

CORPORATION

FOR NATIONAL

 SERVICE

OFFICE OF THE INSPECTOR GENERAL

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Grant Closeout

Multi-County Community Action Against Poverty, Inc.

Charleston, West Virginia

Grant Number 340-3652/13

This report is issued to CNS Management. According to OMB Circular A-50, *Audit Followup*, the Corporation must make a final management decision within 180 days of the report. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.

The Inspector General must approve any request for public release of the report.

Corporation For National and Community Service
Office of Inspector General
Grant Closeout
Grant Number 340-3652/13
Awarded to
Multi-County Community Action Against Poverty, Inc.

We reviewed Multi-County Community Action Against Poverty, Inc.'s (Multi-CAP) reported costs related to CNS grant 340-3652/13 to determine their reasonableness. We also assessed Multi-CAP's compliance with certain grant requirements identified in the Notice of Grant Award.

Multi-CAP is a non-profit entity organized to carry out community action programs that are generally funded by Federal, state, and local government agencies. Multi-CAP operates nine major programs in five West Virginia counties: Boone, Clay, Fayette, Putnam and Kanawha. It was incorporated April 19, 1962, and is headquartered in Charleston, West Virginia.

CNS grant 340-3652/13 was awarded by ACTION, the predecessor agency to the Corporation, under section 201 of the Domestic Volunteer Service Act of 1973, as amended.¹ The grant was awarded for \$92,699 and covered the period April 1, 1994, through March 31, 1995. CNS provided \$62,833 and the grantee was responsible for providing \$29,866 in private sector and in-kind contributions. The grant's purpose was to extend the productive years of older citizens beyond conventional employment by providing volunteer opportunities in community service and other activities.

RESULTS IN BRIEF

Our review of Multi-CAP found that the majority of the grantee's expenditures were made in accordance with the Notice of Grant Award. We are questioning costs of \$822. Additionally, we noted three compliance issues related to Multi-CAP's operations. First, Multi-CAP had not submitted required financial reports; second, Federal interest earned on grant funds was not remitted to the Department of Health and Human Services as required; and third, a drug-free awareness program was not in place. These findings are discussed in more detail below. We recommend that CNS require Multi-CAP to remit all funds due to the Federal government and improve management controls prior to receiving any further Federal awards.

¹Under section 203(c)(8) of the National and Community Service Trust Act of 1993, all ACTION orders and regulations applicable to the grant remained in effect after ACTION functions and personnel were transferred to the Corporation for National and Community Service on April 4, 1994.

SCOPE AND METHODOLOGY

We performed our review at Multi-CAP's Charleston, West Virginia office during the period May 1 through May 5, 1995. We obtained an understanding of Multi-CAP's policies, procedures, and controls related to grant expenditures incurred during the grant period and performed limited tests to determine the reasonableness of costs and programmatic compliance with the terms and conditions of the award. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on whether Multi-CAP's financial statements were fairly stated. Accordingly, we do not express such opinion.

Our procedures included:

- interviewing key accounting and program personnel;
- reviewing Multi-CAP's organization chart, policy and procedures manuals, and chart of accounts;
- reviewing prior audit reports on Multi-CAP's financial statements and internal controls;
- testing a judgmental sample of financial transactions related to the grant;
- testing compliance with selected laws and regulations applicable to the grant; and
- reviewing a judgmental sample of employee and volunteer personnel files.

Our review was performed in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States.

On July 1, 1995, we provided a draft of this report to CNS and Multi-CAP officials. Neither CNS nor Multi-CAP responded within the 30 day time period we established.

This report is intended for the information and use of the Corporation's and Multi-CAP's management in the resolution of all findings and compliance issues identified in the report. However, this report is a matter of public record and its distribution is not limited.

FINDINGS AND RECOMMENDATIONS

Exhibit A details costs budgeted, incurred, accepted, and questioned for CNS grant 340-3652/13. Based on our review, we questioned costs of \$822 and noted three compliance issues related to Multi-CAP's operations, as discussed below. Two of these issues were also identified in Multi-CAP's most recent A-133 report.² At the time of our review, Multi-CAP had not completed corrective action on these issues, therefore, as required by GAGAS, they have been included in our report.

Questioned Costs

Multi-CAP expended Federal grant funds for subscriptions and publications in the amount of \$62 without approval. The ACTION Handbook 2650.2 (Chapter 6, section 22, paragraph (c)) states that "Grant funds may not be used for any purpose contrary to the approved application and the regulations and policies of ACTION or the grantee organizations or as contained in the Notice of Grant Award." Expenditures for subscriptions and publications were not approved in the Notice of Grant Award.

Multi-CAP also made an unauthorized transfer of funds from Federal volunteer allowances³ in the amount of \$760. Multi-CAP incurred Federal volunteer support expenses in the amount of \$55,233, however the Notice of Grant Award only allowed \$54,473, or \$760 less. To pay these expenses, Multi-CAP transferred funds from volunteer allowances to volunteer support expenses without approval. Although total Federal expenditures did not exceed the amount awarded, ACTION Handbook 2650.2 (Chapter 6, section 23, paragraph (e)) requires that "Grantees shall request prior approval from ACTION for budget revisions whenever . . . Funds budgeted for volunteer allowances (direct payments or benefits to volunteers) are to be transferred to other categories of expense."

We recommend that subscription and publication expenses of \$62 and unauthorized transfers from volunteer allowances of \$760 be disallowed. Multi-CAP should reimburse the Corporation in the amount of \$822.

²Smith, Cochran & Hicks, CPAs, audited Multi-CAP's financial statements for their fiscal year ended August 31, 1993, issuing the report on May 18, 1994. The report stated that the audit was conducted in accordance with generally accepted auditing standards, GAGAS, and the provisions of OMB Circular A-133 "Audits of Institutions of Higher Education and Other Nonprofit Institutions." The report disclosed that Multi-CAP did not remit interest earned on Federal advances to HHS and that it had not established a drug-free workplace program.

³Volunteer allowances are reported as volunteer expenses in Multi-CAP's accounting system.

Exhibit A

Schedule of Costs Budgeted, Incurred, Accepted, and Questioned
For the Period April 1, 1994, through March 31, 1995

FEDERAL SHARE					
<u>Description</u>	<u>Budgeted</u>	<u>Incurred</u>	<u>(Over)Under Budget</u>	<u>Accepted</u>	<u>Questioned</u>
<u>Volunteer Support Expenses</u>					
Personnel Expense	\$38,134	\$42,647	(\$4,513)	\$42,647	
Fringe Benefits	8,645	8,044	601	8,044	
Staff-Local Travel	1,240	665	575	665	
Staff-Long Distance Travel	1,429	553	876	553	
Equipment	150	0	150	0	
Supplies	150	116	34	116	
Communications	2,225	1,534	691	1,534	
Printing	500	112	388	112	
Subscriptions & Publications	0	62	(62)	0	\$ 62
Fiscal	2,000	1,500	500	1,500	
Unauthorized Transfer	---	---	---	(760)	760
Total Volunteer Support	<u>54,473</u>	<u>55,233</u>	<u>(760)</u>	<u>54,411</u>	<u>822</u>
<u>Volunteer Expenses</u>					
Meals	403	626	(223)	626	
Insurance	665	712	(47)	712	
Volunteer travel	6,892	5,574	1,318	5,574	
Recognition	400	688	(288)	688	
Total Volunteer Expenses	<u>8,360</u>	<u>7,600</u>	<u>760</u>	<u>7,600</u>	
Total Federal Costs	<u>62,833</u>	<u>62,833</u>	<u>0</u>	<u>62,011</u>	<u>822</u>
NON-FEDERAL SHARE					
<u>Volunteer Support Expenses</u>					
Personnel Expenses	11,115	9,154	1,961	9,154	
Fringe Benefits	3,175	626	2,549	626	
Space	0	2,408	(2,408)	2,408	
Total Volunteer Support	<u>14,290</u>	<u>12,188</u>	<u>2,102</u>	<u>12,188</u>	
<u>Volunteer Expenses</u>					
Meals	10,912	21,348	(10,436)	21,348	
Volunteer Travel	4,064	318	3,746	318	
Recognition	600	0	600	0	
Total Volunteer Expenses	<u>15,576</u>	<u>21,666</u>	<u>(6,090)</u>	<u>21,666</u>	
Total Non-Federal Costs	<u>29,866</u>	<u>33,854</u>	<u>(3,988)</u>	<u>33,854</u>	
Total Costs	<u>\$92,699</u>	<u>\$96,687</u>	<u>(\$3,988)</u>	<u>\$95,865</u>	<u>\$822</u>

Required Financial Reports Not Submitted

At the time of our review, Multi-CAP had not prepared and submitted their quarterly Financial Status Reports for the grant period, or their final Semi-Annual Progress Report. The Notice of Grant Award (page 4, condition 6, and page 6, condition 13) states that the "Grantee will report Quarterly expenditures on Standard Form 269A 'Financial Status Report' . . . within 30 days of the end of each fiscal quarter" and the "Grantee shall prepare Project Progress Report . . . at the end of the 2nd and 4th quarters of the budget period . . . The report shall be submitted to the ACTION Project Manager no later than 30 days after the end of each Semi-Annual period." Timely Financial Status and Project Progress Reports are essential for the Corporation to monitor and determine the performance of its grantees.

Subsequent to our review, Multi-CAP submitted Financial Status Reports for the grant period. However, as of the date of this report, the final Semi-Annual Progress Report to the State Program Director had not been submitted.

We recommend that the Corporation make no further awards to Multi-CAP until they have complied with all CNS reporting requirements and revise management controls to address this issue.

Federal Interest Not Remitted

Multi-CAP has not remitted Federal interest earned on grant fund advances to the Department of Health and Human Services. OMB Circular A-110 (Subpart C, paragraph (1)) requires that "Interest earned on Federal advance deposits in interest bearing accounts shall be remitted annually to Department of Health and Human Services." These funds were identified as due to the Federal government in May 1994. Failure to remit interest allows the grantee to inappropriately earn income on Federal funds and precludes the use of these funds by the U.S. Treasury.⁴ Multi-CAP's Executive Director stated that Multi-CAP is working with a CPA firm to determine the amount of interest earned on Federal funds and plans to remit these funds to the Department of Health and Human Services by the end of July.

We recommend that CNS and the State Project Director require Multi-CAP to remit the funds due to the Federal government immediately.

⁴Interest earned on Federal advances are returned to the U.S. Treasury as miscellaneous receipts and are not available for use by the Corporation

Drug Free Awareness Program Not in Place

At the time of our review, Multi-CAP did not have a drug free workplace awareness program in place. Under the Drug-free Workplace Act 1988 (41 U.S.C. 702), all applicants for Federal grants must certify that they will provide a drug-free workplace. As part of this certification, applicants agree to establish drug-free awareness programs that include information on the grantee's policy of maintaining a drug-free workplace and the penalties that may be imposed for drug abuse violations. The grantee stated that it is in the process of establishing a drug free workplace program.

We recommend that the Corporation make no further awards to Multi-CAP until it has established a complete drug-free workplace program.