

**Financial-Related Audit
Farmers Union Community Development Association, Inc.
Older Americans Act, Title V
Senior Texans Employment Program
July 1, 1994, through June 30, 1999**



**Office of Inspector General
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Abbreviations and Acronyms

Association	Farmers Union Community Development Association, Inc.
ATM	Automated Teller Machine
DOL	United States Department of Labor
ETA	Employment and Training Administration
OAA	Older Americans Act
OIG	Office of Inspector General
OMB	Office of Management and Budget
SCSEP	Senior Community Service Employment Program
STEP	Senior Texans Employment Program
TRC	Texas Rural Communities
TWC	Texas Workforce Commission

Executive Summary

The Farmers Union Community Development Association, Inc. (the Association), a nonprofit organization principally located in Waco, Texas, is responsible for overseeing and administering the Senior Texans Employment Program (STEP). STEP's primary responsibility is to arrange employment opportunities for eligible persons pursuant to Title V of the Older Americans Act of 1965 (OAA), the Senior Community Service Employment Program (SCSEP). After establishing worksites for the enrollees, STEP then uses Federal and State funds to pay the salaries of persons enrolled in the SCSEP program.

This audit was performed because a criminal investigation of STEP's former executive director, Mr. Robert Girard, identified significant improprieties during his tenure. Subsequent to our completing the audit field work, on October 31, 2002, Mr. Girard "agreed to enter a plea of guilty to an Information, charging him with theft concerning programs receiving federal funds in violation of Title 18 United States Code, Section 666." This audit, covering the period July 1, 1994, through June 30, 1999, focused primarily on the STEP program's administrative and financial activities under the former executive director's control. However, we **did not review** direct payments to program enrollees.

The audit objectives were to:

- determine if costs we audited were allowable and adequately documented, and
- review how these costs were classified.

The audit identified \$568,680 of unallowable or questionable costs. Brief summaries of the findings and recommendations are presented below.

Finding 1. As a result of purchases made by Mr. Girard, the STEP paid \$124,515 in credit card charges and \$11,315 in cash reimbursements to Mr. Girard with no documentation to support the payments.

- Part A questions \$66,623 of travel related costs charged on his credit cards with no documentation to support the charges -- \$12,016 of this amount are unallowable even if documentation had been provided.
- Part B discusses \$57,892 of nontravel-related credit card transactions that are questionable because there was no connection between the transactions and the STEP program or its enrollees.
- Part C identifies \$11,315 in payments made to Mr. Girard by check that were not supported by documentation.

Finding 2. Mr. Girard used \$66,822 of Federal STEP funds to pay expenses of the People's Garden, Inc. -- a nonprofit organization of which Mr. Girard was president. The following People's Garden costs did not benefit the STEP:

- \$63,445 salary and expense reimbursements for the People's Garden manager, and
- \$3,377 paid to People's Garden vendors.

Finding 3. During the 5-year audit period, the Association received \$136,914 in workers' compensation or general liability insurance premium refunds. These refunds should have been credited to the grant from which the premiums were paid but instead were deposited in non-STEP bank accounts. Two Heartland Lloyd premium refunds for \$34,362 were deposited to the People's Garden savings and checking accounts. The remaining \$102,552 was deposited in an Association special account.¹

Finding 4. Based on the former executive director's instructions, STEP paid \$92,063 to various individuals and organizations without adequate documentation to make the payments and without the Association's board of directors' approval.

Finding 5. The Association used excess grant funds to pay STEP staff members \$131,989 more than the salaries authorized in STEP grants during the audit period. These extra salary payments were not part of the negotiated agreement between Texas Workforce Commission (TWC) and the Association nor were they mentioned in the employee handbook. Payments included extra pay at the end of the year, Christmas bonuses, and buyback of annual and sick leave. The STEP did not document that the Association's board of directors approved these payments although the board president's signature was on each check.

Finding 6. On two occasions STEP's former executive director directed the program -- based on false documentation -- to write STEP checks totaling \$5,062 that he used to open a brokerage account in his name and to pay a personal debt.

We provided the appropriate agencies with supporting details for the report's findings with the draft report.

In Our Draft Report, We Recommended:

We recommended that the Assistant Secretary for Employment and Training disallow questioned costs of \$568,680². Because of the nature of these questioned costs, unless the Association can provide sufficient, bona fide documentation to substantiate that any of these costs were necessary, reasonable, and allocable to the STEP grant, we recommend cash recovery of disallowed costs as opposed to administrative offset against any future State SCSEP grants.

¹ Except for one refund for \$4,735 for which we could not determine where the funds went.

² The draft report questioned \$571,645. However, in response to the draft report, the grantee explained that a \$2,965 questioned salary payment for one employee was payment of termination leave. That costs has been removed from the report's questioned costs.

Auditee's Response to Our Draft Report

For the vast majority of questioned costs, the Association responded that no documentation could be found to support the costs. However, the Association did indicate that it was continuing to search for other evidence of the former executive director's travel that would indicate that some travel expenses would be allowable and for correlating alternative documentation to attempt to verify some of the other credit card expenses were allowable.

The Association asked that the report's questioned costs be reduced by \$134,835 as follows:

- \$33,315 for a payment to TWC for disallowances from a previous Single Audit report that covered the same period covered by our audit;
- \$73,287 for workers' compensation premium refunds that the STEP indicates are not refunds but compensation for "deputy attorney-in-fact fees;" and
- \$28,233 for Christmas bonuses that the grantee says are routine.

OIG's Conclusion

The payment to TWC for previously questioned costs was made from the checking account into which the workers' compensation premium refunds were deposited. Therefore, the payment was made from Federal funds that had not been properly accounted for. The refunds should have been credited back to the program to be used for service delivery. Repayment of questioned costs must be from non-Federal funds.

The compensation for deputy attorney-in-fact fees is no more than premium reductions for the Association's keeping its workers' compensation losses down. Such reductions are credits against reported costs and are unallowable in accordance with OMB Circular A-122.

The STEP's contract budgets with the TWC do not provide for Christmas bonuses, indicating they were not a planned expenditure. Furthermore, the Association stated it could not find any documentation that the Association's Board of Directors or President of Texas Farmers Union has put into the minutes or by-laws that Christmas bonuses would be given. No provision of OMB Circular A-122, paragraph 7, "Compensation for personal services," provides for bonuses based on holidays. Our position regarding Christmas bonuses remains unchanged

We still recommend that questioned costs of \$568,680 be disallowed.

Background

The U.S. Department of Labor (DOL), Employment and Training Administration (ETA), provided the Texas Workforce Commission (TWC) with grants funded by Title V of the Older Americans Act (OAA) -- the Senior Community Service Employment Program (SCSEP) -- to serve persons 55 years old or over with low incomes and who have poor employment prospects. Allowable services include:

- up to 1,300 hours per year of part-time employment in community service assignments;
- job training and related educational opportunities;
- opportunities for placement into unsubsidized jobs;
- community service assignments include the following activities:
 - social, health, welfare, and educational services (particularly literacy tutoring),
 - legal and other counseling services,
 - personal assistance, including tax counseling and assistance and financial counseling,
 - library, recreational, and other similar services,
 - conservation, maintenance, or restoration of natural resources,
 - community betterment or beautification,
 - antipollution and environmental quality efforts,
 - weatherization activities, and
 - economic development, and
- such other services essential and necessary to the community as the Secretary of the Department of Labor, by regulation, may prescribe.

TWC contracted with the Farmers Union Community Development Association, Inc. -- a non-profit organization principally located in Waco, Texas -- to administer the Senior Texans Employment Program (STEP). STEP provides employment opportunities to eligible persons under the SCSEP.

During the 5-year audit period, STEP's **average annual** Federal funds for the SCSEP was \$4.5 million, with approximately 90 percent budgeted for enrollee-related costs, and 10 percent for administration.

Objectives, Scope, and Methodology

Audit Objectives

- Determine if costs audited were allowable and adequately documented.
- Review how these costs were classified.

Scope

This financial-related audit included all Federal costs, except direct payments to enrollees, recorded in STEP's official accounting records for the period July 1, 1994, through June 30, 1999.

We performed a limited review of STEP's internal control structure in place during the audit period. The internal control work was not intended to provide an opinion on STEP's internal control structure or reported program costs. (See Internal Controls discussion on following page.)

The audit work was performed in accordance with generally accepted government auditing standards.

Methodology

We analyzed:

- the Association's credit card transactions paid by the STEP;
- general ledgers for identification of costs categories charged and for unusual transactions;
- checks and credit card statements for supporting documentation;
- workman's compensation refunds to identify bank account(s) where refunds were deposited;
- unusual salary payments that were beyond the biweekly payroll costs approved by the Association's board of directors; and
- payments to contract employees or contractors to verify proper documentation of services received.

Internal Controls

This audit was conducted because an Office of Inspector General (OIG) investigation of Mr. Robert Girard, the STEP's former executive, identified significant improprieties during his tenure. In addition to determining the allowability of costs, we tested internal controls related to how costs were approved and documented. Our internal control review was not intended to provide an opinion on the overall financial controls in place during the audit period, and no such opinion is given.

The internal control information was obtained through inquiries of current staff and analysis of documents from the audit period.

The Association is a nonprofit corporation that receives grants from the TWC to provide rural Texas residents with services authorized by Title V of the OAA. The Association is controlled by a president and board of directors; however, the STEP's executive director is responsible for the day-to-day operations.

STEP's former executive director and his administrative assistant bypassed internal controls over travel, procurement, financial record keeping, and employee compensation, resulting in significant questionable and unallowable costs being charged to the program. Contributing to the breakdown of internal controls, and resulting \$568,680 of questioned costs for the 5-year audit period, was a weakness in oversight and monitoring of administrative activities by the Association's board of directors.

Findings and Recommendations

1. STEP Paid and Charged the Senior Community Service Employment Program (SCSEP) \$135,830 for the Former Executive Director's Credit Card Purchases and Reimbursements Without Supporting Documentation That the Costs Benefited the SCSEP.

During our audit period, STEP's former executive director used eight different credit cards, including his personal credit card, to charge \$134,128 -- \$19,643 in cash advances and \$114,485 for goods or services -- to the STEP program. Because of serious documentation problems, the allowability and cost classification of **\$124,515** of these **credit card charges** are questioned -- \$66,623 for travel-related costs, and \$57,892 for other goods and services.

STEP paid the credit card statements -- primarily from Federal funds or State STEP funds -- with no receipts or travel documents attached to support the payments. Mr. Girard turned in very few receipts that identified what was purchased. In many instances, based on the description of the items purchased, it is obvious the items did not benefit the STEP program.

Mr. Girard obtained an additional **\$11,315** in travel-related **cash advances and other reimbursements** without documentation to support the payments.

A. STEP paid \$66,623 of Mr. Girard's improper, undocumented travel costs.

Because of a lack of internal controls and his disregard for travel policies, virtually none of the travel costs incurred by Mr. Girard were documented. Lodging, restaurant, and gasoline charges made on credit cards he used were not supported by receipts. In addition, Mr. Girard did not prepare travel vouchers or local mileage forms in accordance with STEP policies. Included in the questioned costs are numerous repair and maintenance costs for Mr. Girard's personal automobiles.

STEP's travel policy and procedures manual identifies documentation criteria for local and in-State travel. STEP uses State or Federal travel regulations for high cost areas or travel outside the State. In all cases, to be reimbursed for lodging and transportation, the traveler is required to submit actual receipts with the reimbursement request. To reimburse a traveler for meals and incidentals on a daily basis, STEP's travel policy allows a per diem payment. Per diem is the maximum amount that may be reimbursed daily for meals and incidentals. Costs of operating a personal automobile are reimbursed to the traveler based on actual mileage readings showing starting and ending mileage readings for all business-related travel. The mileage reimbursement covers operation and maintenance costs of personal automobiles.

Travel Documentation Criteria: Senior Texans Employment Program, Travel Administration, Policy and Procedures, Revised 6-30-87, Number 8, provides:

- a. Receipts for all transportation costs in excess of \$5.00 related to the reported trip must be attached regardless of the method of payment. For example, airline tickets and bus fares.
- b. Receipts are required for all lodging, regardless of the costs. All lodging receipts must show 'paid' receipts in the name of the claimant confirming date or check-out. . . .
- c. Beginning and ending odometer readings must be furnished on a daily basis when a privately-owned vehicle is used for official travel. All mileage claimed on a travel expense report (or on a time and travel sheet) must be confirmed by demonstrated odometer readings. . . .
- d. Beginning and ending time of travel status must be stated regardless if per diem or a portion thereof, is claimed or not.

For the 5-year audit period, STEP located only four travel vouchers for Mr. Girard's trips. Yet, even these travel vouchers were not supported by documentation and were incomplete.

Travel voucher (TV) number 7110, paid on May 16, 1997, covering the period April 4, 1997, to April 26, 1997, is an example of an incomplete, undocumented voucher. For TV 7110, Mr. Girard was **reimbursed** by check \$429.81 -- \$351.06 for mileage and \$78.75 for per diem. For the period covered by this voucher, his **credit card charges** amounted to \$886.53 for the following costs:

- \$106.51 for gas,
- \$61.96 for restaurant charges -- some of which were in Waco,
- \$306.50 for lodging costs, and
- \$411.56 in cash withdrawals -- including transaction fees.

All of the credit card charges were paid with STEP funds with no offset for the reimbursements made to Mr. Girard based on TV 7110.

Mr. Girard's cash advances from automated teller machines (ATM) were not liquidated as required by travel policies but were recorded as mileage or per diem expenses even though Mr. Girard charged gasoline and meals on his credit cards. No receipts were attached to TV 7110 as required, yet the voucher was paid even though it did not comply with the Association's or State's travel policies.

Similar problems were identified with Mr. Girard's other three vouchers.

The rest of his travel expenses, outside these four vouchers, were paid through cash advances and direct charges to credit cards. In one instance he was reimbursed in cash; however, no supporting documentation was submitted, and the cash payment was charged to an expense account in the same manner as ATM cash transactions.

The following examples of **undocumented travel-related costs** charged to the STEP demonstrate the total lack of controls over Mr. Girard's use of credit cards.

1-A.1 Airfares Not Supported by Travel Vouchers **\$2,881**

In accordance with STEP travel policy, in order for STEP to pay a public transportation cost such as airfare, a receipt must be attached to the travel reimbursement request (ST-102). Mr. Girard charged 14 transactions for airfares to credit cards, 13 of which were paid with Federal STEP funds (\$2,881). The other transaction (\$222) appears to have been paid with State STEP funds. Since no travel vouchers were prepared for these trips, STEP did not have any receipts or other evidence for these airfares to document that the costs benefited the STEP. We question only the airfare costs of \$2,881 paid with Federal funds.

1-A.2. Unallowable Automobile Repairs/Service/Auto Parts **\$7,291**

During the 5-year audit period, the STEP program paid \$7,291 for repairs to automobiles that STEP did not own. Although most receipts were not available for review, the repairs included work on a Lincoln Continental that was registered to Mr. Girard. Since the STEP program had no automobiles, the only explanation for the expenditures is that the repairs were completed on personal automobiles. Personal costs are not allowable costs to the STEP. Check payments in addition to the credit card charges were made to Kwik-Tires for unknown services.

1-A.3. Car Rentals Not Supported by Travel Vouchers **\$3,665**

No travel vouchers were filed to support the vehicle rentals, and no receipts were provided to justify the payments.

1-A.4. Cash Advances for Mr. Girard Not Supported by Travel Vouchers **\$19,643**

Mr. Girard used his credit cards to obtain cash advances. The cash advances were charged on the accounting records to either administrative mileage or per diem depending on Mr. Girard's instructions. No travel vouchers or other documentation were provided to support any of these cash advances. Mr. Girard obtained many of these advances when there was no indication of any travel activity that would allow for a reimbursement of per diem or mileage. Mr. Girard also received additional cash advances by STEP checks (see finding 1C).

1-A.5. Gasoline Charges for Undocumented Travel **\$5,906**

The cash advances identified above in item 1-A.4 were charged to either "administrative mileage" or "per diem." The mileage charges, if properly documented, should have covered the cost of gasoline, maintenance repairs, and other costs of operating an automobile. However, in Mr. Girard's case, these credit card charges for gasoline were paid by STEP after Mr. Girard had already received payments through his cash withdrawals and cash advances. No travel vouchers were filed to support the mileage claim or the gasoline charges. These costs are questioned.

1-A.6. Lodging Costs Not Supported by Travel Vouchers **\$18,038**

No travel vouchers were filed, and no lodging receipts were provided to support the lodging costs or justify the payments. Furthermore, no mileage logs were completed to indicate that the trips were business related.

1-A.7. Improper Payments for Lodging at Official Duty Station **\$1,287**

No travel vouchers were filed to support that the credit card charges for lodging costs at the official duty station were for anyone other than Mr. Girard. Lodging costs at an official duty station are not reimbursable under State or Federal travel regulations. In addition, no lodging receipts were provided to support the payments.

1-A.8. Parking Fees Not Supported by Travel Vouchers **\$506**

No travel vouchers were filed, and no receipts were provided to support the payment of the parking fees or to show that parking was related to STEP business.

1-A.9. Restaurant Charges Not Supported by Travel Vouchers **\$3,968**

STEP uses per diem to cover the cost of meals and incidentals while an individual is in travel status. These credit card charges were paid without regard to STEP travel policy because no travel vouchers were filed to claim per diem earned. In addition, many of the individual charges exceeded the total daily per diem authorized for the location. Without travel vouchers, the amount that should have been paid to Mr. Girard cannot be determined. No receipts were provided to support or justify the payment.

1-A.10. Restaurant Charges at Official Duty Station **\$3,438**

Restaurant charges at an official duty station are not allowable costs to the program. It would make no difference if receipts existed for these charges; however, like most other on the credit card charges, no receipts were provided.

B. Mr. Girard spent \$57,892 for goods that were for his personal use or for a program other than STEP.

Mr. Girard used credit cards to incur another \$57,892 of expenses not applicable to the STEP. We found no documentation or receipts to identify what was purchased or how the items purchased were used to benefit STEP enrollees. Following are brief explanations of each category of purchases for non-STEP related costs charged to the STEP.

Air Conditioning System and Service Contract:

On July 3, 1994, Mr. Girard used two credit cards to purchase an air conditioning system and service contract from Montgomery Wards for \$1,142. STEP paid the charges but did not provide any documentation to support the STEP's need for an air conditioner, especially since the STEP occupied leased space.

Arts and Crafts Supplies:

Mr. Girard's credit cards were used to purchase \$180 of arts and crafts supplies between January 31, 1997, and April 3, 1999.

Auction Merchandise:

In Garfield, Arkansas, Mr. Girard charged \$768 on his personal credit card to purchase something (item unknown) at an auction. STEP paid the credit card bill.

Clothing and Sporting Goods:

Between July 26, 1994, and April 9, 1999, Mr. Girard used his personal and the Association's credit cards to purchase \$2,340 worth of clothing and/or sporting goods that were charged to the STEP.

Electronics/Appliances/Toys:

Mr. Girard purchased \$7,838 of electronics equipment, supplies, and toys between July 2, 1994, and September 5, 1998. Most items were purchased in Waco, TX, on Fridays and Saturdays from Radio Shack, Best Buy, and Mc Duff electronics. Purchases included such items as: satellite dish, videos (Snow White/Pocahontas /Jungle Kin/Buddy), mini stereo system, camera, Barbie cruiser, micro cassette recorder, voice activated cassette recorder, coin sorter, and pre-school play buggy.

Equipment Rental:

Mr. Girard used his credit cards to rent equipment from U-Haul and Brazos Valley Equipment for \$1,847. No documentation was provided to indicate the purpose for the equipment rental.

Feed:

Mr. Girard used his credit cards to purchase \$178 of feed at Brazos Feed and Supply from July 2, 1994, through April 29, 1999.

Finance Charges:

The STEP program incurred \$107 in finance charges on Mr. Girard's credit cards. The finance charges resulted from STEP not paying the balances due when the credit card statements were

received. In numerous instances, only a partial payment was made on the credit card statement during one month while the balance was paid the next month. These late-paid balances in some cases appeared to pay for unallowable program costs; i.e., the charges were crossed out on the initial bill and not paid, then the unpaid balance was paid the next month in an attempt to hide that the unallowable costs were paid. An example is a charge for “liquor” not paid one month, but paid the next (unpaid balance).

Firearms:

Mr. Girard spent \$596 on firearms/ammo/gun parts that he purchased from West Hurley, NY, and in Waco, TX. He made five purchases using four different credit cards. At least one purchase was paid for with STEP Federal funds. Two other purchases appear to have been paid with State STEP funds. We could not determine what source of funds paid for the other two purchases.

General Merchandise:

From February 14, 1995, through May 11, 1999, Mr. Girard used four different credit cards to purchase \$2,836 of general merchandise from stores like Kmart, Wal-Mart, Damark, Quality Llama Products, and Walgreens. Most purchases were made on Fridays through Sundays in Waco, TX.

Gifts and Flowers:

From February 2, 1995, through January 11, 1999, Mr. Girard charged various credit cards \$2,072 for gifts and flowers. These purchases were made all over the United States; e.g., from Dallas, San Francisco, Atlantic City, etc.

Hardware, Lumber, Lawn, and Farm Supplies:

Between July 4, 1994, through May 8, 1999, STEP paid \$20,277 for items such as hardware, lumber, lawn and garden supplies, and farm supplies purchased by Mr. Girard on various credit cards. For example, Mr. Girard spent \$7,748 for merchandise from Tractor Supply Company. Based on documentation obtained during the OIG’s investigation, some of the merchandise purchased included cat food, hoof pick brush, round end tank, horse treats, hose reel, tiller, weed trimmer, jeans-pro rodeo, pan utility hog, dog biscuits, umbrella buggy top, electric fence tester, and candy. None of these expenditures benefited the STEP program.

Health Food and Groceries:

Between April 10, 1995, and April 23, 1997, Mr. Girard charged \$312 to three credit cards for health food/groceries. These purchases were mail orders from California and Florida except for one purchase that he made at HEB in Waco, TX. STEP paid for these charges.

Household Goods and House ware Purchases:

Between May 17, 1995, and November 2, 1998, Mr. Girard purchased \$809 on items identified as household or houseware goods. For example, on May 17, 1995, Mr. Girard purchased \$493 of bedding/bath/kitchen accessories at Sleep Emporium.

Jewelry:

On May 30, 1998, December 14, 1998, and December 23, 1998, Mr. Girard purchased items at jewelry stores. On each occasion, a different credit card was used. The three charges totaled \$305. STEP paid for these charges.

Liquor, Alcohol, and Bar Supplies:

Mr. Girard purchased \$404 of liquor, alcohol or bar supplies using Federal STEP funds between December 24, 1994, and July 4, 1998, in violation of OMB Circular A-122.

Mail Order Merchandise:

Mr. Girard purchased \$4,922 of mail order merchandise from July 11, 1995, through July 25, 1997. No documentation was provided to show how this merchandise benefited the STEP.

Membership Fees:

STEP paid \$1,825 in membership fees for Mr. Girard's credit cards or membership in a shopping club. This amount does not include the fee for the Association's primary American Express Card where other employees also had cards. The fees were paid between July 28, 1994, and February 19, 1999, to American Express (for four different credit cards) and Damark.

Miscellaneous Purchases:

Between December 19, 1994, and March 30, 1999, Mr. Girard purchased numerous miscellaneous items worth \$3,002. Some of the purchases included books, coffee, discount vacation package, golf cart repairs, leather goods, and a water utility line. The repairs were to Mr. Girard's golf cart. The City of Waco installed the water line on Mr. Girard's property. STEP Federal funds paid for these charges.

Office Supplies:

Between August 1994 and May 1999, Mr. Girard used credit cards for \$2,130 of office supplies.

Tools:

From July 8, 1994, to April 5, 1999, Mr. Girard spent \$2,194 for tools from various mail order companies and the Ludwig Saw & Tool of Waco, Texas. No evidence was provided to show that STEP enrollees used these tools or that they were even needed.

Heart O' Texas Fair:

Beginning in 1995 through 1998, Mr. Girard charged \$1,808 to one of his credit cards for the Heart O' Texas Fair. We found no documentation or receipts to tie these expenditures to STEP activities or enrollees.

C. Mr. Girard obtained an additional \$11,315 in travel-related cash advances and reimbursements without documentation to support the payments.

In addition to the ATM cash withdrawals (see finding 1A), Mr. Girard received an additional \$9,333 for per diem and mileage -- \$9,065 in cash **advances**; \$268 cash **reimbursement** -- paid by **checks** from the Federal STEP Account. He was also reimbursed another \$1,982 for other costs without documentation. The following schedule details how these undocumented, reimbursed costs were classified on STEP's accounting records.

<u>Expense Account Charged</u>	<u>Amount</u>
Central Services	\$ 325
Enrollee Other	227
Enrollee Safety	130
Per Diem and Mileage	9,333
Supplies	<u>1,300</u>
Totals	<u>\$11,315</u>

Three STEP checks written as part of this group of checks were very unusual.

- Check No. 9506 dated December 23, 1996, for \$500 was made payable to Central National Bank. The expense was charged to the "Administrative Mileage – Bob Girard" expense category.
- Check No. 8885 dated November 27, 1997, for \$226.23 was made payable to Norwest Bank. This expense was charged to the "Enrollee Other" expense category.
- Check No. 19459 dated June 15, 1998, for \$465.30 was also made payable to Norwest Bank. The expense was charged to the "Supplies-Waco Office" expense category.

No documentation was provided to support what was purchased by these payments or how the charges related to the expense accounts charged.

The credit card payments, cash advances, and reimbursements discussed in parts A, B, or C of finding 1 were paid with little regard for the Association's own policies and a complete disregard of Office of Management and Budget (OMB) Circular No. A-122, "Cost Principles for Non-Profit Organizations." Attachment A to the Circular requires that to be allowable charges against Federal grants, costs must be *necessary, reasonable, and allocable* to the grant program. Mr. Girard used STEP funds to pay for a significant number of items that were for his own personal use. Furthermore, none of the purchases/expenses discussed in parts A, B, or C of

finding 1 were supported by documentation such as receipts. However, in many cases even receipts would not have established a link to the program or its enrollees.

In Our Draft Report, We Recommended

We recommended that the Assistant Secretary for Employment and Training disallow the following questioned costs unless the Association can provide sufficient, bona fide documentation to substantiate that these costs were necessary, reasonable, and allocable to the STEP grant:

- \$66,623 STEP paid for Mr. Girard's improper and undocumented travel costs.
- \$57,892 Mr. Girard spent for goods for his personal use or for a non-STEP program.
- \$11,315 Mr. Girard obtained in undocumented travel-related cash advances and reimbursements.

Because of the nature of these questioned costs, we recommended cash recovery of disallowed costs as opposed to administrative offset against any future State SCSEP grants.

Auditee's Response to Our Draft Report

The Association stated that it was unable to find any documentation to support the charges but were looking for other evidence to establish justification for some of the travel and related expenses.

OIG's Conclusion

Our recommendation remains unchanged.

2. Mr. Robert Girard Authorized Expenditures of \$66,822 of STEP Funds to Subsidize a Nonprofit Organization Known as the “People’s Garden Project.”

While nonprofit organizations are used as worksites for participants in the SCSEP programs, those nonprofit organizations should be going concerns. Other than funding the wages/fringe benefits and any training costs for participants working at those worksites, STEP could have also paid for minor supplies/tools necessary for the participants to do their jobs. However, the **total subsidization** of another nonprofit organization is not one of purposes of the SCSEP.

The audit identified \$66,822 of People’s Garden expenses, other than enrollee costs, that were paid from Federal STEP funds. The People’s Garden, Inc. -- of which Mr. Robert Girard was president -- was a nonprofit organization that produced vegetables that were donated to Caritas, another nonprofit organization that distributes food and clothing to financially disadvantaged individuals. The People’s Garden manager received \$63,445 as salary and expense reimbursements from the STEP. An additional \$3,377 was paid to other vendors for People’s Garden expenses.

A. STEP made improper payments to the People’s Garden manger.

The People’s Garden project was originally overseen by Mr. Girard and one of his STEP field supervisors. When the STEP field supervisor’s responsibilities expanded, Mr. Girard hired a manager for the People’s Garden from January 1995 through July 1997. The People’s Garden manager was a contract employee who was classified as a STEP field supervisor; however, his job did not include any of the STEP field supervisor responsibilities. The manager was responsible for the garden operations including the planting and harvesting of the vegetables. Each month he submitted a reimbursement request for garden expenses he incurred.

Accounting systems generally have a method of classifying expenses by charging each transaction to a cost category such as payroll, office supplies, etc. The accounting system at STEP was designed to accommodate their normal program expenditures; i.e., the only accounting codes available were “enrollee” or “administrative” codes. Therefore, since the People’s Garden expenses were neither STEP enrollee nor administrative costs, the STEP purposely miscoded the expenses.

An example of deliberate miscoding is account 422 (Enrollee Safety and Training). One would expect the expenses charged to this account would be directly related to program enrollees such as safety equipment or training programs. However, this was not the case. Of the \$12,028 STEP reimbursed the manager for expenses, the detailed general ledgers indicate \$5,442 of the following expenses was charged to the enrollee safety and training account:

- maintenance, repair, and gasoline costs for the van and tractor used at the garden,
- garden supplies such as seeds,
- gas purchased for the manager’s personal vehicle which he used for garden related purposes,

- lodging and meal charges when it was necessary to make an overnight trip to obtain plantings,
- refreshment costs for volunteers who donated time to the garden, and
- other similar costs.

In our opinion, these expenses were intentionally miscoded in order to hide the improper use of Federal STEP funds to subsidize the People’s Garden.

All payments made to the People’s Garden manager are unallowable program costs. The individual was not a STEP field supervisor and had none of the field supervisor responsibilities. Furthermore, the expenses the manager incurred were not related to enrollee safety or the operation or administration of the STEP program.

B. Mr. Robert Girard approved the use of STEP funds for other People’s Garden expenses that were not enrollee costs.

In addition to the payments to the People’s Garden manager, STEP paid \$3,377 from its Federal account for other People’s Garden expenses. These expenses were improperly charged to the following three expense categories:

- “Enrollee Other Costs” was charged \$1,846. The expenses had nothing to do with enrollee costs. The items purchased were garden seed and garden supplies.
- “Rent – Waco Office” was charged \$1,228. These expenses were also directly related to the garden and included rental of welding equipment, tents, and Port-O-Jons.
- “Supplies – Waco Office” was charged \$303. These People Garden expenses included welding supplies, seed, and garden supplies.

It is not the purpose of the SCSEP grant to subsidize the People’s Garden. Therefore, the \$66,823 of costs incurred on behalf of the People’s Garden do not meet the OMB Circular A-122 requirement that to be allowable costs to the grant, the costs must be *necessary, reasonable, and allocable* to STEP.

In Our Draft Report, We Recommended

We recommended that the Assistant Secretary disallow the \$66,822 and recover these costs in cash as opposed to administrative offset against any future State SCSEP grants.

Auditee’s Response to Our Draft Report

The Association was unable to justify any payment of expenses to the People’s Garden.

OIG’s Conclusion

Our recommendation remains unchanged.

3. The Association Received \$136,914 in Premium Refunds for Enrollee Workers' Compensation and General Liability Insurance but Did Not Credit STEP's Expenses in Accordance with OMB Circular A-122.

During the 5-year audit period, the Association received \$136,914 in workers' compensation or general liability insurance premium refunds. These refunds should have been credited to the grant from which the premiums were paid. Instead, they were deposited in non-STEP bank accounts. Two Heartland Lloyd premium refunds totaling \$34,362 were deposited to the People's Garden savings and checking accounts. The remaining \$102,552 was deposited in a special Texas Farmers Union account except for one refund for \$4,735. We were unable to determine what happened to this \$4,735 refund because we did not obtain a copy of the canceled refund check.

The Association's president indicated that Mr. Girard told him that the refunds belonged to the Association and that the funds could be used for any purpose. However, OMB Circular A-122, disagrees with Mr. Girard's position on the refunds. Attachment A, part A, of the circular provides the "Basic Considerations" for cost principles that must be followed by nonprofit grantees and contractors.

1. Composition of total costs. The total cost of an award is the sum of the allowable direct and allocable indirect costs **less any applicable credits.**

* * * * *

5. Applicable credits.

- a. The term applicable credits refers to those receipts, or reduction of expenditures which operate to offset or reduce expense items that are allocable to awards as direct or indirect costs. Typical examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, **insurance refunds**, and **adjustments of overpayments** or erroneous charges. To the extent that such credits accruing or received by the organization relate to allowable cost, they shall be credited to the Federal Government either as a cost reduction or cash refund, as appropriate. [Emphasis added.]

Consequently, insurance refunds meet the definition of credits, and the refunds do not belong to the Association. They must be returned to the Federal funding agency, DOL.

The original insurance premiums were paid from STEP funds and charged to account 412, Enrollee Workman's Compensation. The table below identifies each refund, the period covered by the original premiums, and the accounts where the refunds were deposited, if known.

Workers' Compensation Premium Refunds

Insurance Agency	Period Covered by Premiums	Refund Date	Refund Amount	Deposit Bank Account
Heartland Lloyd	7/18/95 – 7/18/96	01/02/97	\$ 4,735	Unknown
Heartland Lloyd	7/18/96 – 7/18/97	10/20/97	15,787	People's Garden
Heartland Lloyd	7/18/96 – 7/18/97	01/28/98	15,560	Farmers Union
Heartland Lloyd	7/18/97 – 7/18/98	10/30/98	18,575	People's Garden
Heartland Lloyd	7/18/95 – 7/18/96	03/19/98	23,403	Farmers Union
Heartland Lloyd	7/18/96 – 7/18/97	02/02/99	14,004	Farmers Union
Heartland Lloyd	7/18/98 – 7/18/99	02/10/00	11,048	Farmers Union
Heartland Lloyd	7/18/99 – 7/18/00	01/29/01	9,272	Farmers Union
J.I. Special Risks	98-99 Audit	10/01/99	11,978	Farmers Union
J.I. Special Risks	Final Audit 99-00	10/13/00	<u>12,552</u>	Farmers Union
Total Refunds			<u>\$136,914</u>	

In Our Draft Report, We Recommended

We recommended that the Assistant Secretary for Employment and Training disallow the \$136,914. Since the appropriations for the grant funds against which these credits applied have expired, these unallowable reported costs should be recovered in cash as opposed to administrative offset against any future State SCSEP grants.

Auditee's Response to Our Draft Report

The Association indicated that five of the ten checks (totaling \$73,287) we questioned were not refunds but were compensation for "deputy attorney-in-fact fees" in accordance with a "Contract For Services Of A Deputy Attorney-In-Fact For Heartland Lloyds Insurance Company." The Association requested that these costs be removed from our total questioned costs.

OIG's Conclusion

The aforementioned deputy attorney-in-fact contract, Agreement Section, paragraph 3, provides:

The Association will be compensated for its loss control services as deputy attorney-in-fact based on the effectiveness of its loss control services as measured by the ability to meet agreed upon target loss ratios by the Association during its policy year. The terms of such compensation and target loss ratios are set forth in Attachment A to this contract. . . .

Therefore, the deputy attorney-in-fact compensation is no more than premium reductions for the Association's keeping its workers' compensation losses down. Such reductions are credits against reported costs and are unallowable in accordance with OMB Circular A-122.

Our recommendation remains unchanged.

4. Mr. Girard Instructed the STEP to Pay \$92,063 to Various Individuals and Organizations Without Adequate Documentation to Support the Payments Were Necessary, Reasonable, or Applicable to the STEP and Without Approval of the Association's Board of Directors.

OMB Circular A-122 requires that costs be documented to show that they are *necessary*, *reasonable*, and *allocable* to the grant program to be allowable. The costs discussed below did not meet that standard. Therefore, the \$92,063 of costs discussed below are questioned.

A. **Cox and Associates** was paid \$48,000, (\$46,000 from Federal STEP funds plus \$2,000 from State funds). The monthly payments were charged to account 412, **Enrollee** Workman's Compensation (\$38,000), or account 413, **Enrollee** General Liability (\$8,000). No contracts or invoices were provided to support the disbursement of these funds. Mr. Robert Girard signed each **monthly** authorization to pay Cox and Associates \$2,000. STEP staff could not explain what Cox and Associates did for the program and could not locate a contract to identify services provided to support STEP enrollees. The \$46,000 paid with Federal funds is questioned.

B. **Texas Rural Communities** (TRC) was paid \$14,800 to provide vaguely defined services to the Association as part of a joint venture to promote the use of internet web-site development and computer training in the rural areas. No contracts have been located by STEP to justify or document how the services benefited the STEP enrollees. The venture appeared to be one of economic development activities rather than employment activities. Based on information in an Independent Auditor's Report dated June 2, 1999, TRC was paid by STEP, then TRC paid Patrick **Cox**. No documentation was provided to support these payments except a statement from Mr. Girard instructing the accountant to pay the amount indicated. To further demonstrate that these costs are questionable, these expenses were charged to account 412 (Enrollee Workman's Compensation), \$8,975, and account 416 (Personnel Salaries – Job Developer/Safety Manager), \$5,825.

C. Payments of \$21,088 to one individual were outside the scope of the STEP program. This individual received his first Federal STEP biweekly payroll check on October 11, 1994. He continued as a STEP contract employee until May 1996. During this time his salary and related expenses were charged to the Administrative Salaries - Field Supervisor account. The current STEP executive director did not know what this individual's job responsibilities were. No written contract was available between this individual and STEP to identify the services rendered. In addition, no documentation was provided to support the payments. We provided STEP officials with the identity of this individual.

D. Payments of \$10,175 to another individual were outside the scope of the STEP contract. Administrative salaries and fringe benefits are included in the STEP contracts to pay proper contract administrative costs. Reportedly, Mr. Girard used this individual to pose as an unemployed person and seek services from the Texas Workforce Commission (TWC) in order to evaluate the services senior Texans received at the local TWC offices. This individual apparently reported on the services he received. Evaluating TWC's services is not the

responsibility of, or an allowable activity of, the STEP. According to STEP staff, this individual was a friend of Mr. Robert Girard at the time he was hired. He was treated as a contract employee of STEP from September 1998 through May 1999. STEP's contract did not include any authorization for the program activity he performed. This individual's salary was charged to account 508, Administrative Salaries - Field Supervisor. However, he was not a field supervisor for the STEP program. He did not appear to have any responsibilities in job development or supervision of STEP enrollees or worksites. We provided STEP officials with the identity of this individual.

OMB Circular A-122 requires that costs be documented to show that they are *necessary*, *reasonable*, and *allocable* to the grant program to be allowable. The above costs have not met that standard. Therefore, the costs discussed above are questioned.

In Our Draft Report, We Recommended

We recommended that the Assistant Secretary for Employment and Training disallow the \$92,063 unless the Association can provide sufficient, *bona fide* documentation that these costs were necessary, reasonable, and applicable to the administration of the STEP. In lieu of such documentation, we recommended these questionable costs be recovered in cash as opposed to administrative offset against any future State SCSEP grants.

Auditee's Response to Our Draft Report

The Association stated it had no documentation to support these payments.

OIG's Conclusion

Our recommendation remains unchanged.

5. The Association Used Excess Grant Funds to Pay STEP Staff Members \$131,989 More Than the Salaries Authorized in Its Grants.

While reviewing the STEP Federal general ledgers for unusual transactions for our 5-year audit period, we identified \$131,989 of STEP staff salary payments other than biweekly salary payments. These payments were not part of the negotiated agreement between TWC and the Association nor were they mentioned in the employee handbook. These payments were not approved by the Association’s board of directors although the president’s signature was on each check. The payments are broken down into the following four categories:

End of program year bonuses	\$38,670
Christmas bonuses	\$28,233
Accrued vacation time	\$47,188
Unused sick leave	\$17,898

A. Bonus Payments

Over a 5-year period, \$38,670 was paid to staff from funds that were not obligated or spent at the end of various program years. These payments distributed unspent personnel services funds to STEP staff in various salary categories.

For example, if unspent salary funds existed in the “personnel salaries – job developer/safety manager” expense category at the end of June, the funds were disbursed as salary payments to STEP staff. Administrative staff such as the executive director and his administrative assistant received payroll checks from the “personnel salaries – job developer/safety manager” expense category even though they did not perform those job duties. Other staff received additional payments under similar circumstances. None of these payments appeared to have been approved by the Association’s board of directors.

An additional \$28,233 of salary payments outside the biweekly payrolls were made to certain staff around December 15, we assume as Christmas bonuses. These extra payments also were not approved by the Association’s board of directors.

STEP’s former executive director negotiated with the TWC on the budget and funding needed to effectively administer the program each year based on STEP’s proposed operating costs. STEP knowingly provided inaccurate cost data during the negotiations with TWC. The former executive director continuously overstated the number of staff necessary to administer the program in the budget negotiations. Consequently, excessive salary monies were available each year to make these extra payments to certain staff.

B. Buy Back of Annual and Sick Leave

During the audit period, \$65,085 of STEP funds was used to buy back employees' unused sick and annual leave despite personnel policies that prohibit that action. The employees' handbook indicates the only time employees will be paid for unused leave would be at the time of termination, yet, none of the payments were made because of an employee's termination. The Association paid employees \$47,188 for unused annual leave and \$17,898 for unused sick leave. These payments were generally made at the end of June when the unused leave would be forfeited.

Page 8 of the Senior Texans Employment Program Employees Handbook establishes the rules for vacation pay.

All vacation time up to the four (4) weeks maximum shall be considered fully earned on December 31 of each calendar year, but the employee will be allowed a grace period of six (6) months to take accumulated vacation. Each June 30, the unused vacation carried forward from the prior year shall be forfeited.

* * * * *

Pay will not be allowed in lieu of the employee foregoing vacation.

Page 10 of the Handbook provides the following about paying employees for sick leave following termination:

Upon termination, you will receive one-half of a normal work day's pay for each day remaining in your sick leave reserve.

We found two checks written to Robert Girard on July 22, 1994 (number 1086), and July 29, 1994 (number 1051), for \$7,176.10 each (gross amount before deductions was \$10,784.64 for each check). Accounting documentation indicated that the first of the two checks (1086) was charged as vacation pay. Mr. Girard's salary was approximately \$20.00 per hour so the payment he received on check 1086 would have covered 548 hours of accrued vacation. However, the maximum vacation that would have been available at the time, according to personnel policies, would have been 240 hours – 160 carried over from the prior year and the 80 hours earned in the first 6 months of 1994. No explanation was provided as to why he was paid for 308 hours (\$6,160) of vacation pay more than the maximum that could have accrued during the 18-month period. Nevertheless, lump sum payment for vacation time is not allowable except at termination. No documentation was found for the second check (1051). The bank statement as of July 29, 1994, shows the bank paid both checks during July (25 and 29).

An account payable for \$21,569 (\$10,784.64 x 2 checks paid in July 1994) was created for the June 30, 1994, end-of-year books to establish the debt for these payments to Mr. Girard.

Other staff members were also paid for unused vacation or sick leave that was in violation of STEP policies and procedures. However, as STEP's executive director Mr. Girard was aware of the policies and should not have authorized these payments since the Association had not changed the policies during the audit period.

In Our Draft Report, We Recommended

We recommended that the Assistant Secretary for Employment and Training disallow the \$131,989³ unless the Association can provide sufficient, *bona fide* documentation that these costs were necessary, reasonable, and applicable to the STEP's administration. In lieu of such documentation, we recommended these questionable costs be recovered in cash as opposed to administrative offset against any future State SCSEP grants.

Auditee's Response to Our Draft Report

The Association stated it could not find any documentation that the Association's Board of Directors or President has put into the minutes or by-laws that Christmas bonuses would be given. However, each year the President of Texas Farmers Union would give the Christmas bonus checks with the Christmas card to each employee. Therefore, the STEP requests that the \$28,233 for Christmas bonuses be removed from the questioned costs.

No comments were provided regarding the remaining costs except as described in footnote 3 below.

OIG's Conclusion

Regarding the Christmas bonuses, the STEP's contract budgets with the TWC do not provide for Christmas bonuses, indicating they were not a planned expenditure. Furthermore, the STEP officials stated they could not find any documentation that the Association's Board of Directors or President of Texas Farmers Union has put into the minutes or by-laws that Christmas bonuses would be given. No provision of OMB Circular A-122, paragraph 7, "Compensation for personal services," provides for bonuses based on holidays.

Our recommendation remains unchanged.

³ The draft report questioned \$134,954. However, in response to the draft report, the grantee explained that a \$2,965 questioned salary payment for one employee was payment of termination leave. That costs has been removed from the report's questioned costs.

6. STEP's Former Executive Director Diverted \$5,062 of STEP Grant Funds for His Personal Use.

On two occasions Mr. Robert Girard directed the program to write STEP checks totaling \$5,062 that he used to open a brokerage account in his name and to pay a personal debt.

Brokerage Account

On July 11, 1997, Mr. Girard opened a brokerage account with Schroder Wertheim & Co., Inc. On the same day, Mr. Girard authorized a payment to Schroder Wertheim & Co., for **\$2,812.50**. The check authorization document describes the payment as being for "Safety Training - Workers Comp. legal issues training, \$2,800.00," and "Freight, \$12.50." The cancelled check (No. 001023) and the brokerage account statement shows that the check was deposited into Mr. Girard's brokerage account on July 14, 1997. The funds were used to buy 100 shares of Golden St. Bankcorp stock on July 15, 1997. On June 29, 1998, the shares were sold for a profit and a check for \$3,108.60 was mailed to Mr. Girard. On July 15, 1998, Mr. Girard deposited \$2,000 of the check into his personal checking account and received cash of \$1,108.60.

Payment of Personal Debt

On April 7, 1998, a letter, supposedly from the People's Garden manager, was sent to Mr. Robert Girard, STEP's executive director stating that additional funding of **\$2,250** was needed to provide intensive daily supervision and training to five STEP enrollees assigned to the garden.

The letter requesting the additional funds was written to appear that the People's Garden manager (at that time) composed and signed the letter. However, the People's Garden former manager advised that he did not write or sign the letter. He further advised that he had not seen the letter until after Mr. Girard was terminated from the STEP in May 1999.

The People's Garden former manager also stated that in addition to his signature being forged on the letter, the contents of the letter were false. Intensive supervision or training was never provided to STEP enrollees working at the garden. Furthermore, only two, not five, enrollees were working at the garden at the time the letter was written.

Mr. Girard approved the payment for these fictitious "intensive supervision and training" services, and on June 30, 1998 -- the last day of the program year -- a \$2,250 check was written to the People's Garden. The check was deposited into the People's Garden checking account on August 14, 1998. On August 18, 1998, a \$2,740 a People's Garden check -- made payable to the Norwest Bank Waco -- was deposited into Mr. Girard's personal checking account. On that same day, Mr. Girard wrote a personal check for \$2,600 to Norwest Bank Waco to pay off a personal vehicle loan.

OMB Circular A-122 requires that costs must be *necessary, reasonable, and allocable* to the grant program to be allowable. These "personal" costs do not meet this standard.

In Our Draft Report, We Recommended

We recommended that the Assistant Secretary for Employment and Training disallow the \$5,062 of the former executive director's personal expenses. We recommended these unallowable costs be recovered in cash as opposed to administrative offset against any future State SCSEP grants.

Auditee's Response to Our Draft Report

The Association stated it could find no documentation or reasons for the checks that were issued.

OIG's Conclusion

Our recommendation remains unchanged.

AUDITEE'S RESPONSE TO DRAFT REPORT

(Attachments to response are on file in the
Dallas Regional Audit Office)

FARMERS UNION
COMMUNITY DEVELOPMENT ASSOCIATION, INC.

**Senior
Texans
Employment
Program**



STATE OFFICE
P.O. BOX 7188
WACO, TEXAS 76714-7188
254/776-7002

March 3, 2003

John F. Riggs
Regional Inspector General for Audit
525 Griffin St., Room 415
Dallas, TX 75202

Dear Mr. Riggs:

After reviewing the draft report for the period of July 1, 1994, through June 30, 1999, we found only a few areas in which we will be able to provide information requesting changes to the Audit Findings. The following is a list of requested changes and documentation, for your consideration.

1. Clerical error in Volume 1, page 2, Finding 5, Texas Rural Communities (TWC) should be **Texas Workforce Commission (TWC)**.
2. On February 15, 2001 we received a Final Determination from the Texas Workforce Commission on our Audit for July 1, 1998 through June 30, 1999. This Final Determination and copies of checks, first issued to U.S. Department of Labor and then reissued to the Texas Workforce Commission along with correspondence are attached. Our check in the amount of \$33,315.00 was first issued on April 27, 2001 and reissued on May 4, 2001. The \$33,315.00 was determined by TWC as disallowed costs and we feel that our Financial-Related Audit, Report # 06-03-003-03-360 should be reduced by the \$33,315.00 already paid. News article attached.
3. Since Mr. Robert L. Girard was sentenced and fined \$119,729.89 in restitution to the federal government, will this amount be subtracted from the \$571,645.00 of unallowable or questionable costs defined in this audit?
4. In **Finding #1** we also are unable to find any documentation to support these charges. We are attempting to match other employees travel records to establish justification for some of the expenses Mr. Girard did not document. We are also working with DOL to establish trips that Mr. Girard took in connection to presentation for DOL and other National Grantees.
5. In **Finding #2** we are unable to justify any payment of expenses for the People's Garden.
6. In **Finding #3** we have received information from Heartland Lloyds Insurance Company that 5 of the 10 checks listed were Deputy Attorney-in-Fact Fees and not refunds. We are attaching the list of 5 checks, listed as Deputy Attorney-in-Fact Fee and a copy of the original Contract for Services of a Deputy Attorney-in-Fact dated

Funded Through Texas Workforce Commission

July 18, 1994 and signed by Robert Girard, Executive Director and Philip W. Barnes, President Heartland Lloyds Insurance Company. The check for Deputy Attorney-in-Fact Fees amounts to \$73,286.58 and we feel that this amount should be subtracted from the Audit total.

7. In **Finding #4** we have no documentation to support payments made to various individuals and organizations with STEP funds.
8. In **Finding #5** we would like to argue that the Christmas bonuses should be allowed. We have not been able to find any documentation that the Board of Directors for FUCDA or the President of Texas Farmers Union has put into the minutes or the by-laws that Christmas bonuses would be given. However, each year the President of Texas Farmers Union would give the Christmas bonus checks with the Christmas card to each employee. I have been with STEP as a Field Supervisor for 10 years and Director for 3 years and have always received Christmas bonuses from the President of Texas Farmers Union. Christmas bonuses amount to \$28,233.42 and we feel that this amount should be subtracted from the Audit total.
9. Also in **Finding #5** there is one entry for Ms. Irene Higdon, Check #1091, 07/22/94, which is a termination payoff of vacation, up to 160 hours and half of her sick leave, up to a maximum of 450 hours. This amounts to \$2,965.36 which we feel should be subtracted from the total of \$571,645.00.
10. In **Finding #6** we are unable to find any documentation or reason for the checks that were issued.

We will continue to search for correlating alternative documentation, in an attempt to verify that some of the expenses charged on Mr. Girard's personal and STEP credit cards, were work related.

We would like to thank you for the professionalism that your staff exhibited during the entire audit process.

If we can be of further assistance, please do not hesitate to contact us.

Sincerely,



Wes Cowan, Executive Director
SENIOR TEXANS EMPLOYMENT PROGRAM

Cc Cassie Carlson-Reed, TWC Executive Director
Emily Stover DeRocco, Assistant Secretary for Employment and Training
Joseph Juarez, ETA Regional Administrator
Wes Sims, President Texas Farmers Union