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RELEASED

Propriety Of The City Edges Grant
Awarded To The
Suburban Action Institute

B158811

National Endowment for the Arts

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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089633

SEPT. 5, 1973



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-158811

The Honorable James L. Buckley
United States Senate

Dear Senator Buckley:

On October 3, 1973, you forwarded a constituent's letter which questioned the propriety of the National Endowment for the Arts' City Edges program and particularly a \$38,000 grant awarded to Suburban Action Institute (SAI) under this program. We also received letters from other persons expressing the following similar concerns: 579

- The City Edges grant program and the Endowment's grant to SAI may not be consistent with the Endowment's authorizing legislation.
- Activities of SAI and its close ties with the Garden Cities Development Corporation may be grounds for disallowing SAI's tax-exempt status and may prevent SAI from doing an objective study.
- SAI grant funds may be diverted to unintended purposes.

LEGALITY OF THE CITY EDGES PROGRAM
AND THE SAI GRANT

A 1968 amendment to the National Foundation on the Arts and Humanities Act of 1965 added the phrase " * * * the study and application of the arts to the human environment " to the definition of "the arts" contained in the 1965 act.

During 1971 the Endowment developed the City Edges program to sponsor planning and design studies of ways cities could better treat and develop freeways, river fronts, suburban fringes, and other natural and manmade edges of cities. As stated in the City Edges program announcement, the Endowment believed a concerted study of the defining edges that shape our cities was a subject of critical design importance.

The concept of the Endowment's City Edges program is a reasonable application of the study and application of the arts to the human environment and therefore complies with the Endowment's enabling legislation.

A review of the project description which was the basis of the Endowment's approval of the grant indicated that SAI's intention was to obtain grant money to conduct a study within the 1968 act's definition of "the arts." Accordingly, we find no legal objection to the grant to SAI. (See p. 5 of the appendix.)

RELATIONSHIP BETWEEN SAI AND THE GARDEN
CITIES DEVELOPMENT CORPORATION

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/ Although SAI and the Garden Cities Development Corporation are separate and distinct legal entities, they had common directors and management. Also their goals and objectives are similar, since both organizations are actively involved in making suburban housing available to low or moderate income families and minority groups. P. 3005

One concern of persons objecting to the SAI grant was that SAI may no longer be eligible for tax-exempt status (a requirement of the grant) because of the nature of some of its own activities and its close ties with Garden Cities. Because we do not inquire into tax-exempt matters, we did not look into the tax-exempt status of SAI, but we are forwarding to the Internal Revenue Service all pertinent information sent to us by the public on this matter.

Another concern was that SAI could not make an objective study with Endowment funds because it is active in litigation against certain suburban zoning practices, which it believes are restrictive, and because Garden Cities is actively developing low-income and minority housing in these suburbs.

Endowment officials discussed these concerns with SAI officials before signing the grant award letter. The Endowment said that to help assure the study's objectivity, SAI had agreed to consider the views of others, including critics of SAI, in preparing the report.

CONTROL OF FUNDS

Some people were also concerned that SAI would use the grant funds for purposes other than for the stated purpose of the study. For example, some people believed that SAI would use these funds to support its legal activities or to directly benefit Garden Cities.

Before signing the grant award letter, SAI officials informed the Endowment that SAI litigation activities were fully funded by specific grants and contributions and that Endowment grant funds would not be used to support its litigation efforts. Furthermore, SAI officials assured the Endowment that careful records would be maintained to insure that none of the Endowment's funds would be used to support activities of Garden Cities and that the Endowment grant funds would be used only for the specific purposes for which awarded.

SAI officials informed us in February 1974 that the grant funds would be accounted for separately. However, when we requested SAI to provide us documentation of its actual expenditures as of

May 1974, it responded by providing us with prorated costs. SAI also reported the same prorated costs to the Endowment. This procedure does not meet the Endowment's requirement that its grantees certify actual expenditures. SAI officials acknowledged that they were reporting prorated costs rather than actual costs but said that they could provide actual grant expenditures from their accounting records.

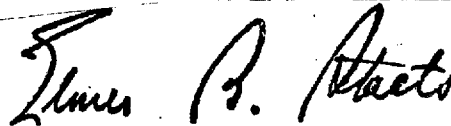
The Endowment's financial manager stated that SAI's accounting records should identify grant expenditures and that the Endowment would audit SAI soon to assess whether its accounting was adequate to determine whether Endowment funds were being used for the intended purposes.

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These matters are discussed more fully in the appendix. As requested by your office, to expedite the issuance of this report, we did not obtain formal comments from Endowment or SAI officials. However, we discussed our observations with them, and their comments were considered in the preparation of the report.

As agreed with your office, we are providing copies of this report to the National Endowment for the Arts, the Suburban Action Institute, and to other interested Members of Congress.

Sincerely yours,



Comptroller General
of the United States

APPENDIX

PROPRIETY OF THE CITY EDGES GRANT AWARDED TO
THE SUBURBAN ACTION INSTITUTE

PROPRIETY OF THE CITY EDGES GRANT AWARDED TO
THE SUBURBAN ACTION INSTITUTE

BACKGROUND

During 1971 the National Endowment for the Arts developed the City Edges program to sponsor planning and design studies of ways cities could better treat and develop freeways, river fronts, suburban fringes, and other natural and manmade edges of cities. The program guidelines were approved by the National Council on the Arts and publicly announced in August 1972.

The program announcement noted that grants to organizations would be limited to those possessing a tax-exempt status under the Federal income tax regulations. The announcement added that (1) to qualify for support, organizations would have to provide one-quarter of the project costs from non-Federal sources and (2) priority consideration would be given to applicants who provided for a broad interdisciplinary approach to addressing city edge problems and who indicated that they could implement projects.

By the application submission deadline of December 11, 1972, the Endowment had received about 350 grant applications. The Endowment established a five member grant panel, composed of design and planning professionals, to review the applications and make grant award recommendations to the National Council. The National Council is required by law to review all project proposals submitted to the Endowment and to recommend to the chairman of the Endowment those it believes should be funded.

The grant panel recommended 37 projects for funding, including the SAI proposal. The National Council approved these recommendations. Therefore, the Endowment announced on April 25, 1973, the award of 37 City Edges program grants to municipalities, planning and environmental groups, and individuals in 34 States, Puerto Rico, and the District of Columbia. Actual awarding of a grant, however, is contingent upon the signing of a grant award letter by the chairman of the Endowment and on its acceptance by the grantee.

LEGALITY OF THE CITY EDGES PROGRAM
AND THE SAI GRANT

We have concluded that the concepts of the City Edges grant program and the Endowment's grant to SAI are in harmony with controlling Federal statutes.

The City Edges program

The Endowment was established by the National Foundation on the Arts and Humanities Act of 1965 (Public Law 89-209, approved Sept. 29, 1965, 79 Stat. 845). The purpose of the Foundation was to " * * * promote progress and scholarship in the arts and the humanities throughout the United States * * * ." The act provided that the Foundation would consist of (1) the National Endowment for the Arts and (2) the National Endowment for the Humanities. The act also established the Federal Council on the Arts and Humanities, which was designed to insure coordination between the two Endowments and with related Federal programs.

Section 5(c) of the act authorized the Endowment for the Arts to

" * * * establish and carry out a program of grants-in-aid to groups or, in appropriate cases, to individuals engaged in or concerned with the arts, * * * ." (Underscoring supplied.)

"The arts" was defined in section 3(b) of the act.

"The term 'the arts' includes, but is not limited to, music (instrumental and vocal), dance, drama, folk art, creative writing, architecture and allied fields, painting, sculpture, photography, graphic and craft arts, industrial design, costume and fashion design, motion pictures, television, radio, tape and sound recording, and the arts related to the presentation, performance, execution and exhibition of such major art forms. "

Section 7 of Public Law 90-348, approved June 18, 1968 (82 Stat. 184), revised this definition.

"The term 'the arts' includes, but is not limited to, music (instrumental and vocal), dance, drama, folk art, creative writing, architecture and allied fields, painting, sculpture, photography, graphic and craft arts, industrial design, costume, and fashion design, motion pictures, television, radio, tape and sound recording, the arts related to the presentation, performance, execution, and exhibition of such major art forms, and the study and application of the arts to the human environment. " (Underscoring supplied.)

In August 1972 the Endowment for the Arts, pursuant to its enabling act, as amended, instituted the City Edges grant program, described as follows:

"Cities are defined by City Edges. Edges where a city meets a river, a lake, an ocean.

"Edges where a city is contained by zoning limits, suburban rings, or transportation corridors.

"Edges where a city encounters its natural terrain: hills, ridges, slopes, forests, and wetlands.

"Human settlements have always been determined by physical and political boundaries.

"In ancient cities, fortification walls established the limits of growth. The location and shape of our own cities were dictated by frontier towns located on rivers or at the intersections of overland trails.

"These city edges still exist. Some are old edges, neglected too long. Some are new edges, growing out of contemporary needs and functions.

"The National Endowment for the Arts [NEA] believes that a concerted study of these defining edges that shape our cities and the lives we lead within them, is a subject of critical design importance.

"NEA's Architecture and Environmental Arts Program therefore announces a national research effort concentrating on the theme of City Edges, and solicits proposals from qualified professional individuals and groups to undertake studies dealing with the problems created by conditions and their design solutions."

City Edges is the first phase of a long-range program under the Architecture and Environmental Arts Program of the Endowment created to highlight problems of urban design and planning and assist in their solution. Some of the grants awarded under this program are described by the Endowment, thusly:

"Baltimore, Maryland; City of Baltimore: As a part of 'Mayor's Approachway Improvement Program,' this grant project will look into ways in which two design elements-- architectural lighting and landscaping-- can be used to make understandable the changing experience of moving from rural to suburban to urban environments."

"Lexington, Kentucky; City of Lexington: In support of this grant application the city's mayor wrote, 'The community of Lexington has entered a new era in its history, symbolized by a mandate from the people to consolidate City and County governments * * *.' Thus the City of Lexington will use this grant to study its new 'political edge.'"

"Oakland, California; City of Oakland: The city's Prescott area, surrounded by railroads, industry and an elevated freeway, will be the focus of this project. Rapid transit is excellent, residents are determined to remain and improve their area, and the funds for this project will be used by the Oakland City Demonstration Agency to enhance these qualities within the Model City area."

"Omaha, Nebraska and Council Bluffs, Iowa; Omaha-Council Bluffs Metropolitan Area Planning Agency: The Omaha-Council Bluffs Metropolitan Area Planning Agency seeks to develop a comprehensive plan for accommodating the arts in common riverfront areas of the two cities. Specific elements of the project will be (1) to develop an architectural theme to unify the riverfront area; (2) to coordinate a program for all of the arts and relate them to existing landmark buildings, gardens and parks; and (3) to determine the physical needs for an arts program."

"Portland, Oregon; Portland Public Schools (Areas I and III): Under the guidance of the Portland public schools system, this grant will be used to an audio-visual-seminar program aimed at heightening local children's awareness of and sensitivity to their everyday visual equipment. Called 'Eco-Aesthetics,' the project will be designed to achieve 'measurable' growth in aesthetic judgment on the part of students and instructors alike."

"Reading, Pennsylvania; City of Reading: A 290-acre parcel in a natural hollow owned by a railroad and occupied by obsolete and deteriorating engine repair shops and car building shops will be studied under this grant for alternative uses. An 'ugly scar,' the land can benefit from community evaluation at this time when the railroad is in an ever-increasing state of transition."

We believe that the Endowment has adopted a very broad definition of the term "arts" for the purposes of implementing its City Edges program. The legislative history of the Act of 1968 does not indicate what type of projects the Congress envisioned would be funded when it added the phrase "and the study and application of the arts to the human environment." However, the statute specifically defines "arts" to include "architecture and allied fields" and, hence, could be appropriately read to authorize grants for the study and application of architecture and allied fields to the human environment.

In view of the broad language of the statute, and after review of the Endowment's explanation of the program, we are unable to conclude that

City Edges is an unreasonable application of the study and application of the arts to the human environment and have no legal basis on which to object to the program's concepts. However, except for the grant discussed below, we have not reviewed the grants above or any other of the individual grants awarded pursuant to this program to determine if they are directed to the study and application of the arts to the human environment.

Grant to SAI

By an application dated December 14, 1972, SAI applied for a grant from the Endowment under the City Edges program. SAI described the proposed study as follows:

"As suburban development continues to be oriented towards single-family dwellings in restrively [sic] zoned communities, Spread City continues to grow. In most metropolitan areas, city edges are ill-defined physically; they are recognizable in the lack of services, the run-down buildings and the racial mix of the population found across the city border. Suburban communities have utilized both zoning and building code restrictions to drive up the price of new construction outside the city. The result of suburban desire to limit development to single family homes on one or two acre lots has been to blur the city edge, to create the metropolitan sprawl that infects all our urban areas.

"Through its development affiliate, Garden Cities Development Corporation, Suburban Action is planning new communities as alternatives to this syndrome of exclusion, ghettoization, and suburban sprawl. Racially and economically integrated, communities such as Ramapo Mountain in Mahwah, New Jersey, Readington Village in Hunterdon County, New Jersey, Waccabuc in Lewisboro, New York, Waters Edge in Candlewood Lake Connecticut, will provide an alternative to present residential development in urban areas.

"This project is designed to explore the relationship of this new town development to reducing the inexorable suburban sprawl, and through the provision of green space around the cities, help define the 'city or metropolitan edge.'

"Architects, planners, and social scientists will look at these five communities as a design process in which the city edge of the New York metropolitan region is defined."

"The essential question to be answered in this study is: can racially and economically integrated communities be placed not at the metropolitan edge, but farther out in the countryside in order to define that edge with green space? Will suburban development continue to grow out to meet these towns as it has met many older suburbs which were once seen as 'Garden Suburbs' or can the pattern be broken?"

"Paul Davidoff, lawyer and city planner, will lead the project. Architect Peter Kitchell, who headed the design team for Ramapo Mountain and other projects, will assist in the research design. Christopher Riddle, of Callister, Payne and Bischoff, will complete the design project. The completed project will consist of models, maps, and text analyzing effect of the new town developments on the land use transportation systems and racial enclaves in the regions served by each town. A projected green belt plan for the New York region based on the concepts developed by SAI-Garden Cities will also be produced." (Emphasis supplied.)

The Endowment's April 25, 1973, announcement of the award of 37 grants under the City Edges program listed SAI as 1 of the grantees. It described the grant to SAI as being for a study of:

"The effect of breaking zoning restrictions in the suburbs, and the development of racially and economically integrated new communities on the fringe of metropolitan areas * * *."

Shortly after the announcement the Endowment began to receive letters from the public opposing the grant to SAI. The Endowment received about 48 letters citing numerous reasons why the grant should not be made. Because of these allegations, the Endowment postponed signing the SAI grant award letter.

The grant panel members were contacted and they reaffirmed their support for the grant. The National Council reaffirmed its support of the grant at its September and December 1973 meetings. Furthermore, Endowment officials met with SAI officials on several occasions to discuss the objections which were being made. As a result of these meetings, SAI modified its project description to emphasize the application of the arts to the problem, as follows:

"Suburban Action study will stress the design aspects of a particular solution to the problem of the appearance and definition of new community growth at the edge of

metropolitan development. In our original submission, we indicated that we would examine the means for reducing urban sprawl by the development of planned new communities.

"Our goal is to find an aesthetic solution to the problem of urban development which satisfies both the needs and interests of all classes of the population, but which gives special attention to the interests of those economic classes and racial minorities that have been excluded from recent suburban development. In the past scant attention has been given to the interests of these minorities by architects, urban designers, and planners in their work related to the design of areas at the edge of metropolitan growth.

"Our study seeks to harmonize the values of aesthetics, environment, and equity in the formation of development designs and urban growth policies to the larger end of funding the building of a sound human environment for all citizens."

Endowment officials believed this modified project description was clearly within the City Edges program intent and the Endowment's authorizing legislation. Consequently, the chairman of the Endowment signed the SAI grant award letter on December 21, 1973. On the basis of the modified project description, SAI's apparent intention was to obtain City Edges grant money to conduct a study within the definition of "the arts" as defined in the National Foundation on the Arts and Humanities Act, as amended. Our understanding is that SAI is not using the money to fund either litigation or any other activities designed to break zoning restrictions but, rather, to study the design aspects of new community growth at edges of metropolitan developments and to develop aesthetic solutions to such problems. Accordingly, we find no legal objection to the grant.

The controversy with the grant appears to be based on different opinions about what use SAI would make of the grant funds. Some people believed that the money would be used to break down zoning regulations; others believed it would be used to study the effects of such action. This confusion may be attributable, in part, to the Endowment's April 25, 1973, announcement concerning the original description of the SAI study. However, it should be emphasized that the modified project description, referred to by the Endowment in its December 21, 1973, grant award letter to SAI, is consistent with the intent of the Endowment's legislation and the Endowment's chairman did not sign the grant award letter until the project description was modified.

The Endowment recognizes the need, as discussed on page 16, to properly monitor its grant to SAI to insure that its money is used only for the purposes stated in the modified project proposal.

RELATIONSHIP BETWEEN SAI AND THE
GARDEN CITIES DEVELOPMENT CORPORATION

SAI and the Garden Cities Development Corporation are separate and distinct legal entities. SAI was formed in June 1969 as a charitable trust under New York State law, and was granted a tax exemption by the Internal Revenue Service in October 1969 in accordance with section 501(C) (3) of the Federal income tax regulations. Paul Davidoff and Neil Gold, both of whom originally served as co-directors, are SAI trustees.

Garden Cities was organized in December 1971 as a nonprofit corporation under New Jersey law. It does not have tax-exempt status. Garden Cities was organized as a membership corporation with Mr. Gold, Mr. Davidoff, and their wives serving on the board of directors. Mr. Gold was elected president of the corporation and Mr. Davidoff was elected chairman of the board.

SAI's and Garden Cities' goals and objectives are similar. Both organizations are actively involved in making suburban housing available to low or moderate income families and minority groups. SAI's stated purpose, according to a letter it sent to the Endowment, is to achieve decent, equal housing opportunities for all citizens. SAI stated that its work is designed to correct the imbalance that exists in national urban growth policies and to demonstrate that existing suburban restrictions against housing for low- and middle-income families are contrary to the overriding and vital needs of the Nation. SAI's research, planning, public information, and legal services are designed to insure that all economic and racial groups have access to the developable land and growing job opportunities in suburban areas. SAI also tries to bring law suits to change zoning laws in the suburbs. Garden Cities was formed to promote the construction of housing units and new communities which will be open to low and moderate income families and minority families. Garden Cities initiates litigation to change zoning regulations to develop specific types of housing projects in certain locations.

SAI's tax-exempt status

One concern of persons objecting to the SAI grant was that SAI may not be eligible for tax-exempt status because of the nature of some of its own activities and its close ties with Garden Cities. SAI and Endowment officials said that the Internal Revenue Service was auditing SAI's tax-exempt status. The Endowment, therefore, decided to advance funds to SAI on a 30-day basis rather than on

the usual 90-day basis so that if the Internal Revenue Service were to revoke SAI's tax-exempt status, the Endowment could terminate the grant without having a large cash advance outstanding.

Because we do not inquire into tax-exempt matters, we did not look into the tax-exempt status of SAI, but we are forwarding to the Internal Revenue Service all pertinent information sent to us by the public on this matter.

Changes made in the relationship between the two organizations

SAI officials told us that several changes were made during 1973 to separate SAI more clearly from Garden Cities. This is the same period during which the Endowment was reconsidering its grant to SAI. First, Mr. Davidoff resigned as chairman of the board of Garden Cities and Mr. Gold resigned as a co-director of SAI, thus removing each of them from the day-to-day operations of both organizations. Also, SAI hired an attorney to advise it on actions to take to insure continuation of its tax-exempt status. SAI officials said that the following steps were taken on the basis of the attorney's advice:

- SAI and Garden Cities employed their own, separate accounting firms.
- The staffs of the two organizations were entirely separated (including legal staffs), and no employee receives a salary from both organizations.

During June 1974 SAI officials informed us that the following additional changes had been made.

- Mr. and Mrs. Davidoff resigned as members of the board of directors of Garden Cities.
- Although Mr. Gold remains as a trustee of SAI, the board of trustees was recently expanded to include 13 additional individuals.
- SAI moved its office to a new location, thus separating itself physically from Garden Cities.

Objectivity of SAI study

Because SAI is active in litigation against certain suburban zoning practices and because Garden Cities is actively developing low-income and minority housing in these suburbs, certain people believed that SAI could not make an objective study.

According to Endowment records, the Endowment and its advisors understood at the time they recommended approving the SAI proposal that SAI was engaged in litigation in several communities. They were also aware, however, that this litigation was only one of several activities undertaken by SAI. The favorable recommendation given by the panel was based upon its appraisal of the professional qualifications of the principals named in the SAI application. In the panel's opinion these individuals were well qualified to make the study.

Endowment officials, however, discussed the objectivity concerns with SAI officials before signing the grant award letter. To help assure the study's objectivity, SAI officials agreed to

- alter the staff assigned to the project. Rather than relying exclusively on the two architects who were listed in its grant application and who had close ties with a Garden Cities project, SAI stated that it would seek to bring greater diversity to the study by including designers and environmentalists whose experiences have not paralleled those of SAI.
- expand the scope of the study. Instead of only using the five communities listed in the original application as the data base for the study, a broader, more national approach would be pursued.
- involve critics of SAI activities in the study. An advisory panel would be established which would include opponents and critics.

SAI officials informed us in June 1974 that the five communities would not be used in the study and that the officials had decided to complete the study and prepare a draft report using SAI personnel only. They intended then to give others an opportunity to review and discuss the draft report. The Endowment's deputy chairman stated that the views of critics and others must be incorporated into the report for SAI to comply with the agreement.

CONTROL OF FUNDS

Another concern raised by some of those opposing the grant was that SAI would use the grant funds for purposes other than for the stated purpose of the study. For example, some people believed that SAI would use these funds to support its legal activities or to directly benefit Garden Cities.

Before signing the grant award letter, SAI officials informed the Endowment that SAI litigation activities were fully funded by specific grants and contributions and that Endowment grant funds would not be

used to support its litigation efforts. Furthermore, SAI officials assured the Endowment that careful records would be maintained to insure that Endowment funds would be used only for the specific purposes for which awarded.

The Endowment's grant policies, as noted in the "General Grant Provisions Applicable to Grants and Contracts with the National Foundation on the Arts and the Humanities" is that grantees must maintain accounts, records, and other evidence on costs incurred and revenues acquired under Endowment grants. Furthermore, these regulations require that the system of accounting employed by the grantee be in accordance with generally accepted accounting principles and be applied in a consistent manner.

In February 1974 SAI had just received its first cash advance from the Endowment and accounting records for the grant had not been prepared. SAI officials told us then that the grant funds would be accounted for separately; that is, a subsidiary ledger would be maintained for the study's expenditures and weekly time sheets would be used to account for employee time spent on the study. However, when we requested SAI officials to provide us with documentation of their expenditures as of May 1974, they stated that they were not maintaining a subsidiary ledger and employee time sheets. Instead, in response to our request, SAI provided the following summary of their project costs 1/ for January 1 through April 30, 1974.

Salaries	\$11,380
Fringe benefits	1,140
Overhead	<u>5,008</u>
Total	<u>\$17,528</u>

When grantees request a cash advance, the Endowment requires the grantee to submit a form including a summary of actual expenditures to date by major budget category and an estimate of funds needed during the next reporting period. This form includes a signed certification by the grantee that the information submitted is true and correct and that all expenditures were and/or shall be incurred solely for the purposes of the grant.

Comparing the information SAI gave us to its first-month expenditures as reported to the Endowment in its cash request, the 4-month

1/The total estimated cost of this project was \$56,970, with about 67 percent or \$38,000 representing the Endowment's grant and the remaining 33 percent representing in-kind contributions from SAI.

expenditures reported to us were four times the 1-month expenditures reported to the Endowment, as shown below.

Salaries	$\$2,845 \times 4 = \$11,380$
Fringe benefits	$285 \times 4 = 1,140$
Supplies and materials (note a)	$\underline{1,252} \times 4 = \underline{5,008}$
Total	$\underline{\underline{\$4,382}} \times 4 = \underline{\underline{\$17,528}}$

a/ The overhead charge reported to us is apparently synonymous with the supplies and materials charges reported to the Endowment.

SAI's second-month expenditures reported to the Endowment were exactly the same as the first-month expenditures. Thus supplies and materials expenditures alone totaled \$2,504 for the first 2 months of the grant, or 125 percent of the total amount budgeted for this item for the entire 13-month grant period.

We concluded that SAI is not reporting actual expenditures of Endowment funds, but has prorated all costs over the 13-month grant period. This procedure does not meet the Endowment's requirement that its grantees certify actual expenditures.

SAI officials said that actual expenditures during this period were at least 50 percent more than those shown by the 13-month prorated method used. They had decided to use this conservative method because of the previous concern over the grant and because the Endowment had limited them to a 30-day cash advance. We pointed out to them that the 30-day advance limit did not negate the requirement of reporting actual expenditures.

In regard to the accounting records being maintained, these officials stated that a City Edges program official told them that the Endowment did not require its grantees to maintain these records and that other grantees were not maintaining them. We pointed out that although the Endowment's General Grant Provisions do not specifically require that a subsidiary ledger and employee time sheets be maintained, they do require that grant expenditures be clearly identified in the grantee's accounting system. The SAI officials stated that they would provide us with actual expenditures from their accounting records.

The Endowment's financial manager stated that grantees are not required to maintain time records on professional employees but can estimate their time spent on the grant. However, she stated that SAI's accounting records should reflect these estimates and that the Endowment would audit SAI soon to assess whether SAI's accounting is adequate to determine that Endowment funds are used for the intended purposes.

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In regard to the accounting records being maintained, these officials stated that a City Edges program official told them that the Endowment did not require its grantees to maintain these records and that other grantees were not maintaining them. We pointed out that although the Endowment's General Grant Provisions do not specifically require that a subsidiary ledger and employee time sheets be maintained, they do require that grant expenditures be clearly identified in the grantee's accounting system. The SAI officials stated that they would provide us with actual expenditures from their accounting records.

The Endowment's financial manager stated that grantees are not required to maintain time records on professional employees but can estimate their time spent on the grant. However, she stated that SAI's accounting records should reflect these estimates and that the Endowment would audit SAI soon to assess whether SAI's accounting is adequate to determine that Endowment funds are used for the intended purposes.