grantee and has determined the lease of the vans were authorized by the Agency in advance of the lease and that use of the vehicles fell within the scope of the Grant Agreement executed between the Agency and grantee. The grantee has informed the Agency that the vans were leased because of the need for their use in the course of authorized production activities. Please note that RD Instruction 1942-G, Attachment 1 and Title 7 CFR 3015, section 3015.116 (c) and (d) provide that equipment may be shared with other recipients and/or for other uses if this does not interfere with the purpose for which it was originally acquired. Based on the foregoing facts, the Agency will not pursue collection of \$22,839 from Vermont ETV, Inc. We request management decision and closure on this recommendation.

⁴ RD Instruction 1942-G §1942.310(d).

OIG Position.

We accept RBS' management decision given the changes made to Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations, effective May 10, 2004. For final action, RBS needs to provide the OCFO with documentation noting the date when the matter was discussed with the grantee and the date when RBS authorized the lease of the vans.

Recommendation No. 4

Determine the additional amount due for using FY 2003 grants funds to lease two vans without RD approval and collect this amount from Vermont ETV, Inc.

Agency Response.

The Agency has discussed this matter with the grantee and has determined the lease of the vans were authorized by the Agency in advance of the lease and that use of the vehicles fell within the scope of the Grant Agreement executed between the Agency and grantee. The grantee has informed the Agency that the vans were leased because of the need for their use in the course of authorized production activities. Please note that, RD Instruction 1942-G, Attachment 1 and 7 CFR 3015, section 3015.116 (c) and (d) provide that equipment may be shared with it was originally acquired. Based on the foregoing facts, the Agency will not pursue collection of FY 2003 grant funds from Vermont ETV, Inc., for the use of the leased vans. We request management decision and closure on this recommendation.

OIG Position.

We accept RBS' management decision given the changes made to Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations, effective May 10, 2004. For final action, RBS needs to provide the OCFO with documentation noting the date when the matter was discussed with the grantee and the date when RBS authorized the lease of the vans.

Recommendation No. 5

Develop and implement monitoring procedures to ensure that grantees appropriately account for non-expendable personal property.

Agency Response.

The Agency will instruct field staff to exercise greater diligence during grantee field visits with respect to non-expendable personal property accounting. When the field visit is conducted, the field office is to include documentation in the grant file regarding the authorized use of grant funds and their actual use. Any discrepancy will be brought to the attention of the grantee, and appropriate corrective action will be taken to rectify the matter. The Agency will include this direction in RD Instruction 1940-L by December 31, 2004. We request management decision.

OIG Position.

We accept RBS' management decision. For final action, RBS needs to provide the OCFO with a copy of RD Instruction 1940-L.

Recommendation No. 6

Develop and implement monitoring procedures to ensure that leased equipment is properly charged to the grant.

Agency Response.

The Agency will inform Rural Development State Offices that grantees will be required to maintain a written log, or similar document, of the use of leased equipment to ensure it is used for authorized purposes. The log is to be provided to the Agency prior to release of funds to the grantee. The Agency will include this direction in RD Instruction 1940-L by December 31, 2004. We request management decision.

OIG Position.

We accept RBS' management decision. For final action, RBS needs to provide the OCFO with a copy of RD Instruction 1940-L.

Scope and Methodology

To evaluate RBS' controls for the television demonstration grant program, we obtained an understanding of program operations at the National and State level and reviewed the current program instructions. We accomplished this by performing work at the RBS National Office in Washington, D.C. and the Rural Development State Offices in Bangor, Maine; and Montpelier, Vermont.

We selected two grant recipients to test whether they met the eligibility requirements for the television demonstration grant program and whether grant funds were used for intended purposes. We selected MPBC and Vermont ETV, Inc., for review because they are located in the region of the United States covered by the Office of Inspector General's Northeast Regional Office. We analyzed grants made to MPBC in FYs 2001 and 2002, and to Vermont ETV, Inc., in FYs 2001 to 2003.

To determine whether RD State Offices established consistent timeframes for using grant funds, we analyzed information regarding FY 2002 grants made to public television systems in Alaska, North Dakota, and Oregon. By doing so, we were able to assess how timeframes were established for all eligible program participants.

Work was performed from August 2003 through April 2004 in accordance with generally accepted government auditing standards.

Exhibit A – Summary of Monetary Results

Exhibit A - Page 1 of 1

FINDING NUMBER	RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
2	4	Vermont ETV, Inc., used grant funds to lease two vans, without documentation of use for grant purposes.	\$22,839	Unsupported Costs, Recovery Recommended
TOTAL MONETARY RESULTS			\$22,839	

Exhibit B – Agency Response



United States Department of Agriculture
Rural Development

SEP 28 2004

SUBJECT: Rural Business-Cooperative Service
Television Demonstration Grant Program
Audit Report No. 34099-001-HY

TO: John M. Purcell
Director
Financial Management Division

This is in response to the recommendations contained in the above-captioned audit.

Recommendation No. 1

Develop and implement procedures to ensure that State Offices set consistent timeframes for using grant funds.

Rural Development Response:

The Agency will inform all Rural Development State Offices that grant funds are to be used within 2 years unless there is a justifiable delay in the use of the funds for reasons beyond the control of the grantee. Any such delay will be documented in the grantee's case file. The Agency will include this direction in RD Instruction 1940-L by December 31, 2004. We request management decision.

Recommendation No. 2

Clarify direction to State Offices by specifying whether existing grants must be fully expended before grantees are allowed to receive additional grants.

Rural Development Response:

The Agency will inform Rural Development State Offices that grantees are to be given written notice that existing grant funds are to be fully expended, for the purpose authorized in the Grant Agreement, before they are allowed to receive additional grants, unless there is a justifiable delay in the use of the funds for reasons beyond the control of the grantee, or that the requested grant funds are for a different purpose. The Agency will include this direction in RD Instruction 1940-L by December 31, 2004. We request management decision.

Recommendation No. 3

Collect \$22,839 from Vermont ETV, Inc., for improperly using grant funds to lease two vans without documentation of its use for grant purposes.

1400 Independence Avenue, SW, Washington, DC 20250
Web: <http://www.rurdev.usda.gov>

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Rural Development Response:

The Agency has discussed this matter with the grantee and has determined the lease of the vans were authorized by the Agency in advance of the lease and that use of the vehicles fell within the scope of the Grant Agreement executed between the Agency and grantee. The grantee has informed the Agency that the vans were leased because of the need for their use in the course of authorized production activities. Please note that RD Instruction 1942-G, Attachment 1 and 7 CFR 3015, section 3015.116 (c) and (d) provide that equipment may be shared with other recipients and/or for other uses if this does not interfere with the purpose for which it was originally acquired. Based on the foregoing facts, the Agency will not pursue collection of \$22,839 from Vermont ETV, Inc. We request management decision and closure on this recommendation.

Recommendation No. 4

Determine the additional amount due for using fiscal year (FY) 2003 grant funds to lease two vans without Rural Development approval, and collect this amount from Vermont ETV, Inc.

Rural Development Response:

The Agency has discussed this matter with the grantee and has determined the lease of the vans were authorized by the Agency in advance of the lease and that use of the vehicles fell within the scope of the Grant Agreement executed between the Agency and grantee. The grantee has informed the Agency that the vans were leased because of the need for their use in the course of authorized production activities. Please note that, RD Instruction 1942-G, Attachment 1 and 7 CFR 3015, section 3015.116 (c) and (d) provide that equipment may be shared with other recipients and/or for other uses if this does not interfere with the purpose for which it was originally acquired. Based on the foregoing facts, the Agency will not pursue collection of FY 2003 grant funds from Vermont ETV, Inc., for the use of the leased vans. We request management decision and closure on this recommendation.

Recommendation No. 5

Develop and implement monitoring procedures to ensure that grantees appropriately account for non-expendable personal property.

Rural Development Response:

The Agency will instruct field staff to exercise greater diligence during grantee field visits with respect to non-expendable personal property accounting. When the field visit is conducted, the field office is to include documentation in the grant file regarding the authorized used of grant funds and their actual use. Any discrepancy will be brought to the attention of the grantee, and appropriate corrective action will be taken to rectify the matter. The Agency will include this direction in RD Instruction 1940-L by December 31, 2004. We request management decision.

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Recommendation No. 6

Develop and implement monitoring procedures to ensure that leased equipment is properly charged to the grant.

Rural Development Response:

The Agency will inform Rural Development State Offices that grantees will be required to maintain a written log, or similar document, of the use of leased equipment to ensure it is used for authorized purposes. The log is to be provided to the Agency prior to release of funds to the grantee. The Agency will include this direction in RD Instruction 1940-L by December 31, 2004. We request management decision.

If you have any questions or concerns, contact Dwight Carmon, Director, Special Projects/Programs Oversight Division, (202) 690-3800.

for William F. Hayes III

PETER J. THOMAS
Administrator
Rural Business-Cooperative Service